ENTRAVISION COMMUNICATIONS CORP
Form 10-Q
August 05, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE QUARTERLY PERIOD ENDED June 30, 2016

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-15997

ENTRAVISION COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	95-4783236
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2425 Olympic Boulevard, Suite 6000 West

Santa Monica, California 90404

(Address of principal executive offices) (Zip Code)

(310) 447-3870

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

As of August 1, 2016, there were 65,257,179 shares, $0.0001 par value per share, of the registrant's Class A common stock outstanding, 14,927,613 shares, $0.0001 par value per share, of the registrant's Class B common stock outstanding and 9,352,729 shares, $0.0001 par value per share, of the registrant's Class U common stock outstanding.

ENTRAVISION COMMUNICATIONS CORPORATION

FORM 10-Q FOR THE THREE- AND SIX-MONTH PERIODS ENDED JUNE 30, 2016

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Forward-Looking Statements

This document contains “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are “forward-looking statements” for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words “may,” “could,” “will,” “estimate,” “intend,” “continue,” “believe,” “expec “anticipate” or other similar words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by the federal securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. Some of the key factors impacting these risks and uncertainties include, but are not limited to:

- risks related to our substantial indebtedness or our ability to raise capital;
- provisions of our debt instruments, including the agreement dated as of May 31, 2013, or the 2013 Credit Agreement, which governs our current credit facility, or the 2013 Credit Facility, the terms of which restrict certain aspects of the operation of our business;
- our continued compliance with all of our obligations, including financial covenants and ratios, under the 2013 Credit Agreement;
- cancellations or reductions of advertising due to the then current economic environment or otherwise;
- advertising rates remaining constant or decreasing;
- rapid changes in digital media advertising;
- the impact of rigorous competition in Spanish-language media and in the advertising industry generally;
- the impact on our business, if any, as a result of changes in the way market share is measured by third parties;
- our relationship with Univision Communications Inc., or Univision;
- the extent to which we continue to generate revenue under retransmission consent agreements;
- subject to restrictions contained in the 2013 Credit Agreement, the overall success of our acquisition strategy and the integration of any acquired assets with our existing operations;
- industry-wide market factors and regulatory and other developments affecting our operations;
- economic uncertainty;
- the impact of any potential future impairment of our assets;
- risks related to changes in accounting interpretations; and
- the impact, including additional costs, of mandates and other obligations that may be imposed upon us as a result of new federal healthcare laws, including the Affordable Care Act, the rules and regulations promulgated thereunder and any executive action with respect thereto.

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see the section entitled “Risk Factors,” beginning on page 28 of our Annual Report on Form 10-K for the year ended December 31, 2015.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share data)

	June 30, 2016	December 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	$31,431	$47,924
Short-term investments	30,000	—
Trade receivables, net of allowance for doubtful accounts of $2,928 and $3,040 (including related parties of $5,309 and $5,534)	61,037	66,399
Prepaid expenses and other current assets (including related parties of $274 and $274)	5,728	5,705
Total current assets	128,196	120,028
Property and equipment, net of accumulated depreciation of $200,310 and $198,282	56,312	57,874
Intangible assets subject to amortization, net of accumulated amortization of $80,002 and $78,234 (including related parties of $12,758 and $13,918)	14,889	16,656
Intangible assets not subject to amortization	220,701	220,701
Goodwill	50,081	50,081
Deferred income taxes	53,348	57,929
Other assets	1,738	1,693
Total assets	$525,265	$524,962
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$3,750	$3,750
Accounts payable and accrued expenses (including related parties of $4,019 and $3,791)	25,843	29,787
Total current liabilities	29,593	33,537
Long-term debt, less current maturities, net of unamortized debt issuance costs of $2,880 and $3,226	308,058	309,587
Other long-term liabilities	15,308	14,565
Total liabilities	352,959	357,689
Commitments and contingencies (note 4)		
Stockholders' equity		
Class A common stock, $0.0001 par value, 260,000,000 shares authorized; shares issued and outstanding 2016 65,195,596; 2015 64,477,171	6	6

Class B common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2016 and 2015 14,927,613	2	2
Class U common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2016 and 2015 9,352,729	1	1
Additional paid-in capital	907,820	910,228
Accumulated deficit	(730,863)	(738,849)
Accumulated other comprehensive income (loss)	(4,660)	(4,115)
Total stockholders' equity	172,306	167,273
Total liabilities and stockholders' equity	$525,265	$524,962

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share data)

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2016	2015	2016	2015
Net revenue	$64,829	$59,891	$122,942	$119,441
Expenses:				
Cost of revenue - digital media	2,373	1,392	4,212	2,752
Direct operating expenses (including related parties of $2,536, $2,255, $4,847 and $4,422) (including non-cash stock-based compensation of $300, $348, $621 and $706)	28,538	27,044	56,103	53,729
Selling, general and administrative expenses	11,410	10,484	22,845	20,985
Corporate expenses (including non-cash stock-based compensation of $644, $592, $1,269 and $1,101)	5,293	5,050	10,897	10,043
Depreciation and amortization (includes direct operating of $2,294, $2,555, $4,749 and $5,118; selling, general and administrative of $1,230, $1,046, $2,429 and $2,105 and corporate of $361, $357, $734 and $697) (including related parties of $580, $580, $1,160 and $1,161)	3,885	3,958	7,912	7,920
	51,499	47,928	101,969	95,429
Operating income	13,330	11,963	20,973	24,012
Interest expense	(3,859)	(3,256)	(7,725)	(6,483)
Interest income	118	11	125	19
Income before income taxes	9,589	8,718	13,373	17,548
Income tax (expense) benefit	(3,872)	(3,477)	(5,386)	(7,023)
Net income	$5,717	$5,241	$7,987	$10,525
Basic and diluted earnings per share:				
Net income per share, basic and diluted	$0.06	$0.06	$0.09	$0.12
Cash dividends declared per common share	$0.03	$0.03	$0.06	$0.05
Weighted average common shares outstanding, basic	89,134,412	87,832,430	89,015,934	87,682,734
Weighted average common shares outstanding, diluted	91,140,596	90,091,735	91,036,353	90,089,679

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (UNAUDITED)

(In thousands, except share and per share data)

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2016	2015	2016	2015
Net income	$5,717	$5,241	$7,987	$10,525
Other comprehensive income (loss), net of tax:				
Change in fair value of interest rate swap agreements	86	(26)	(546)	(1,196)
Total other comprehensive income (loss)	86	(26)	(546)	(1,196)
Comprehensive income	$5,803	$5,215	$7,441	$9,329

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Six-Month Period Ended June 30, 2016	Six-Month Period Ended June 30, 2015
Cash flows from operating activities:		
Net income	$7,987	$10,525
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,912	7,920
Deferred income taxes	4,922	6,370
Amortization of debt issue costs	384	393
Amortization of syndication contracts	190	171
Payments on syndication contracts	(183)	(246)
Non-cash stock-based compensation	1,890	1,807
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	5,583	11,418
(Increase) decrease in prepaid expenses and other assets	(383)	(283)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(3,876)	(4,204)
Net cash provided by operating activities	24,426	33,871
Cash flows from investing activities:		
Purchases of short-term investments	(30,000)	—
Purchases of property and equipment and intangibles	(4,745)	(8,583)
Net cash used in investing activities	(34,745)	(8,583)
Cash flows from financing activities:		
Proceeds from stock option exercises	1,270	1,581
Payments on long-term debt	(1,875)	(1,875)
Dividends paid	(5,569)	(4,388)
Payment of contingent consideration	—	(1,000)
Net cash used in financing activities	(6,174)	(5,682)
Net increase (decrease) in cash and cash equivalents	(16,493)	19,606
Cash and cash equivalents:		
Beginning	47,924	31,260
Ending	$31,431	$50,866
Supplemental disclosures of cash flow information:		
Cash payments for:		
Interest	$7,341	$6,090
Income taxes	$464	$653

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

JUNE 30, 2016

1. BASIS OF PRESENTATION

Presentation

The consolidated financial statements included herein have been prepared by Entravision Communications Corporation (the “Company”), pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been omitted pursuant to such rules and regulations. These consolidated financial statements and notes thereto should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2015 included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015. The unaudited information contained herein has been prepared on the same basis as the Company’s audited consolidated financial statements and, in the opinion of the Company’s management, includes all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information for the periods presented. The interim results presented herein are not necessarily indicative of the results of operations that may be expected for the full fiscal year ending December 31, 2016 or any other future period.

Certain amounts in the Company’s prior period consolidated financial statements and notes to the financial statements have been reclassified to conform to current period presentation.

2. THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Company is a leading media company that reaches and engages Hispanics in the United States and certain border markets of Mexico across media channels and advertising platforms. The Company’s expansive portfolio encompasses integrated marketing and media solutions, comprised of television, radio and digital properties and data analytics services.

Revenue Recognition

Television and radio revenue related to the sale of advertising is recognized at the time of broadcast. Revenue for contracts with advertising agencies is recorded at an amount that is net of the commission retained by the agency. Revenue from contracts directly with the advertisers is recorded at gross revenue and the related commission or national representation fee is recorded in operating expense. Cash payments received prior to services rendered result in deferred revenue, which is then recognized as revenue when the advertising time or space is actually provided. Digital related revenue is recognized when display or other digital advertisements record impressions on the websites of the Company’s third-party publishers.

The Company generates revenue under arrangements that are sold on a stand-alone basis within a specific segment, and those that are sold on a combined basis across multiple segments. The Company has determined that in such revenue arrangements which contain multiple products and services, revenues are allocated based on the relative fair value of each delivered item and recognized in accordance with the applicable revenue recognition criteria for the specific unit of accounting.

In August 2008, the Company entered into a proxy agreement with Univision pursuant to which the Company granted Univision the right to negotiate retransmission consent agreements for its Univision- and UniMás-affiliated television station signals. Advertising related to carriage of the Company's Univision- and UniMás-affiliated television station signals is recognized at the time of broadcast. See more details under the Related Party section below.

The Company also generates revenue from agreements associated with television stations in order to accommodate the operations of telecommunications operators. Revenue from such agreements is recognized when the Company has relinquished all rights to operate the station on the existing channel free from interference to the telecommunications operators.

Related Party

Substantially all of the Company's stations are Univision- or UniMás-affiliated television stations. The Company's network affiliation agreements, as amended, with Univision provide certain of its owned stations the exclusive right to broadcast Univision's primary network and UniMás network programming in their respective markets. These long-term affiliation agreements each expire in 2021, and can be renewed for multiple, successive two-year terms at Univision's option, subject to the Company's consent. Under the

Univision network affiliation agreement, the Company retains the right to sell approximately six minutes per hour of the available advertising time on Univision's primary network, subject to adjustment from time to time by Univision, but in no event less than four minutes. Under the UniMás network affiliation agreement, the Company retains the right to sell approximately four and a half minutes per hour of the available advertising time the UniMás network, subject to adjustment from time to time by Univision.

Under the network affiliation agreements, Univision acts as the Company's exclusive sales representative for the sale of national advertising on the Company's Univision- and UniMás-affiliate television stations, and the Company pays certain sales representation fees to Univision relating to sales of all advertising for broadcast on the Company's Univision- and UniMás-affiliate television stations. During the three-month periods ended June 30, 2016 and 2015, the amount the Company paid Univision in this capacity was $2.5 million and $2.3 million, respectively. During the six-month periods ended June 30, 2016 and 2015, the amount the Company paid Univision in this capacity was $4.8 million and $4.4 million, respectively.

