



Hupfeld, Matt C.

From: Larson, Craig A [IBD] [craig.a.larson@ssmb.com]
Sent: Wednesday, March 27, 2002 11:12 AM
To: 'randallmays@clearchannel.com'
cc: Zakkour, Anwar [IBD]; Jacobs, Eric [IBD]; Turnbull, Jonathan [EQTY]; Zeko, Fehmi A [IBD]
Subject: HS?



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script.doc

Randall --

Attached is our call script together with our internal summary overview of transaction terms. Interested in any thoughts you might have.

We received call from Akin Gump yesterday asking us to hold off on calling potential parties. Know they're getting comfortable with the second structure from a tax standpoint (we've obviously been helping them) and in the event any assets need to be moved out of the holding company, feel the record cleaner if we officially haven't called anybody. We've spoken with them again this morning -- sounds like they're hours away from firming their view here.

Wanted to make sure you were aware.

CL

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- Clear Channel, as you know, owns 28.3 million Class B shares of Hispanic Broadcasting. This represents a 26.1% economic interest in the company which is the single largest economic stake in Hispanic by a wide margin. The next largest stake *is* owned by the Tichenor family - 13.2MM Class A shares which represents a 12.2% economic interest.
- Clear Channel has received interest from strategic parties regarding Hispanic and their desire to sell the interest. Although Clear Channel has not decided to pursue a sale or monetization of its strategic interest, it has asked Salomon Smith Barney to help them think about their alternatives as it relates to this stake. Clear Channel's motivation in exploring a monetization is to reduce its indebtedness.

Hispanic is a widely-held company - Clear Channel's interest is greater than that owned by the 5 largest institutional shareholders combined (Putnam, Franklin, AIM, Janus and TCW which in aggregate own 25MM shares). Given the size of the stake and the strategic nature of the asset, we believe that Clear Channel should receive a premium to the market for its stake.

- There are two key factors worth) of note.
 - 1) Clear Channel's basis is \$1.70 per share (current HSP stock price is approximately \$29). Tax efficiency is important to Clear Channel in any structure.

2) Clear Channel owns Class B shares in Hispanic. HSP has two classes of stock, Class A and Class B and Clear Channel is the only Class B shareholder. Class B shares are non-voting and thus CCU's interest in HSP is non-attributable for FCC purposes. There are certain negative rights associated with the Class B shares including a class block on any change of control transaction. The Class B shares automatically convert to Class A shares upon a sale or distribution by Clear Channel to a third party.

- We have thought of two potential structures.

The first structure is a "DECS" instrument issued by Clear Channel to you - obviously the private nature of this security would allow for the tailoring of terms between parties. This security would be a 10-year maturity, zero coupon DECS on HSP. The instrument would accrete over the 10-years through incremental payments of HSP stock. The DECS would represent all of Clear Channel's interest in HSP at maturity. Importantly, because Clear Channel would maintain effective ownership of HSP stock until maturity, the attributes of the Class B stock (e.g. the class block on a change of control) would survive.

The second structure involves the sale by Clear Channel of the stock of the subsidiary that holds the HSP stock to you in return for your registered common stock. Under this structure (designed to be a tax-free exchange) the Class B shares would automatically convert to Class A shares upon the sale.

We recognize there are a plethora of instruments that could effect a monetization. We would encourage you to think creatively of additional structures.

- Should you have interest in pursuing this, we would propose sending you a public information package on Hispanic for your review and schedule quickly a discussion with you and your team to review these structures in more detail. As mentioned, Clear Channel has received interest from multiple parties. As such, we would encourage you to evaluate this opportunity quickly.

Summary of Transaction Structures — For Internal Use Only

	Private DECS (HSP)	Stock-for-Stock Exchange with follow-on DECS (Buyer Stock)
Transaction	<ul style="list-style-type: none"> ◆ DECS in exchange for cash (or registered Buyer stock) 	<ul style="list-style-type: none"> ◆ Stock of CCI (holding company) in exchange for registered Buyer common stock
Valuation	<ul style="list-style-type: none"> ◆ Implied premium of [20 - 30%] to current market 	<ul style="list-style-type: none"> ◆ Implied premium of [20 - 30%] to current market
Structure	<ul style="list-style-type: none"> ◆ CCU to issue zero-coupon DECS <ul style="list-style-type: none"> ● 10 year maturity ● No cash coupons ● Settlement in cash, CCU stock or <u>HSP stock</u> [discuss] 	<ul style="list-style-type: none"> ◆ Common stock of Buyer will be monetized through follow-on DECS
Tax Treatment	<ul style="list-style-type: none"> ◆ Tax deferral of proceeds until expiration of DECS term 	<ul style="list-style-type: none"> ◆ Tax-free initial exchange a condition
Class B Rights	<ul style="list-style-type: none"> ◆ Class B blocking rights retained by CCU during term of DECS [discuss] 	<ul style="list-style-type: none"> ◆ Class B shares convert to Class A shares (regular voting) upon initial transfer <ul style="list-style-type: none"> ● Possibility to get HSP consent to retaining Class B blocking rights?
Key Issues (To be discussed only as appropriate)	<ul style="list-style-type: none"> ◆ Complex structure ◆ Settlement in HSP stock <u>not guaranteed</u> <ul style="list-style-type: none"> ● Also Tichenor RoFO upon expiration of DECS terms ◆ Class B blocking rights <u>retained by CCU</u> [discuss] 	<ul style="list-style-type: none"> ◆ Loss of Class B blocking rights ◆ Tichenor RoFO ◆ Delaware 203

CC 000 0132





February 8, 2002

L. Lowry Mays
Chief Executive Officer
Clear Channel Worldwide
200 East Basse Road
San Antonio, Texas 78209

McHenry T. Tichenor, Jr.
Chief Executive Officer
Hispanic Broadcasting Corp.
3102 Oaklawn Avenue
Dallas, Texas 75219

*cc Mark
Ken
BTM
Mac
I thought I would write
a letter inviting him & S.A.
to discuss. As you may
remember last time he
sent me like this
I met w/ him
in NYC.*

Raúl Aracón
PRESIDENT

Personal and Confidential
Via Facsimile and Overnight Delivery

Dear Lowry and Mac:

As you know, I have been troubled for years by the overt and covert anticompetitive actions that Clear Channel and Hispanic Broadcasting have taken against Spanish Broadcasting System. Those actions - which began even before Hispanic was formed and which have continued to the present - have succeeded in their intended purposes of making it more difficult for SBS to compete with Hispanic. Your companies have wrongfully inhibited SBS's ability to raise financing, tried to lower SBS's stock price and stolen transactions and personnel away from SBS. Your ultimate goal has always been clear: acquiring SBS at a price that has been reduced by the effects of your actions.

I have contacted you on many previous occasions to discuss these problems, including:

- Misappropriating the opportunity to acquire KSCA-FM from Golden West Broadcasters
- Inducing Katz Hispanic Media to breach its national sales representation agreement with SBS
- Driving up the price of WXDJ-FM and WRMA-FM by attempting to misappropriate the opportunity to acquire those stations from Russ Oasis
- Dismantling SBS's IPO underwriting syndicate



CC 0001925

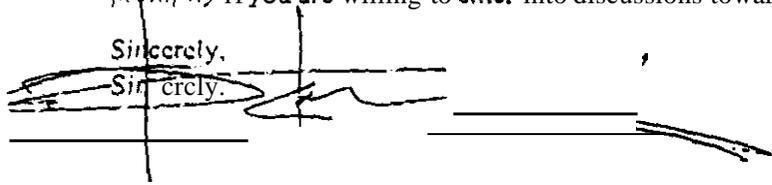


Messrs Mays and Tichenor
 February 8, 2002
 Page II

- Limiting coverage of SBS's stock by leading securities analysts
- Driving up the price of KFSG-FM (now KXOL-FM) by attempting to misappropriate the opportunity to acquire that station from the International Church of the Foursquare Gospel (the ICFG)
- Inducing SBS's institutional investors to dump their holdings and replace them with Hispanic stock
- Attempting to induce key SBS employees to breach their employment agreements (and succeeding with respect to three morning drive show hosts of WXDJ-FM in Miami, among others)
- Directing long-time SBS concen promoters and advertisers (through Clear Channel's ownership of SIX) to deal exclusively with Hispanic.