The Company also generates revenue under two marketing and sales agreements with Univision, which give the Company the right through 2021 to manage the marketing and sales operations of Univision-owned UniMás and Univision affiliates in six markets – Albuquerque, Boston, Denver, Orlando, Tampa and Washington, D.C.

In August 2008, the Company entered into a proxy agreement with Univision pursuant to which the Company granted Univision the right to negotiate the terms of retransmission consent agreements for its Univision- and UniMás-affiliated television station signals for a term of six years, expiring in December 2014, which Univision and the Company have extended through August 31, 2016. Among other things, the proxy agreement provides terms relating to compensation to be paid to the Company by Univision with respect to retransmission consent agreements entered into with Multichannel Video Programming Distributors ("MVPDs"). As of June 30, 2016, the amount due to the Company from Univision was $5.3 million related to the agreements for the carriage of its Univision and UniMás-affiliated television station signals. The term of the proxy agreement extends with respect to any MVPD for the length of the term of any retransmission consent agreement in effect before the expiration of the proxy agreement.

Univision currently owns approximately 10% of the Company's common stock on a fully-converted basis. The Class U common stock held by Univision has limited voting rights and does not include the right to elect directors. As the holder of all of the Company's issued and outstanding Class U common stock, so long as Univision holds a certain number of shares, the Company will not, without the consent of Univision, merge, consolidate or enter into another business combination, dissolve or liquidate the Company or dispose of any interest in any Federal Communications Commission, or FCC, license for any of its Univision-affiliated television stations, among other things. Each share of Class U common stock is automatically convertible into one share of Class A common stock (subject to adjustment for stock splits, dividends or combinations) in connection with any transfer to a third party that is not an affiliate of Univision.

Stock-Based Compensation

The Company measures all stock-based awards using a fair value method and recognizes the related stock-based compensation expense in the consolidated financial statements over the requisite service period. As stock-based compensation expense recognized in the Company's consolidated financial statements is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures.

Stock-based compensation expense related to grants of stock options and restricted stock units was $0.9 million for each of the three-month periods ended June 30, 2016 and 2015. Stock-based compensation expense related to grants of stock options and restricted stock units was $1.9 million and $1.8 million for the six-month periods ended June 30, 2016 and 2015, respectively.

Stock Options

Stock-based compensation expense related to stock options is based on the fair value on the date of grant using the Black-Scholes option pricing model and is amortized over the vesting period, generally between 1 to 4 years.

As of June 30, 2016, there was approximately $0.4 million of total unrecognized compensation expense related to grants of stock options that is expected to be recognized over a weighted-average period of 1.3 years.

Restricted Stock Units

Stock-based compensation expense related to restricted stock units is based on the fair value of the Company’s stock price on the date of grant and is amortized over the vesting period, generally between 1 to 4 years.

The following is a summary of non-vested restricted stock units granted (in thousands, except grant date fair value data):

	Six-Month Period Ended June 30, 2016	
	Number Granted	Weighted-Average Fair Value
Restricted stock units	62	$ 7.25

As of June 30, 2016, there was approximately $3.5 million of total unrecognized compensation expense related to grants of restricted stock units that is expected to be recognized over a weighted-average period of 1.5 years.

Certain of the Company’s management-level employees were granted performance stock units that are contingent upon achievement of specified pre-established performance goals over the performance period, which is fiscal year 2016, and vesting period of three years, subject to the recipient's continued service with the Company. The performance goals are based on achievement of net revenue and/or EBITDA goals. Depending on the outcome of the performance goals, the recipient may ultimately earn performance restricted stock units between 0% and 200% of the number of performance restricted stock units granted. For the three- and six-month periods ended June 30, 2016, there was no share-based compensation expense related to performance restricted stock units.

Income (Loss) Per Share

The following table illustrates the reconciliation of the basic and diluted income (loss) per share computations required by Accounting Standards Codification (ASC) 260-10, “Earnings per Share” (in thousands, except share and per share data):

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2016	2015	2016	2015
Basic earnings per share:				
Numerator:				
Net income	$5,717	$5,241	$7,987	$10,525
Denominator:				
Weighted average common shares outstanding	89,134,412	87,832,430	89,015,934	87,682,734
Per share:				
Net income per share	$0.06	$0.06	$0.09	$0.12
Diluted earnings per share:				
Numerator:				
Net income	$5,717	$5,241	$7,987	$10,525

Denominator:				
Weighted average common shares outstanding	89,134,412	87,832,430	89,015,934	87,682,734
Dilutive securities:				
Stock options and restricted stock units	2,006,184	2,259,305	2,020,419	2,406,945
Diluted shares outstanding	91,140,596	90,091,735	91,036,353	90,089,679
Per share:				
Net income per share	$0.06	$0.06	$0.09	$0.12

Basic income (loss) per share is computed as net income (loss) divided by the weighted average number of shares outstanding for the period. Diluted income (loss) per share reflects the potential dilution, if any, that could occur from shares issuable through stock options and restricted stock awards.

For the three- and six-month periods ended June 30, 2016, a total of 28,997 and 42,486 shares of dilutive securities, respectively, were not included in the computation of diluted income per share because the exercise prices of the dilutive securities were greater than the average market price of the common shares.

For the three- and six-month periods ended June 30, 2015, a total of 34,708 and 71,104 shares of dilutive securities, respectively, were not included in the computation of diluted income per share because the exercise prices of the dilutive securities were greater than the average market price of the common shares.

Treasury Stock

On August 18, 2014, the Board of Directors approved a share repurchase program of up to $10.0 million of the Company’s outstanding common stock. On November 25, 2014, the Board of Directors approved an extension of the share repurchase program with a repurchase authorization of up to an additional $10.0 million of the Company’s outstanding common stock, for a total repurchase authorization of up to $20.0 million. Under the share repurchase program the Company is authorized to purchase shares from time to time through open market purchases or negotiated purchases, subject to market conditions and other factors. The share repurchase program may be suspended or discontinued at any time without prior notice.

Treasury stock is included as a deduction from equity in the Stockholders’ Equity section of the Consolidated Balance Sheets.

The Company did not repurchase shares during the six-month period ended June 30, 2016. As of June 30, 2016, the Company repurchased to date a total of approximately 2.5 million shares of Class A common stock at an average price of $5.08 since the beginning of this program, for an aggregate purchase price of approximately $12.5 million. All repurchased shares were retired as of December 31, 2014.

Short-Term Investment

During the six-month period ended June 30, 2016, the Company entered into an agreement with a financial institution to purchase a six-month certificate of deposit for $30.0 million, which was recorded in "Short-term investments" on the consolidated balance sheets.

2013 Credit Facility

On May 31, 2013, the Company entered into the 2013 Credit Facility pursuant to the 2013 Credit Agreement. The 2013 Credit Facility consists of a $20.0 million senior secured Term Loan A Facility (the “Term Loan A Facility”), a $375.0 million senior secured Term Loan B Facility (the “Term Loan B Facility”, and together with the Term Loan A Facility, the “Term Loan Facilities”) which was drawn on August 1, 2013 (the “Term Loan B Borrowing Date”), and a $30.0 million senior secured Revolving Credit Facility (the “Revolving Credit Facility”). In addition, the 2013 Credit Facility provides that the Company may increase the aggregate principal amount of the 2013 Credit Facility by up to an additional $100.0 million, subject to the Company satisfying certain conditions.

Borrowings under the Term Loan A Facility were used on the closing date of the 2013 Credit Facility (the “Closing Date”) (together with cash on hand) to (a) repay in full all of the outstanding obligations of the Company and its subsidiaries under the then outstanding credit facility, and (b) pay fees and expenses in connection with the 2013 Credit Facility. As discussed in more detail below, on August 1, 2013, the Company drew on the Company’s Term Loan B Facility to (a) repay in full all of the outstanding loans under the Term Loan A Facility and (b) redeem in full all of the Company's then outstanding notes (the "Notes"). The Company intends to use any future borrowings under the Revolving Credit Facility to provide for working capital, capital expenditures and other general corporate purposes of the Company and from time to time fund a portion of certain acquisitions, in each case subject to the terms and conditions set forth in the 2013 Credit Agreement.

The 2013 Credit Facility is guaranteed on a senior secured basis by all of the Company's existing and future wholly-owned domestic subsidiaries (the "Credit Parties"). The 2013 Credit Facility is secured on a first priority basis by the Company's and the Credit Parties' assets. Upon the redemption of the Notes, the security interests and guaranties of the Company and its Credit Parties under the indenture governing the Notes (the "Indenture"), and the Notes were terminated and released.

The Company's borrowings under the 2013 Credit Facility bear interest on the outstanding principal amount thereof from the date when made at a rate per annum equal to either: (i) the Base Rate (as defined in the 2013 Credit Agreement) plus the Applicable Margin (as defined in the 2013 Credit Agreement); or (ii) LIBOR (as defined in the 2013 Credit Agreement) plus the Applicable Margin (as defined in the 2013 Credit Agreement). As of June 30, 2016, the Company's effective interest rate was 3.5%. The Term Loan A Facility expired on the Term Loan B Borrowing Date, which was August 1, 2013. The Term Loan B Facility expires on

May 31, 2020 (the “Term Loan B Maturity Date”) and the Revolving Credit Facility expires on May 31, 2018 (the “Revolving Loan Maturity Date”).

As defined in the 2013 Credit Facility, “Applicable Margin” means:

(a) with respect to the Term Loans (i) if a Base Rate Loan, one and one half percent (1.50%) per annum and (ii) if a LIBOR Rate Loan, two and one half percent (2.50%) per annum; and

(b) with respect to the Revolving Loans:

(i) for the period commencing on the Closing Date through the last day of the calendar month during which financial statements for the fiscal quarter ending September 30, 2013 are delivered: (A) if a Base Rate Loan, one and one half percent (1.50%) per annum and (B) if a LIBOR Rate Loan, two and one half percent (2.50%) per annum; and

(ii) thereafter, the Applicable Margin for the Revolving Loans shall equal the applicable LIBOR margin or Base Rate margin in effect from time to time determined as set forth below based upon the applicable First Lien Net Leverage Ratio then in effect pursuant to the appropriate column under the table below:

First Lien Net Leverage Ratio	LIBOR Margin		Base Rate Margin	
³ 4.50 to 1.00	2.50	%	1.50	%
< 4.50 to 1.00	2.25	%	1.25	%

In the event the Company engages in a transaction that has the effect of reducing the yield of any loans outstanding under the Term Loan B Facility within six months of the Term Loan B Borrowing Date, the Company will owe 1% of the amount of the loans so repriced or replaced to the Lenders thereof (such fee, the “Repricing Fee”). Other than the Repricing Fee, the amounts outstanding under the 2013 Credit Facility may be prepaid at the option of the Company without premium or penalty, provided that certain limitations are observed, and subject to customary breakage fees in connection with the prepayment of a LIBOR rate loan. The principal amount of the (i) Term Loan A Facility shall be paid in full on the Term Loan B Borrowing Date, (ii) Term Loan B Facility shall be paid in installments on the dates and in the respective amounts set forth in the 2013 Credit Agreement, with the final balance due on the Term Loan B Maturity Date and (iii) Revolving Credit Facility shall be due on the Revolving Loan Maturity Date.

Subject to certain exceptions, the 2013 Credit Agreement contains covenants that limit the ability of the Company and the Credit Parties to, among other things:

- incur additional indebtedness or change or amend the terms of any senior indebtedness, subject to certain conditions;
- incur liens on the property or assets of the Company and the Credit Parties;
- dispose of certain assets;
- consummate any merger, consolidation or sale of substantially all assets;
- make certain investments;
- enter into transactions with affiliates;
- use loan proceeds to purchase or carry margin stock or for any other prohibited purpose;
- incur certain contingent obligations;
- make certain restricted payments; and
- enter new lines of business, change accounting methods or amend the organizational documents of the Company or any Credit Party in any materially adverse way to the agent or the lenders.

The 2013 Credit Agreement also requires compliance with a financial covenant related to total net leverage ratio (calculated as set forth in the 2013 Credit Agreement) in the event that the revolving credit facility is drawn.

The 2013 Credit Agreement also provides for certain customary events of default, including the following:

- default for three (3) business days in the payment of interest on borrowings under the 2013 Credit Facility when due;
- default in payment when due of the principal amount of borrowings under the 2013 Credit Facility;

- failure by the Company or any Credit Party to comply with the negative covenants, financial covenants (provided, that, an event of default under the Term Loan Facilities will not have occurred due to a violation of the financial covenants until the revolving lenders have terminated their commitments and declared all obligations to be due and payable), and certain other covenants relating to maintenance of customary property insurance coverage, maintenance of books and accounting records and permitted uses of proceeds from borrowings under the 2013 Credit Facility, each as set forth in the 2013 Credit Agreement;
- failure by the Company or any Credit Party to comply with any of the other agreements in the 2013 Credit Agreement and related loan documents that continues for thirty (30) days (or ten (10) days in the case of certain financial statement delivery obligations) after officers of the Company first become aware of such failure or first receive written notice of such failure from any lender;
- default in the payment of other indebtedness if the amount of such indebtedness aggregates to $15.0 million or more, or failure to comply with the terms of any agreements related to such indebtedness if the holder or holders of such indebtedness can cause such indebtedness to be declared due and payable;
- failure of the Company or any Credit Party to pay, vacate or stay final judgments aggregating over $15.0 million for a period of thirty (30) days after the entry thereof;
- certain events of bankruptcy or insolvency with respect to the Company or any Credit Party;
- certain change of control events;
- the revocation or invalidation of any agreement or instrument governing the Notes or any subordinated indebtedness, including the Intercreditor Agreement; and
- any termination, suspension, revocation, forfeiture, expiration (without timely application for renewal) or material adverse amendment of any material media license.

In connection with the Company entering into the 2013 Credit Agreement, the Company and the Credit Parties also entered into an Amended and Restated Security Agreement, pursuant to which the Company and the Credit Parties each granted a first priority security interest in the collateral securing the 2013 Credit Facility for the benefit of the lenders under the 2013 Credit Facility.

On August 1, 2013, the Company drew on borrowings under the Company's Term Loan B Facility. The borrowings were used to (i) repay in full all of the outstanding loans under the Company's Term Loan A Facility; (ii) redeem in full and terminate all of its outstanding obligations (the "Redemption") on August 2, 2013 (the "Redemption Date") under the Indenture, in an aggregate principal amount of approximately $324 million, and (iii) pay any fees and expenses in connection therewith. The redemption price for the redeemed Notes was 106.563% of the principal amount, plus accrued and unpaid interest thereon to the Redemption Date.

The Redemption constituted a complete redemption of the then outstanding Notes, such that no amount remained outstanding following the Redemption. Accordingly, the Indenture has been satisfied and discharged in accordance with its terms and the Notes have been cancelled, effective as of the Redemption Date. The Company recorded a loss on debt extinguishment of $29.7 million, primarily due to the premium associated with the redemption of the Notes, the unamortized bond discount and finance costs.

On December 31, 2015, the Company made a prepayment of $20.0 million to reduce the amount of loans outstanding under the Term Loan B Facility.

On December 30, 2014, the Company made a prepayment of $20.0 million to reduce the amount of loans outstanding under the Term Loan B Facility.

On December 31, 2013, the Company made a prepayment of $10.0 million to reduce the amount of loans outstanding under the Term Loan B Facility.

The carrying amount of the Term Loan B Facility as of June 30, 2016 was $311.8 million, net of $2.9 million of unamortized debt issuance costs. The estimated fair value of the Term Loan B Facility as of June 30, 2016 was $314.7 million. The estimated fair value is calculated using an income approach which projects expected future cash flows and discounts them using a rate based on industry and market yields.

Derivative Instruments

The Company uses derivatives in the management of its interest rate risk with respect to its variable rate debt. The Company's strategy is to eliminate the cash flow risk on a portion of its variable rate debt caused by changes in the benchmark interest rate (LIBOR). Derivative instruments are not entered into for speculative purposes.

As required by the terms of the Company's 2013 Credit Agreement, on December 16, 2013, the Company entered into three forward-starting interest rate swap agreements with an aggregate notional amount of $186.0 million at a fixed rate of 2.73%, resulting in an all-in fixed rate of 5.23%. The interest rate swap agreements took effect on December 31, 2015 with a maturity date on December 31, 2018. Under these interest rate swap agreements, the Company pays at a fixed rate and receives payments at a variable rate based on three-month LIBOR. The interest rate swap agreements effectively fix the floating LIBOR-based interest of $186.0 million outstanding LIBOR-based debt. The interest rate swap agreements were designated and qualified as a cash flow hedge; therefore, the effective portion of the changes in fair value is recorded in accumulated other comprehensive income. Any ineffective portions of the changes in fair value of the interest rate swap agreements will be immediately recognized directly to interest expense in the consolidated statement of operations. The change in fair value of the interest rate swap agreements for the three-month periods ended June 30, 2016 and 2015 was a gain of $0.1 million and $0.0 million, net of tax, respectively, and was included in other comprehensive income (loss). The change in fair value of the interest rate swap agreements for the six-month periods ended June 30, 2016 and 2015 was a loss of $0.5 million and $1.2 million, net of tax, respectively, and was included in other comprehensive income (loss).The Company paid $0.8 million of interest related to the interest rate swap agreements for the three-month period ended June 30, 2016. The Company paid $1.6 million of interest related to the interest rate swap agreements for the six-month period ended June 30, 2016. As of June 30, 2016, the Company estimates that none of the unrealized gains or losses included in accumulated other comprehensive income or loss related to these interest rate swap agreements will be realized and reported in earnings within the next twelve months.

The carrying amount of the interest rate swap agreements is recorded at fair value, including non-performance risk, when material. The fair value of each interest rate swap agreement is determined by using multiple broker quotes, adjusted for non-performance risk, when material, which estimate the future discounted cash flows of any future payments that may be made under such agreements.

The fair value of the interest rate swap liability as of June 30, 2016 was $7.5 million and was recorded in "Other long-term liabilities" on the consolidated balance sheets.

Fair Value Measurements

ASC 820, "Fair Value Measurements and Disclosures", defines and establishes a framework for measuring fair value and expands disclosures about fair value measurements. In accordance with ASC 820, the Company has categorized its financial assets and liabilities, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below.

Level 1 – Assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the company has the ability to access at the measurement date.

Level 2 – Assets and liabilities whose values are based on quoted prices for similar attributes in active markets; quoted prices in markets where trading occurs infrequently; and inputs other than quoted prices that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The following table presents the Company's financial assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets (in millions):

	June 30, 2016 Total Fair Value and Carrying Value on Balance Sheet	Fair Value Measurement Category		
		Level 1	Level 2	Level 3
Assets:				
Certificate of deposit	$ 30.0	$ —	$ 30.0	$ —
Liabilities:				
Interest rate swap	$ 7.5	$ —	$ 7.5	$ —

	December 31, 2015 Total Fair Value and Carrying Value on Balance Sheet	Fair Value Measurement Category		
		Level 1	Level 2	Level 3
Liabilities:				
Interest rate swap	$ 6.6	$ —	$ 6.6	$ —

Accumulated Other Comprehensive Income (Loss)

Accumulated other comprehensive income (loss) includes the cumulative gains and losses of derivative instruments that qualify as cash flow hedges. The following table provides a roll-forward of accumulated other comprehensive income (loss) for the six-month periods ended June 30, 2016 and 2015 (in millions):

	2016	2015
Accumulated other comprehensive income (loss) as of January 1,	$(4.1)	$(2.1)
Other comprehensive income (loss)	(0.9)	(1.9)
Income tax benefit (expense)	0.3	0.7
Other comprehensive income (loss), net of tax	(0.6)	(1.2)
Accumulated other comprehensive income (loss) as of June 30,	$(4.7)	$(3.3)

Cost of Revenue

Cost of revenue in our digital segment consists primarily of the costs of online media acquired from third-party publishers. Media cost is classified as cost of revenue in the period in which the corresponding revenue is recognized.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842) which specifies the accounting for leases. For operating leases, ASU 2016-02 requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. ASU 2016-02 is effective for public companies for annual reporting periods, and interim periods within those years beginning after December 15, 2018. Early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-05, Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships which clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. ASU 2016-05 is effective for public companies for annual reporting periods, and interim periods within those years beginning after December 15, 2016. Early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net) which provides guidance on recording revenue on a gross basis versus a net basis based on the determination of whether an entity is a principal or an agent when another party is involved in providing goods or services to a customer. ASU 2016-08 is effective for public companies for annual reporting periods, and interim periods within those years beginning after December 15, 2017. Early adoption is not permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for public companies for annual reporting periods, and interim periods within those years beginning after December 15, 2016. Early adoption is permitted. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements.

In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing which is intended to clarify two aspects of Topic 606: identifying performance obligations and licensing implementation guidance. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted, but no earlier than fiscal years beginning after December 16, 2016. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements.

In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606) – Narrow-Scope Improvements and Practical Expedients which is intended to clarify two aspects of Topic 606: first, assessing the collectability criterion, options for the presentation of sales and similar taxes, noncash consideration, transition contract modifications, transition contract completion and secondly, technical corrections. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted, but no earlier than fiscal years beginning after December 16, 2016. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments which requires entities to use a current expected credit loss ("CECL") model which is a new impairment model based on expected losses rather than incurred losses. Under this model an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect from financial assets measured at amortized cost. The entity's estimate would consider relevant information about past events, current conditions, and reasonable and supportable forecasts, which will result in recognition of life-time expected credit losses upon loan origination. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for annual reporting periods beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements.

Newly Adopted Accounting Standards

In April 2015, the FASB issued ASU 2015-03, Interest-Imputation of Interest (Subtopic 835-30), which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company has retrospectively adopted the provisions of ASU 2015-03 as of January 1, 2016, which was the original effective date for calendar year-end, public entities. As a result, unamortized debt expense of $2.9 million and $3.2 million at June 30, 2016 and December 31, 2015, respectively, have been reclassified from Other assets to a deduction of Long-term debt, less current maturities, on the consolidated balance sheets. Adoption of this guidance had no impact on the Company's consolidated statements of operations or consolidated statements of cash flows.

3. SEGMENT INFORMATION

As of June 30, 2016, the Company operates in three reportable segments, based upon the type of advertising medium, which segments are television broadcasting, radio broadcasting and digital media. Through June 30, 2014, the Company operated in two reportable segments, television broadcasting and radio broadcasting. On June 18, 2014, the Company acquired Pulpo Media Inc. (“Pulpo”), a leading provider of digital advertising services and solutions focused on reaching Hispanic audiences in the U.S. and Latin America. Beginning with the third quarter of 2014, the Company created a new operating segment, digital media, which consists of the operations of Pulpo. The Company’s segments results reflect information presented on the same basis that is used for internal management reporting and it is also how the chief operating decision maker evaluates the business. The Company believes that this information regarding the digital media segment is useful to readers of the Company’s financial statements. The digital media segment was not significant to the Company’s operations prior to its acquisition of Pulpo.

Included in the television segment net revenue for the six-month period ended June 30, 2015, is approximately $5.0 million of revenue associated with television station channel modifications made by the Company in order to accommodate the operations of a telecommunications operator.

Television Broadcasting

The Company owns and/or operates 56 primary television stations located primarily in California, Colorado, Connecticut, Florida, Kansas, Massachusetts, Nevada, New Mexico, Texas and Washington, D.C.

Radio Broadcasting

The Company owns and operates 49 radio stations (38 FM and 11 AM) located primarily in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas.

The Company owns and operates a national sales representation firm, Entravision Solutions, through which the Company sells advertisements and syndicates radio programming to approximately 350 stations across the United States.

Digital Media

The Company owns and operates an online advertising platform that delivers digital advertising in a variety of formats to reach Hispanic audiences on Internet-connected devices.

Separate financial data for each of the Company's operating segments are provided below. Segment operating profit (loss) is defined as operating profit (loss) before corporate expenses. There were no significant sources of revenue generated outside the United States during the three- and six-month periods ended June 30, 2016 and 2015. The Company evaluates the performance of its operating segments based on the following (in thousands):

	Three-Month Period Ended June 30, 2016	Three-Month Period Ended June 30, 2015	% Change	Six-Month Period Ended June 30, 2016	Six-Month Period Ended June 30, 2015	% Change
Net revenue						
Television	$39,215	$36,397	8 %	$75,780	$75,899	(0)%
Radio	19,552	19,585	(0)%	36,436	35,930	1 %
Digital	6,062	3,909	55 %	10,726	7,612	41 %
Consolidated	64,829	59,891	8 %	122,942	119,441	3 %
Cost of revenue - digital media	2,373	1,392	70 %	4,212	2,752	53 %
Direct operating expenses						
Television	15,475	14,820	4 %	30,509	29,499	3 %
Radio	11,285	10,652	6 %	22,226	20,838	7 %
Digital	1,778	1,572	13 %	3,368	3,392	(1)%
Consolidated	28,538	27,044	6 %	56,103	53,729	4 %
Selling, general and administrative expenses						
Television	5,193	4,929	5 %	10,639	9,984	7 %
Radio	4,950	4,768	4 %	9,838	9,294	6 %
Digital	1,267	787	61 %	2,368	1,707	39 %
Consolidated	11,410	10,484	9 %	22,845	20,985	9 %
Depreciation and amortization						
Television	2,705	2,830	(4)%	5,572	5,625	(1)%
Radio	842	829	2 %	1,632	1,698	(4)%
Digital	338	299	13 %	708	597	19 %
Consolidated	3,885	3,958	(2)%	7,912	7,920	(0)%
Segment operating profit (loss)						
Television	15,842	13,818	15 %	29,060	30,791	(6)%
Radio	2,475	3,336	(26)%	2,740	4,100	(33)%
Digital	306	(141)	*	70	(836)	*
Consolidated	18,623	17,013	9 %	31,870	34,055	(6)%
Corporate expenses	5,293	5,050	5 %	10,897	10,043	9 %
Operating income	13,330	11,963	11 %	20,973	24,012	(13)%
Interest expense	$(3,859)	$(3,256)	19 %	$(7,725)	$(6,483)	19 %
Interest income	118	11	973 %	125	19	558 %
Income before income taxes	9,589	8,718	10 %	13,373	17,548	(24)%

Capital expenditures				
Television	$1,138	$4,288	$2,558	$6,359
Radio	1,061	2,122	1,832	3,275
Digital	147	82	196	100
Consolidated	$2,346	$6,492	$4,586	$9,734

	June 30, 2016	December 31, 2015
Total assets		
Television	372,055	367,869
Radio	129,892	132,395
Digital	23,318	24,698
Consolidated	$525,265	$524,962

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4. LITIGATION

The Company is subject to various outstanding claims and other legal proceedings that may arise in the ordinary course of business. In the opinion of management, any liability of the Company that may arise out of or with respect to these matters will not materially adversely affect the financial position, results of operations or cash flows of the Company.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are a leading media company that reaches and engages Hispanics in the United States and certain border markets of Mexico across media channels and advertising platforms. Our expansive portfolio encompasses integrated marketing and media solutions, comprised of television, radio and digital properties and data analytics services.

We operate in three reportable segments based upon the type of advertising medium: television broadcasting, radio broadcasting and digital media. Through June 30, 2014, we operated in two reportable segments, television broadcasting and radio broadcasting. On June 18, 2014, we acquired Pulpo, a leading provider of digital advertising services and solutions focused on reaching Hispanic audiences in the U.S. and Mexico. Beginning with the third quarter of 2014, we separated the results of Pulpo into a new reporting segment, digital media. We believe that this information regarding our digital media segment is useful to readers of our financial statements. Digital media was not material to our operations prior to our acquisition of Pulpo.

Our net revenue for the three-month period ended June 30, 2016, was $64.8 million. Of that amount, revenue attributed to our television segment accounted for approximately 61%, revenue attributed to our radio segment accounted for approximately 30% and revenue attributed to our digital segment accounted for approximately 9%.

As of the date of filing this report, we own and/or operate 56 primary television stations located primarily in California, Colorado, Connecticut, Florida, Kansas, Massachusetts, Nevada, New Mexico, Texas and Washington, D.C. We own and operate 49 radio stations (38 FM and 11 AM) located primarily in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas and a national sales representation firm. Through our digital media operations, we offer mobile, digital and other interactive media platforms and services on Internet-connected devices, including local websites and social media, that provide users with news, information and other content.

We generate revenue primarily from sales of national and local advertising time on television stations, radio stations and digital media platforms, and from retransmission consent agreements that are entered into with MVPDs. Advertising rates are, in large part, based on each medium's ability to attract audiences in demographic groups targeted by advertisers. We recognize advertising revenue when commercials are broadcast and when display or other digital advertisements record impressions on the websites of our third party publishers. We do not obtain long-term commitments from our advertisers and, consequently, they may cancel, reduce or postpone orders without penalties. We pay commissions to agencies for local, regional and national advertising. For contracts directly with agencies, we record net revenue from these agencies. Seasonal revenue fluctuations are common in our industry and are due primarily to variations in advertising expenditures by both local and national advertisers. Our first fiscal quarter generally produces the lowest net revenue for the year. In addition, advertising revenue is generally higher during presidential election years (2016, 2020, etc.) resulting from significant political advertising and, to a lesser degree, Congressional off-year elections (2018, 2022, etc.), resulting from increased political advertising, compared to other years.

We refer to the revenue generated by agreements with MVPDs as retransmission consent revenue, which represents payments from MVPDs for access to our television station signals so that they may rebroadcast our signals and charge their subscribers for this programming. We recognize retransmission consent revenue when it is accrued pursuant to the agreements we have entered into with respect to such revenue.

We also generate revenue from agreements associated with television stations in order to accommodate the operations of telecommunications operators. Revenue from such agreements is recognized when we have relinquished all rights to operate the station on the existing channel, free from interference to the telecommunications operators.

Our primary expenses are employee compensation, including commissions paid to our sales staff and amounts paid to our national representative firms, as well as expenses for marketing, promotion and selling, technical, local programming, engineering and general and administrative functions. Our local programming costs for television consist primarily of costs related to producing a local newscast in most of our markets. In addition, cost of revenue related to our digital media segment consists primarily of the costs of online media acquired from third-party publishers.

Highlights

During the second quarter of 2016, we achieved revenue growth in our television and digital segments. Our consolidated net revenue increased to $64.8 million, an increase of $4.9 million, or 8%, over the second quarter of 2015. Our audience shares remained strong in the nation's most densely populated Hispanic markets.

Net revenue in our television segment increased to $39.2 million in the second quarter of 2016 from $36.4 million in the second quarter of 2015. This increase of approximately $2.8 million, or 8%, in net revenue was primarily due to an increase in national advertising revenue, an increase in political advertising revenue, which was not material in 2015, and an increase in retransmission consent revenue. We generated a total of $7.5 million of retransmission consent revenue in the second quarter of 2016. We anticipate that retransmission consent revenue for the full year 2016 will be greater than it was for the full year 2015 and will continue to be a growing source of net revenues in future periods.

Net revenue in our radio segment was constant in the second quarter of 2016 at $19.6 million compared to the second quarter of 2015.

Net revenue in our digital media segment increased to $6.1 million in the second quarter of 2016 from $3.9 million in the second quarter of 2015. This increase of approximately $2.2 million, or 56%, in net revenue was primarily attributable to an increase in national and local advertising.

Relationship with Univision

Substantially all of our television stations are Univision- or UniMás-affiliated television stations. Our network affiliation agreements with Univision provide certain of our owned stations the exclusive right to broadcast Univision's primary network and UniMás network programming in their respective markets. These long-term affiliation agreements each expire in 2021, and can be renewed for multiple, successive two-year terms at Univision's option, subject to our consent. Under our Univision network affiliation agreement, we retain the right to sell approximately six minutes per hour of the available advertising time on Univision's primary network, subject to adjustment from time to time by Univision, but in no event less than four minutes. Under our UniMás network affiliation agreement, we retain the right to sell approximately four and a half minutes per hour of the available advertising time on the UniMás network, subject to adjustment from time to time by Univision.

Under the network affiliation agreements, Univision acts as our exclusive sales representative for the sale of national advertising on our Univision- and UniMás-affiliate television stations, and we pay certain sales representation fees to Univision relating to sales of all advertising for broadcast on our Univision- and UniMás-affiliate television stations. During the three-month periods ended June 30, 2016 and 2015, the amount we paid Univision in this capacity was $2.5 million and $2.3 million, respectively. During the six-month periods ended June 30, 2016 and 2015, the amount we paid Univision in this capacity was $4.8 million and $4.4 million, respectively.

We also generate revenue under two marketing and sales agreements with Univision, which give us the right through 2021 to manage the marketing and sales operations of Univision-owned UniMás and Univision affiliates in six markets – Albuquerque, Boston, Denver, Orlando, Tampa and Washington, D.C.

In August 2008, we entered into a proxy agreement with Univision pursuant to which we granted to Univision the right to negotiate the terms of retransmission consent agreements for our Univision- and UniMás-affiliated television station signals for a term of six years, expiring in December 2014, which Univision and we have extended through August 31, 2016. Among other things, the proxy agreement provides terms relating to compensation to be paid to us by Univision with respect to retransmission consent agreements entered into with MVPDs. The term of the proxy agreement extends with respect to any MVPD for the length of the term of any retransmission consent agreement in effect before the expiration of the proxy agreement. It is also our current intention to negotiate with Univision an extension of the current proxy agreement or a new proxy agreement; however, no assurance can be given regarding the terms of any such extension or new agreement or that any such extension or new agreement will be entered into. As of June 30, 2016, the amount due to us from Univision was $5.3 million related to the agreements for the carriage of our Univision and UniMás-affiliated television station signals.

Univision currently owns approximately 10% of our common stock on a fully-converted basis. Our Class U common stock held by Univision has limited voting rights and does not include the right to elect directors. As the holder of all of our issued and outstanding Class U common stock, so long as Univision holds a certain number of shares, the Company will not, without the consent of Univision, merge, consolidate or enter into another business combination, dissolve or liquidate the Company or dispose of any interest in any Federal Communications Commission, or FCC, license for any of our Univision-affiliated television stations, among other things. Each share of Class U common stock is automatically convertible into one share of our Class A common stock (subject to adjustment for stock splits, dividends or combinations) in connection with any transfer to a third party that is not an affiliate of Univision.

Critical Accounting Policies

For a description of our critical accounting policies, please refer to “Application of Critical Accounting Policies and Accounting Estimates” in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed with the SEC on March 9, 2016.

Revenue Recognition

Television and radio revenue related to the sale of advertising is recognized at the time of broadcast. Revenue for contracts with advertising agencies is recorded at an amount that is net of the commission retained by the agency. Revenue from contracts directly with the advertisers is recorded at gross revenue and the related commission or national representation fee is recorded in operating expense. Cash payments received prior to services rendered result in deferred revenue, which is then recognized as revenue when the advertising time or space is actually provided. Digital related revenue is recognized when display or other digital advertisements record impressions on the websites of our third-party publishers.

We generate revenue under arrangements that are sold on a stand-alone basis within a specific segment, and those that are sold on a combined basis across multiple segments. We have determined that in such revenue arrangements which contain multiple products and services, revenues are allocated based on the relative fair value of each delivered item and recognized in accordance with the applicable revenue recognition criteria for the specific unit of accounting.

In August 2008, we entered into a proxy agreement with Univision pursuant to which we granted Univision the right to negotiate retransmission consent agreements for its Univision- and UniMás-affiliated television station signals. Advertising related to carriage of our Univision- and UniMás-affiliated television station signals is recognized at the time of broadcast. See more details under the Related Party section below.

We also generate revenue from agreements associated with television stations in order to accommodate the operations of telecommunications operators. Revenue from such agreements is recognized when we have relinquished all rights to operate the station on the existing channel free from interference to the telecommunications operators.

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842) which specifies the accounting for leases. For operating leases, ASU 2016-02 requires a lessee to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in its balance sheet. The standard also requires a lessee to recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term, on a generally straight-line basis. ASU 2016-02 is effective for public companies for annual reporting periods, and interim periods within those years beginning after December 15, 2018. Early adoption is permitted. We are currently in the process of evaluating the impact of adoption of the ASU on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-05, Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships which clarifies that a change in the counterparty to a derivative instrument that has been designated as a hedging instrument under Topic 815 does not, in and of itself, require dedesignation of that hedging relationship provided that all other hedge accounting criteria continue to be met. ASU 2016-05 is effective for public companies for annual reporting periods, and interim periods within those years beginning after December 15, 2016. Early adoption is permitted. We are currently in the process of evaluating the impact of adoption of the ASU on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net) which provides guidance on recording revenue on a gross basis versus a net basis based on the determination of whether an entity is a principal or an agent when another party is involved in providing goods or services to a customer. ASU 2016-08 is effective for public companies for annual reporting periods, and interim periods within those years beginning after December 15, 2017. Early adoption is not permitted. We are currently in the process of evaluating the impact of adoption of the ASU on our consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting which is intended to simplify several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. ASU 2016-09 is effective for public companies for annual reporting periods, and interim periods within those years beginning after December 15, 2016. Early adoption is permitted. We are currently in the process of evaluating the impact of adoption of the ASU on our consolidated financial statements.

In April 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606) – Identifying Performance Obligations and Licensing which is intended to clarify two aspects of Topic 606: identifying performance obligations and licensing implementation guidance. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted, but no earlier than fiscal years beginning after December 16, 2016. We are currently in the process of evaluating the impact of adoption of the ASU on our consolidated financial statements.

In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606) – Narrow-Scope Improvements and Practical Expedients which is intended to clarify two aspects of Topic 606: first, assessing the collectability criterion, options for the presentation of sales and similar taxes, noncash consideration, transition contract modifications, transition contract completion and secondly, technical corrections. The amendments in this update are effective for financial statements issued for annual periods beginning after December 15, 2017, including interim periods within those annual periods. Early adoption is permitted, but no earlier than fiscal years beginning after December 16, 2016. We are currently in the process of evaluating the impact of adoption of the ASU on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments which requires entities to use a current expected credit loss ("CECL") model which is a new impairment model based on expected losses rather than incurred losses. Under this model an entity would recognize an impairment allowance equal to its current estimate of all contractual cash flows that the entity does not expect to collect from financial assets measured at amortized cost. The entity's estimate would consider relevant information about past events, current conditions, and reasonable and supportable forecasts, which will result in recognition of life-time expected credit losses upon loan origination. ASU 2016-13 is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for annual reporting periods beginning after December 15, 2018. We are currently in the process of evaluating the impact of adoption of the ASU on our consolidated financial statements.

Three- and Six-Month Periods Ended June 30, 2016 and 2015

The following table sets forth selected data from our operating results for the three- and six-month periods ended June 30, 2016 and 2015 (in thousands):

	Three-Month Period Ended June 30, 2016	2015	% Change	Six-Month Period Ended June 30, 2016	2015	% Change
Statements of Operations Data:						
Net revenue	$64,829	$59,891	8 %	$122,942	$119,441	3 %
Cost of revenue - digital media	2,373	1,392	70 %	4,212	2,752	53 %
Direct operating expenses	28,538	27,044	6 %	56,103	53,729	4 %
Selling, general and administrative expenses	11,410	10,484	9 %	22,845	20,985	9 %
Corporate expenses	5,293	5,050	5 %	10,897	10,043	9 %
Depreciation and amortization	3,885	3,958	(2)%	7,912	7,920	(0)%
	51,499	47,928	7 %	101,969	95,429	7 %
Operating income	13,330	11,963	11 %	20,973	24,012	(13)%
Interest expense	(3,859)	(3,256)	19 %	(7,725)	(6,483)	19 %
Interest income	118	11	973 %	125	19	558 %
Income before income taxes	9,589	8,718	10 %	13,373	17,548	(24)%
Income tax (expense) benefit	(3,872)	(3,477)	11 %	(5,386)	(7,023)	(23)%
Net income	$5,717	$5,241	9 %	$7,987	$10,525	(24)%
Other Data:						
Capital expenditures	2,346	6,492		4,586	9,734	
Consolidated adjusted EBITDA (adjusted for non-cash stock-based compensation) (1)				30,782	33,664	
Net cash provided by (used in) operating activities				24,426	33,871	
Net cash provided by (used in) investing activities				(34,745)	(8,583)	
Net cash provided by (used in) financing activities				(6,174)	(5,682)	

(1) Consolidated adjusted EBITDA means net income (loss) plus gain (loss) on sale of assets, depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation included in operating and corporate expenses, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) of nonconsolidated affiliate, non-cash losses and syndication programming amortization less syndication programming payments. We use the term consolidated adjusted EBITDA because that measure is defined in our 2013 Credit Facility and does not include gain (loss) on sale of assets, depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) of nonconsolidated affiliate, non-cash losses and syndication programming amortization and does include syndication programming payments.

Since our ability to borrow from our 2013 Credit Facility is based on a consolidated adjusted EBITDA financial covenant, we believe that it is important to disclose consolidated adjusted EBITDA to our investors. Our 2013 Credit Facility contains a total net leverage ratio financial covenant in the event that the revolving credit facility is drawn. The total net leverage ratio, or the ratio of consolidated total debt (net of up to $20 million of unrestricted cash) to trailing-twelve-month consolidated adjusted EBITDA, affects both our ability to borrow from our 2013 Credit Facility and our applicable margin for the interest rate calculation. Under our 2013 Credit Facility, our maximum total leverage ratio may not exceed 6.50 to 1 in the event that the revolving credit facility is drawn. The total leverage ratio was as follows (in each case as of June 30): 2016, 4.0 to 1; 2015, 4.2 to 1. Therefore, we were in compliance with this covenant at each of those dates.

While many in the financial community and we consider consolidated adjusted EBITDA to be important, it should be considered in addition to, but not as a substitute for or superior to, other measures of liquidity and financial performance prepared in accordance with GAAP, such as cash flows from operating activities, operating income and net income. As consolidated adjusted EBITDA excludes non-cash gain (loss) on sale of assets, non-cash depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation expense, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) of nonconsolidated affiliate, non-cash losses and syndication programming amortization and includes syndication programming payments, consolidated adjusted EBITDA has certain limitations because it excludes and includes several important non-cash financial line items. Therefore, we consider both non-GAAP and GAAP measures when evaluating our business. Consolidated adjusted EBITDA is also used to make executive compensation decisions.

Consolidated adjusted EBITDA is a non-GAAP measure. The most directly comparable GAAP financial measure to consolidated adjusted EBITDA is cash flows from operating activities. A reconciliation of this non-GAAP measure to cash flows from operating activities follows (in thousands):

	Six-Month Period Ended June 30,	
	2016	2015
Consolidated adjusted EBITDA (1)	$30,782	$33,664
Interest expense	(7,725)	(6,483)
Interest income	125	19
Income tax (expense) benefit	(5,386)	(7,023)
Amortization of syndication contracts	(190)	(171)
Payments on syndication contracts	183	246
Non-cash stock-based compensation included in direct operating expenses	(621)	(706)
Non-cash stock-based compensation included in corporate expenses	(1,269)	(1,101)
Depreciation and amortization	(7,912)	(7,920)
Net income	7,987	10,525
Depreciation and amortization	7,912	7,920
Deferred income taxes	4,922	6,370
Amortization of debt issue costs	384	393
Amortization of syndication contracts	190	171
Payments on syndication contracts	(183)	(246)
Non-cash stock-based compensation	1,890	1,807
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	5,583	11,418
(Increase) decrease in prepaid expenses and other assets	(383)	(283)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(3,876)	(4,204)
Cash flows from operating activities	$24,426	$33,871

Consolidated Operations

Net Revenue. Net revenue increased to $64.8 million for the three-month period ended June 30, 2016 from $59.9 million for the three-month period ended June 30, 2015, an increase of $4.9 million. Of the overall increase, approximately $2.8 million was attributed to our television segment and was primarily attributable to an increase in national advertising revenue, an increase in political advertising revenue, which was not material in 2015, and an increase in retransmission consent revenue. Additionally, approximately $2.2 million of the overall increase was attributed to our digital segment and was primarily attributable to increases in national and local advertising revenue.

Net revenue increased to $122.9 million for the six-month period ended June 30, 2016 from $119.4 million for the six-month period ended June 30, 2015, an increase of $3.5 million. Of the overall increase, approximately $3.1 million was attributed to our digital segment and was primarily attributable to increases in national and local advertising revenue. Additionally, approximately $0.5 million of the overall increase was attributed to our radio segment and was primarily attributable to an increase in political advertising revenue, which was not material in 2015, and an increase in national advertising revenue. The overall increase in net revenue was partially offset by a decrease of approximately $0.1 million that was attributed to our television segment and was primarily attributable to approximately $5.0 million of revenue associated with television station channel modifications made by the Company in order to accommodate the operations of a telecommunications operator included in the 2015 period, and which revenue did not recur in 2016. This decrease in the television segment was partially offset by an increase in national advertising revenue, an increase in political advertising revenue, which was not material in 2015, and an increase in retransmission consent revenue.

We currently anticipate that for the full year 2016, net revenue will increase from digital media, retransmission consent revenue, and political advertising.

Cost of revenue. Cost of revenue increased to $2.4 million for the three-month period ended June 30, 2016 from $1.4 million for the three-month period ended June 30, 2015, an increase of $1.0 million, due to increased online media costs associated with the increase in net revenue of our digital segment.

Cost of revenue increased to $4.2 million for the six-month period ended June 30, 2016 from $2.8 million for the six-month period ended June 30, 2015, an increase of $1.4 million, due to increased online media costs associated with the increase in net revenue of our digital segment.

Direct Operating Expenses. Direct operating expenses increased to $28.5 million for the three-month period ended June 30, 2016 from $27.0 million for the three-month period ended June 30, 2015, an increase of $1.5 million. Of the overall increase, approximately $0.7 million was attributed to our television segment and was primarily attributable to an increase in expenses associated with the increase in advertising revenue and an increase in salary expense. Additionally, approximately $0.6 million of the overall increase was attributed to our radio segment and was primarily attributable to an increase in salary expense. The remaining $0.2 million of the overall increase was attributed to our digital segment, and was primarily attributable to an increase in salary expense. As a percentage of net revenue, direct operating expenses decreased to 44% for the three-month period ended June 30, 2016 from 45% for the three-month period ended June 30, 2015.

Direct operating expenses increased to $56.1 million for the six-month period ended June 30, 2016 from $53.7 million for the six-month period ended June 30, 2015, an increase of $2.4 million. Of the overall increase, approximately $1.0 million was attributed to our television segment and was primarily attributable to an increase in expenses associated with the increase in advertising revenue and an increase in salary expense. Additionally, approximately $1.4 million of the overall increase was attributed to our radio segment and was primarily attributable to an increase in expenses associated with an increase in salary expense. The remaining $0.1 million of the overall increase was attributed to our digital segment, and was primarily attributable to an increase in salary expense. As a percentage of net revenue, direct operating expenses increased to 46% for the six-month period ended June 30, 2016 from 45% for the six-month period ended June 30, 2015.

We believe that direct operating expenses will continue to increase in dollar terms during the remainder of 2016, primarily as a result of employee salary increases.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $11.4 million for the three-month period ended June 30, 2016 from $10.5 million for the three-month period ended June 30, 2015, an increase of $0.9 million. Of the overall increase, approximately $0.3 million was attributed to our television segment and was primarily attributable to an increase in salary expense. Additionally, approximately $0.2 million of the overall increase was attributed to our radio segment and was primarily attributable to increases in bad debt expense and promotional expense. The remaining $0.5 million was attributed to our digital segment and was primarily attributable to an increase in salary expense and an increase in rent expense. As a percentage of net revenue, selling, general and administrative expenses remained constant at 18% for each of the three-month periods ended June 30, 2016 and 2015.

Selling, general and administrative expenses increased to $22.8 million for the six-month period ended June 30, 2016 from $21.0 million for the six-month period ended June 30, 2015, an increase of $1.8 million. Of the overall increase, approximately $0.6 million was attributed to our television segment and was primarily attributable to an increase in salary expense. Additionally, approximately $0.5 million of the overall increase was attributed to our radio segment and was primarily attributable to increases in bad debt expense, salary expense and promotional expense. The remaining $0.7 million was attributed to our digital segment and was primarily attributable to an increase in salary expense and an increase in rent expense. As a percentage of net revenue, selling, general and administrative expenses increased to 19% for the six-month period ended June 30, 2016 from 18% for the six-month period ended June 30, 2015.

We believe that selling, general and administrative expenses will continue to increase in dollar terms during the remainder of 2016, primarily as a result of employee salary increases.

Corporate Expenses. Corporate expenses increased to $5.3 million for the three-month period ended June 30, 2016 from $5.1 million for the three-month period ended June 30, 2015, an increase of $0.2 million. The increase was primarily attributable to increases in salary expense and non-cash stock-based compensation expense. As a percentage of net revenue, corporate expenses remained constant at 8% for each of the three-month periods ended June 30, 2016 and 2015.

Corporate expenses increased to $10.9 million for the six-month period ended June 30, 2016 from $10.0 million for the six-month period ended June 30, 2015, an increase of $0.9 million. The increase was primarily attributable to increases in salary expense and non-cash stock-based compensation expense. As a percentage of net revenue, corporate expenses increased to 9% for the six-month period ended June 30, 2016 from 8% for the six-month period ended June 30, 2015.

We believe that corporate expenses will continue to increase in dollar terms during the remainder of 2016, primarily as a result of increased salary expense.

Depreciation and Amortization. Depreciation and amortization decreased to $3.9 million for the three-month period ended June 30, 2016 from $4.0 million for the three-month period ended June 30, 2015, a decrease of $0.1 million. The decrease was primarily attributable to a decrease in depreciation as certain assets are now fully depreciated.

Depreciation and amortization remained constant at $7.9 million for each of the six-month periods ended June 30, 2016 and 2015.

Operating Income. As a result of the above factors, operating income was $13.3 million for the three-month period ended June 30, 2016, compared to $12.0 million for the three-month period ended June 30, 2015. As a result of the above factors, operating income was $21.0 million for the six-month period ended June 30, 2016, compared to $24.0 million for the three-month period ended June 30, 2015.

Interest Expense. Interest expense increased to $3.9 million for the three-month period ended June 30, 2016 from $3.3 million for the three-month period ended June 30, 2015, an increase of $0.6 million. This increase was primarily attributable to interest related to our swap agreements that took effect in 2016.

Interest expense increased to $7.7 million for the six-month period ended June 30, 2016 from $6.5 million for the six-month period ended June 30, 2015, an increase of $1.2 million. This increase was primarily attributable to interest related to our swap agreements that took effect in 2016.

Income Tax Expense. Income tax expense for the six-month period ended June 30, 2016 was $5.4 million, or 40% of our pre-tax income. Income tax expense for the six-month period ended June 30, 2015 was $7.0 million or 40% of our pre-tax income.

Segment Operations

Television

Net Revenue. Net revenue in our television segment increased to $39.2 million for the three-month period ended June 30, 2016 from $36.4 million for the three-month period ended June 30, 2015, an increase of approximately $2.8 million. The increase was primarily due to an increase in national advertising revenue, an increase in political advertising revenue, which was not material in 2015, and an increase in retransmission consent revenue. We generated a total of $7.5 million and $7.2 million in retransmission consent revenue for the three-month periods ended June 30, 2016 and 2015, respectively.

Net revenue in our television segment decreased to $75.8 million for the six-month period ended June 30, 2016 from $75.9 million for the six-month period ended June 30, 2015, a decrease of approximately $0.1 million. The decrease was primarily due to approximately $5.0 million of revenue associated with television station channel modifications made by the Company in order to accommodate the operations of a telecommunications operator included in the 2015 period, and which revenue did not recur in 2016. This decrease was partially offset by an increase in national advertising revenue, an increase in political advertising revenue, which was not material in 2015, and an increase in retransmission consent revenue. We generated a total of $14.9 million and $13.6 million in retransmission consent revenue for the six-month periods ended June 30, 2016 and 2015, respectively.

Direct Operating Expenses. Direct operating expenses in our television segment increased to $15.5 million for the three-month period ended June 30, 2016 from $14.8 million for the three-month period ended June 30, 2015, an increase of approximately $0.7 million. The increase was primarily attributable to an increase in expenses associated with the increase in advertising revenue and an increase in salary expense.

Direct operating expenses in our television segment increased to $30.5 million for the six-month period ended June 30, 2016 from $29.5 million for the six-month period ended June 30, 2015, an increase of approximately $1.0 million. The increase was primarily attributable to an increase in expenses associated with the increase in advertising revenue and an increase in salary expense.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our television segment increased to $5.2 million for the three-month period ended June 30, 2016 from $4.9 million for the three-month period ended June 30, 2015, an increase of $0.3 million. The increase was primarily attributable to an increase salary expense.

Selling, general and administrative expenses in our television segment increased to $10.6 million for the six-month period ended June 30, 2016 from $10.0 million for the six-month period ended June 30, 2015, an increase of $0.6 million. The increase was primarily attributable to an increase in salary expense.

Radio

Net Revenue. Net revenue in our radio segment remained constant at $19.6 million for each of the three-month periods ended June 30, 2016 and 2015.

Net revenue in our radio segment increased to $36.4 million for the six-month period ended June 30, 2016 from $35.9 million for the six-month period ended June 30, 2015, an increase of $0.5 million. The increase was primarily attributable to an increase in political advertising revenue, which was not material in 2015, and an increase in national advertising revenue.

Direct Operating Expenses. Direct operating expenses in our radio segment increased to $11.3 million for the three-month period ended June 30, 2016 from $10.7 million for the three-month period ended June 30, 2015, an increase of $0.6 million. The increase was primarily attributable to an increase in salary expense.

Direct operating expenses in our radio segment increased to $22.2 million for the six-month period ended June 30, 2016 from $20.8 million for the six-month period ended June 30, 2015, an increase of $1.4 million. The increase was primarily attributable to an increase in salary expense.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our radio segment increased to $5.0 million for the three-month period ended June 30, 2016 from $4.8 million for the three-month period ended June 30, 2015, an increase of $0.2 million. The increase was primarily attributable to increases in bad debt expense and promotional expense.

Selling, general and administrative expenses in our radio segment increased to $9.8 million for the six-month period ended June 30, 2016 from $9.3 million for the six-month period ended June 30, 2015, an increase of $0.5 million. The increase was primarily attributable to increases in bad debt expense, salary expense and promotional expense.

Digital

Net Revenue. Net revenue in our digital segment increased to $6.1 million for the three-month period ended June 30, 2016 from $3.9 million for the three-month period ended June 30, 2015, an increase of $2.2 million. The increase was primarily attributable to increases in national and local revenue.

Net revenue in our digital segment increased to $10.7 million for the six-month period ended June 30, 2016 from $7.6 million for the six-month period ended June 30, 2015, an increase of $3.1 million. The increase was primarily attributable to increases in national and local revenue.

Cost of revenue. Cost of revenue in our digital segment increased to $2.4 million for the three-month period ended June 30, 2016 from $1.4 million for the three-month period ended June 30, 2015, an increase of $1.0 million. The increase was primarily attributable to increased third party online media costs associated with the increase in net revenue. Because of these third party media costs, our margins tend to be smaller in our digital media segment than in our other broadcast segments. As a percentage of net revenue, cost of revenue increased to 39% for the three-month period ended June 30, 2016 from 36% for the three-month period ended June 30, 2015. The increase in cost of revenue as a percentage of digital revenue was primarily due to the increased use of automated buying platforms, which is referred to in our industry as programmatic revenue. Because of the high volume and relative efficiencies of these platforms, the margins tend to be lower.

Cost of revenue in our digital segment increased to $4.2 million for the six-month period ended June 30, 2016 from $2.8 million for the six-month period ended June 30, 2015, an increase of $1.4 million. The increase was primarily attributable to increased third party online media costs associated with the increase in net revenue. Because of these third party media costs, our margins tend to be smaller in our digital media segment than in our other broadcast segments. As a percentage of net revenue, cost of revenue increased to 39% for the six-month period ended June 30, 2016 from 36% for the six-month period ended June 30, 2015. The increase in cost of revenue as a percentage of digital revenue was primarily due to the increased use of automated buying platforms, which is referred to in our industry as programmatic revenue. Because of the high volume and relative efficiencies of these platforms, the margins tend to be lower.

Direct operating expenses. Direct operating expenses in our digital segment increased to $1.8 million for the three-month period ended June 30, 2016 from $1.6 million for the three-month period ended June 30, 2015, an increase of $0.2 million. The increase was primarily attributable to an increase in salary expense.

Direct operating expenses in our digital segment remained constant at $3.4 million for each of the six-month periods ended June 30, 2016 and 2015.

Selling, general and administrative expenses. Selling, general and administrative expenses in our digital segment increased to $1.3 million for the three-month period ended June 30, 2016 from $0.8 million for the three-month period ended June 30, 2015, an increase of $0.5 million. The increase was primarily attributable to an increase in salary expense and an increase in rent expense.

Selling, general and administrative expenses in our digital segment increased to $2.4 million for the six-month period ended June 30, 2016 from $1.7 million for the six-month period ended June 30, 2015, an increase of $0.7 million. The increase was primarily attributable to an increase in salary expense and an increase in rent expense.

Liquidity and Capital Resources

We had net income of approximately $25.6 million, $27.1 million, and $133.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. We had positive cash flow from operations of $62.3 million, $54.4 million and $32.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. We generated cash flow from operations of $24.4 million for the six-month period ended June 30, 2016 and we expect to have positive cash flow from operations for the 2016 year. We expect to fund our working capital requirements, capital expenditures and payments of principal and interest on outstanding indebtedness, with cash on hand and cash flows from operations. We currently anticipate that funds generated from operations, cash on hand and available borrowings under our 2013 Credit Facility will be sufficient to meet our anticipated cash requirements for at least the next twelve months and for the foreseeable future.

2013 Credit Facility

On May 31, 2013, we entered into our 2013 Credit Facility pursuant to the 2013 Credit Agreement. The 2013 Credit Facility consists of a $20.0 million senior secured Term Loan A Facility, a $375.0 million senior secured Term Loan B Facility which was drawn on the Term Loan B Borrowing Date, and a $30.0 million senior secured Revolving Credit Facility. In addition, the 2013 Credit Facility provides that we may increase the aggregate principal amount of the 2013 Credit Facility by up to an additional $100.0 million, subject to us satisfying certain conditions.

Borrowings under the Term Loan A Facility were used on the Closing Date (together with cash on hand) to (a) repay in full all of our and our subsidiaries' outstanding obligations under the 2012 Credit Agreement and to terminate the 2012 Credit Agreement, and (b) pay fees and expenses in connection the 2013 Credit Facility. As discussed in more detail below, on August 1, 2013, we drew on borrowings under our Term Loan B Facility to (a) repay in full all of the outstanding loans under the Term Loan A Facility and (b) redeem in full all of the then outstanding Notes. We intend to use any future borrowings under the Revolving Credit Facility to provide for working capital, capital expenditures and other general corporate purposes and from time to time fund a portion of any acquisitions in which we may engage, in each case subject to the terms and conditions set forth in the 2013 Credit Agreement.

The 2013 Credit Facility is guaranteed on a senior secured basis by the Credit Parties. The 2013 Credit Facility is secured on a first priority basis by our and the Credit Parties' assets. Upon the redemption of the outstanding Notes, the security interests and guaranties of us and the Credit Parties under the Indenture and the Notes were terminated and released.

Our borrowings under the 2013 Credit Facility bear interest on the outstanding principal amount thereof from the date when made at a rate per annum equal to either: (i) the Base Rate (as defined in the 2013 Credit Agreement) plus the Applicable Margin (as defined in the 2013 Credit Agreement); or (ii) LIBOR (as defined in the 2013 Credit Agreement) plus the Applicable Margin (as defined in the 2013 Credit Agreement). As of June 30, 2016, our effective interest rate was 3.5%. The Term Loan A Facility expired on the Term Loan B Borrowing Date, which was August 1, 2013. The Term Loan B Facility expires on the Term Loan B Maturity Date, which is May 31, 2020 and the Revolving Credit Facility expires on the Revolving Loan Maturity Date, which is May 31, 2018.

As defined in the 2013 Credit Facility, “Applicable Margin” means:

(a) with respect to the Term Loans (i) if a Base Rate Loan, one and one half percent (1.50%) per annum and (ii) if a LIBOR Rate Loan, two and one half percent (2.50%) per annum; and

(b) with respect to the Revolving Loans:

(i) for the period commencing on the Closing Date through the last day of the calendar month during which financial statements for the fiscal quarter ending September 30, 2013 are delivered: (A) if a Base Rate Loan, one and one half percent (1.50%) per annum and (B) if a LIBOR Rate Loan, two and one half percent (2.50%) per annum; and

(ii) thereafter, the Applicable Margin for the Revolving Loans shall equal the applicable LIBOR margin or Base Rate margin in effect from time to time determined as set forth below based upon the applicable First Lien Net Leverage Ratio then in effect pursuant to the appropriate column under the table below:

First Lien Net Leverage Ratio	LIBOR Margin		Base Rate Margin	
³ 4.50 to 1.00	2.50	%	1.50	%
< 4.50 to 1.00	2.25	%	1.25	%

In the event we engage in a transaction that has the effect of reducing the yield of any loans outstanding under the Term Loan B Facility within six months of the Term Loan B Borrowing Date, we will owe 1% of the amount of the loans so repriced or replaced to the Lenders thereof (such fee, the "Repricing Fee"). Other than the Repricing Fee, the amounts outstanding under the 2013 Credit Facility may be prepaid at our option without premium or penalty, provided that certain limitations are observed, and subject to customary breakage fees in connection with the prepayment of a LIBOR rate loan. The principal amount of the (i) Term Loan A Facility shall be paid in full on the Term Loan B Borrowing Date, (ii) Term Loan B Facility shall be paid in installments on the dates and in the respective amounts set forth in the 2013 Credit Agreement, with the final balance due on the Term Loan B Maturity Date and (iii) Revolving Credit Facility shall be due on the Revolving Loan Maturity Date.

Subject to certain exceptions, the 2013 Credit Facility contains covenants that limit the ability of us and the Credit Parties to, among other things:

- incur additional indebtedness or change or amend the terms of any senior indebtedness, subject to certain conditions;
- incur liens on the property or assets of us and the Credit Parties;
- dispose of certain assets;
- consummate any merger, consolidation or sale of substantially all assets;
- make certain investments;
- enter into transactions with affiliates;
- use loan proceeds to purchase or carry margin stock or for any other prohibited purpose;
- incur certain contingent obligations;
- make certain restricted payments; and
- enter new lines of business, change accounting methods or amend the organizational documents of us or any Credit Party in any materially adverse way to the agent or the lenders.

The 2013 Credit Facility also requires compliance with a financial covenant related to total net leverage ratio (calculated as set forth in the 2013 Credit Agreement) in the event that the revolving credit facility is drawn.

The 2013 Credit Facility also provides for certain customary events of default, including the following:

- default for three (3) business days in the payment of interest on borrowings under the 2013 Credit Facility when due;
- default in payment when due of the principal amount of borrowings under the 2013 Credit Facility;
- failure by us or any Credit Party to comply with the negative covenants, financial covenants (provided, that, an event of default under the Term Loan Facilities will not have occurred due to a violation of the financial covenants until the revolving lenders have terminated their commitments and declared all obligations to be due and payable), and certain other covenants relating to maintenance of customary property insurance coverage, maintenance of books and accounting records and permitted uses of proceeds from borrowings under the 2013 Credit Facility, each as set forth in the 2013 Credit Agreement;
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failure by us or any Credit Party to comply with any of the other agreements in the 2013 Credit Agreement and related loan documents that continues for thirty (30) days (or ten (10) days in the case of certain financial statement delivery obligations) after officers of us first become aware of such failure or first receive written notice of such failure from any lender;

- default in the payment of other indebtedness if the amount of such indebtedness aggregates to $15.0 million or more, or failure to comply with the terms of any agreements related to such indebtedness if the holder or holders of such indebtedness can cause such indebtedness to be declared due and payable;

- failure of us or any Credit Party to pay, vacate or stay final judgments aggregating over $15.0 million for a period of thirty (30) days after the entry thereof;
- certain events of bankruptcy or insolvency with respect to us or any Credit Party;
- certain change of control events;
- the revocation or invalidation of any agreement or instrument governing the Notes or any subordinated indebtedness, including the Intercreditor Agreement; and
- any termination, suspension, revocation, forfeiture, expiration (without timely application for renewal) or material adverse amendment of any material media license.

In connection with our entering into the 2013 Credit Agreement, we and the Credit Parties also entered into an Amended and Restated Security Agreement, pursuant to which we and the Credit Parties each granted a first priority security interest in the collateral securing the 2013 Credit Facility for the benefit of the lenders under the 2013 Credit Facility.

On August 1, 2013, we drew on borrowings under our Term Loan B Facility. The borrowings were used to (i) repay in full all of the outstanding loans under our Term Loan A Facility; (ii) satisfy the Redemption on the Redemption Date under the Indenture, in an aggregate principal amount of approximately $324 million, and (iii) pay any fees and expenses in connection therewith. The redemption price for the redeemed Notes was 106.563% of the principal amount, plus accrued and unpaid interest thereon to the Redemption Date.

The Redemption constituted a complete redemption of the then outstanding Notes, such that no amount remained outstanding following the Redemption. Accordingly, the Indenture has been satisfied and discharged in accordance with its terms and the Notes have been cancelled, effective as of the Redemption Date.

On December 31, 2013, we made a prepayment of $10.0 million to reduce the amount of loans outstanding under our Term Loan B Facility.

On December 30, 2014, we made a prepayment of $20.0 million to reduce the amount of loans outstanding under our Term Loan B Facility.

Also on December 31, 2015, we made a prepayment of $20.0 million to reduce the amount of loans outstanding under our Term Loan B Facility.

Derivative Instruments

We use derivatives in the management of interest rate risk with respect to interest expense on variable rate debt. Our current policy prohibits entering into derivative instruments for speculation or trading purposes. We are party to interest rate swap agreements with financial institutions that fix the variable benchmark component (LIBOR) of our interest rate on a portion of our term loan.

ASC 820, “Fair Value Measurements and Disclosures”, requires us to recognize all of our derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. The interest rate swap agreements were designated and qualified as a cash flow hedge; therefore, the effective portion of the changes in fair value is a component of other comprehensive income. Any ineffective portions of the changes in fair value of the interest rate swap agreements will be immediately recognized directly to interest expense in the consolidated statement of operations.

The carrying amount of our interest rate swap agreements is recorded at fair value, including non-performance risk, when material. The fair value of each interest rate swap agreement is determined by using multiple broker quotes, adjusted for non-performance risk, when material, which estimate the future discounted cash flows of any future payments that may be made under such agreements.

As required by the terms of our 2013 Credit Agreement, on December 16, 2013, we entered into three forward-starting interest rate swap agreements with an aggregated notional amount of $186.0 million at a fixed rate of 2.73%, resulting in an all-in fixed rate of 5.23%. The interest rate swap agreements took effect on December 31, 2015 with a maturity date on December 31, 2018. Under these interest rate swap agreements, we pay at a fixed rate and receive payments at a variable rate based on three-month LIBOR. The interest rate swap agreements effectively fix the floating LIBOR-based interest of $186.0 million outstanding LIBOR-based debt. The interest rate swap agreements were designated and qualified as a cash flow hedge; therefore, the effective portion of the changes in fair value is recorded in accumulated other comprehensive income. Any ineffective portions of the changes in fair value of the interest rate swap agreements will be recognized directly to interest expense in the consolidated statement of operations. The change in fair value of the interest rate swap agreements for the three-month period ended June 30, 2016 was a gain of $0.1 million, net of tax, and was included in other comprehensive income (loss). The change in fair value of the interest rate swap agreements for the six-month period ended June 30, 2016 was a loss of $0.5 million, net of tax, and was included in other comprehensive income (loss). We paid $0.8 million of interest related to the interest rate swap agreements for the three-month period ended June 30, 2016. We paid $1.6 million of interest related to the interest rate swap agreements for the six-month period ended June 30, 2016. As of June 30, 2016, we estimate that none of the unrealized gains or losses included in accumulated other comprehensive income or loss related to these interest rate swap agreements will be realized and reported in earnings within the next twelve months.

Share Repurchase Program

On August 18, 2014, our Board of Directors approved a share repurchase program of up to $10.0 million of the Company’s outstanding common stock. On November 25, 2014, our Board of Directors approved an extension of the share repurchase program with a repurchase authorization of up to an additional $10.0 million of the Company’s outstanding common stock, for a total repurchase authorization of up to $20.0 million. Under the share repurchase program we are authorized to purchase shares from time to time through open market purchases or negotiated purchases, subject to market conditions and other factors. The stock repurchase program may be suspended or discontinued at any time without prior notice.

We did not repurchase shares during the six-month period ended June 30, 2016. As of June 30, 2016, we repurchased to date a total of approximately 2.5 million shares of Class A common stock at an average price of $5.08, for an aggregate purchase price of approximately $12.5 million since the beginning of this program. All repurchased shares were retired as of December 31, 2014.

Consolidated Adjusted EBITDA

Consolidated adjusted EBITDA (as defined below) decreased to $30.8 million for the six-month period ended June 30, 2016 from $33.7 million for the six-month period ended June 30, 2015, a decrease of $2.9 million, or 9%. As a percentage of net revenue, consolidated adjusted EBITDA decreased to 25% for the six-month period ended June 30, 2016, compared to 28% for the six-month period ended June 30, 2015.

Consolidated adjusted EBITDA means net income (loss) plus gain (loss) on sale of assets, depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation included in operating and corporate expenses, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) of nonconsolidated affiliate, non-cash losses and syndication programming amortization less syndication programming payments. We use the term consolidated adjusted EBITDA because that measure is defined in our 2013 Credit Facility and does not include gain (loss) on sale of assets, depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) of nonconsolidated affiliate, non-cash losses and syndication programming amortization and does include syndication programming payments.

Since our ability to borrow from our 2013 Credit Facility is based on a consolidated adjusted EBITDA financial covenant, we believe that it is important to disclose consolidated adjusted EBITDA to our investors. Our 2013 Credit Facility contains a total net leverage ratio financial covenant. The total net leverage ratio, or the ratio of consolidated total debt (net of up to $20 million of unrestricted cash) to trailing-twelve-month consolidated adjusted EBITDA, affects both our ability to borrow from our 2013 Credit Facility and our applicable margin for the interest rate calculation. Under our 2013 Credit Facility, our maximum total leverage ratio may not exceed 6.50 to 1 in the event that the revolving credit facility is drawn. The total leverage ratio was as follows (in each case as of June 30): 2016, 4.0 to 1; 2015, 4.2 to 1. Therefore, we were in compliance with this covenant at each of those dates.

While many in the financial community and we consider consolidated adjusted EBITDA to be important, it should be considered in addition to, but not as a substitute for or superior to, other measures of liquidity and financial performance prepared in accordance with GAAP, such as cash flows from operating activities, operating income and net income. As consolidated adjusted EBITDA excludes non-cash gain (loss) on sale of assets, non-cash depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation expense, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) of nonconsolidated affiliate, non-cash losses and syndication programming amortization and includes syndication programming payments, consolidated adjusted EBITDA has certain limitations because it excludes and includes several important non-cash financial line items. Therefore, we consider both non-GAAP and GAAP measures when evaluating our business. Consolidated adjusted EBITDA is also used to make executive compensation decisions.

Consolidated adjusted EBITDA is a non-GAAP measure. For a reconciliation of consolidated adjusted EBITDA to cash flows from operating activities, its most directly comparable GAAP financial measure, please see page 24.

Cash Flow

Net cash flow provided by operating activities was $24.4 million for the six-month period ended June 30, 2016, compared to net cash flow provided by operating activities of $33.9 million for the six-month period ended June 30, 2015. We had net income of $8.0 million for the six-month period ended June 30, 2016, which was partially offset by non-cash items, including depreciation and amortization expense of $7.9 million, deferred income taxes of $4.9 million, and non-cash stock-based compensation of $1.9 million. We had net income of $10.5 million for the six-month period ended June 30, 2015. Our net income for the six-month period ended June 30, 2015 was partially offset by non-cash items, including depreciation and amortization expense of $7.9 million, deferred income taxes of $6.4 million, and non-cash stock-based compensation of $1.8 million. We expect to have positive cash flow from operating activities for the full year 2016.

Net cash flow used in investing activities was $34.7 million for the six-month period ended June 30, 2016, compared to net cash flow used in investing activities of $8.6 million for the six-month period ended June 30, 2015. During the six-month period ended June 30, 2016, we spent $4.7 million on net capital expenditures and we purchased a six-month certificate of deposit for $30.0 million. During the six-month period ended June 30, 2015, we spent $8.6 million on net capital expenditures. We anticipate that our capital expenditures will be approximately $10.5 million for the full year 2016. The amount of our anticipated capital expenditures may change based on future changes in business plans, our financial condition and general economic conditions. We expect to fund capital expenditures with cash on hand and net cash flow from operations.

Net cash flow used in financing activities was $6.2 million for the six-month period ended June 30, 2016, compared to net cash flow used in financing activities of $5.7 million for the six-month period ended June 30, 2015. During the six-month period ended June 30, 2016, we made dividend payments of $5.6 million, debt payments of $1.9 million and received proceeds of $1.3 million related to the issuance of common stock upon the exercise of stock options. During the six-month period ended June 30, 2015, we made dividend payments of $4.4 million, a contingent consideration payment of $1.0 million, debt payments of $1.8 million, and received proceeds of $1.6 million related to the issuance of common stock upon the exercise of stock options.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

Market risk represents the potential loss that may impact our financial position, results of operations or cash flows due to adverse changes in the financial markets. We are exposed to market risk from changes in the base rates on our Term Loan B Facility. Under our 2013 Credit Facility, within two years from its commencement, we were required to enter into derivative financial instrument transactions, such as swaps or interest rate caps, for at least half of the principal balance, in order to manage or reduce our exposure to risk from changes in interest rates. We do not enter into derivatives or other financial instrument transactions for speculative purposes.

Interest Rates

As of June 30, 2016, we had $314.7 million of variable rate bank debt outstanding under our 2013 Credit Facility. The debt bears interest at LIBOR plus a margin of 2.5%. The LIBOR rate is subject to a 1.0% floor, effectively resulting in an effective interest rate of 3.5% at June 30, 2016. In the event LIBOR remains below the floor rate we will still have to pay the floor rate plus the margin. If LIBOR rises above the floor rate, we will have to pay the prevailing LIBOR rate plus the margin.

Because our debt is subject to interest at a variable rate, our earnings will be affected in future periods by changes in interest rates. Hypothetically, if LIBOR were to increase by 100 basis points, or one percentage point, from its June 30, 2016 level, our annual interest expense under our term loan would increase, and cash flow from operations would decrease, by approximately $0.8 million, based on the outstanding balance of our term loan as of June 30, 2016.

As required by the terms of our 2013 Credit Agreement, on December 16, 2013, we entered into three forward-starting interest rate swap agreements with an aggregated notional amount of $186.0 million at a fixed rate of 2.73%, resulting in an all-in fixed rate of 5.23%. The interest rate swap agreements took effect on December 31, 2015 with a maturity date on December 31, 2018. Under these interest rate swap agreements, we pay at a fixed rate and receive payments at a variable rate based on three-month LIBOR. The interest rate swap agreements effectively fix the floating LIBOR-based interest of $186.0 million outstanding LIBOR-based debt. The interest rate swap agreements were designated and qualified as a cash flow hedge; therefore, the effective portion of the changes in fair value is recorded in accumulated other comprehensive income. Any ineffective portions of the changes in fair value of the interest rate swap agreements will be immediately recognized directly to interest expense in the consolidated statement of operations. The change in fair value of the interest rate swap agreements for the three-month period ended June 30, 2016, was a gain of $0.1 million, net of tax, and was included in other comprehensive income (loss). The change in fair value of the interest rate swap agreements for the six-month period ended June 30, 2016, was a loss of $0.5 million, net of tax, and was included in other comprehensive income (loss).We paid $0.8 million of interest related to the interest rate swap agreements for the three-month period ended June 30, 2016. We paid $1.6 million of interest related to the interest rate swap agreements for the six-month period ended June 30, 2016. As of June 30, 2016, we estimate that none of the unrealized gains or losses included in accumulated other comprehensive income or loss related to these interest rate swap agreements will be realized and reported in earnings within the next twelve months.

ITEM 4. CONTROLS AND PROCEDURES

We conducted an evaluation, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of the evaluation date, our disclosure controls and procedures were effective.

Our disclosure controls and procedures are designed to ensure that the information relating to our company, including our consolidated subsidiaries, required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow for timely decisions regarding required disclosure.

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system’s objectives will be met. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

There have not been any changes in our internal control over financial reporting during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II.

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We currently and from time to time are involved in litigation incidental to the conduct of our business, but we are not currently a party to any lawsuit or proceeding which, in the opinion of management, is likely to have a material adverse effect on us or our business.

ITEM 1A. RISK FACTORS

No material change.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

On August 18, 2014, our Board of Directors approved a share repurchase program of up to $10.0 million of the Company's outstanding common stock. On November 25, 2014, our Board of Directors approved an extension of the share repurchase program with a repurchase authorization of up to an additional $10.0 million of the Company's outstanding common stock, for a total repurchase authorization of up to $20.0 million. Under the share repurchase program we are authorized to purchase shares from time to time through open market purchases or negotiated purchases, subject to market conditions and other factors. The stock repurchase program may be suspended or discontinued at any time without prior notice.

We did not repurchase any shares of Class A common stock during 2016 and 2015. As of June 30, 2016, we repurchased to date a total of approximately 2.5 million shares of Class A common stock at an average price of $5.08 since the beginning of this program, for an aggregate purchase price of approximately $12.5 million. All repurchased shares were retired as of December 31, 2014.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

None

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ITEM 6. EXHIBITS

31.1*	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
31.2*	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
32*	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase.

* Filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENTRAVISION COMMUNICATIONS CORPORATION

By: /s/ Christopher T. Young
Christopher T. Young

Executive Vice President, Treasurer

and Chief Financial Officer

Date: August 5, 2016

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
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101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase.

101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

*Filed herewith.