You may believe that because of your combined size and econoinic power SBS and I will be forced to continue to accept the conduct of Clear Channel and Hispanic. But your current attempts - again - to interfere with SBS's transaction with the ICFG cannot be tolerated. As you both know, SBS's operation of KXOL-FM for the last y c u has been a competitive success. But your corporate officers have responded to our success by continuing their efforts to induce the ICFG not to complete its transaction with SBS and thereby interfering with the financing needed to do so. Hispanic has even gone so far as offering the ICFG a further enticement to abandon the SBS transaction: the use of an Hispanic station in Los Angeles to replace the two stations owned by SBS on which the ICFG currently broadcasts.

As I'm sure you know from Alan Feld, SBS has retained David Boies and his law firm to determine how to prevent and redress your attempts to injure SBS. My preference is not to litigate, but to try to find a mutually agreeable business solution. Please let me know promptly if you are willing to enter into discussions towards that end.

Sincerely,


RA/id

CC 0001926





Raúl Alarcón
PRESIDENT

March 25, 2002

McHenry Tichenor, Jr.
President and Chief Executive Officer
Hispanic Broadcasting Corporation
3102 Oak Lawn, Suite 215
Dallas, Texas 75219

Via Facsimile and Federal Express

Dear Mac:

The discussions you and I have had over the last few weeks have been very helpful with respect to finding a productive solution to the issues that have long concerned me. As you suggested would be useful. I am prepared to outline for you and your board our proposed merger terms and to highlight the compelling strategic and financial benefits of such a combination. We believe our proposal addresses the material issues and objectives you raised in your letter of March 6.

Spanish Broadcasting System, Inc. ("S") is prepared to acquire 100% of the share capital of Hispanic Broadcasting Corporation ("H") for a combination of 184.3 million shares of SBS Class A shares and \$1.0 billion in cash, a portion of which would be used to refinance any existing H debt at closing and to pay our mutual fees and expenses incurred in this transaction. As you deem necessary, we would consider differentiated allocation of the consideration between Class A and B shareholders. The full terms and conditions of our offer are outlined in a detailed Term Sheet that we want to review with you at your earliest possible convenience.

Based on Friday's close of business, the total value per H share of our proposal is \$29.93, assuming 112 million fully diluted H shares outstanding, or a 14% premium over H's stock price of \$26.30 at the time we initiated discussions on February 26.

The combination of our two companies' assets and skill sets would accelerate our respective growth prospects and create immediate value through a combination of new revenue opportunities and cost reductions, the majority of which would be realized by H shareholders and, can only be realized through this unique combination. Specifically, our proposal has the following benefits to H shareholders:

- Places a premium value on H at a multiple of 41x 2002 EBITDA of \$82.5 million, the midpoint of H's public market guidance
- Creates a unique, "must own" stock for media investors with significant liquidity and broad research coverage
- Has a meaningful cash component which provides certainty of value for a significant portion of the consideration and the stock portion is tax-efficient
- Significantly accretive to H shareholders
- Provides substantial upside in the form of exceptional synergies to remaining H shareholders

SBS TOWER 2601 SOUTH BAYSHORE DRIVE, PENTHOUSE II COCONUT GROVE, FLORIDA 33133 TEL (305)443-9090 FAX (305)444-2179

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SBS020376



While this offer is non-binding until we can reach a definitive agreement, you should know that the cash portion of our offer is underwritten by a \$1.0 billion commitment that we have obtained from Lehman Brothers, demonstrating the seriousness of our intentions. Most of the p_____ from the commitment will be used to fund the cash portion of our offer, while we anticipate that approximately \$75.0 million will be used to refinance existing H debt and pay our mutual fees and expenses incurred in this transaction.

Our advisors and we do not believe that an all cash purchase is prudent under current market conditions. In addition, in an all cash transaction, your shareholders would forego the meaningful tax benefits and stock appreciation upside provided by our structure. To address liquidity specifically, our proposal (i) includes meaningful cash consideration to be allocated, as you may deem necessary, among your shareholders; (ii) creates, through the combination, a more liquid security and (iii) provides Registration Rights to key H shareholders to gain sufficient liquidity at the appropriate time.

While we have consistently required that the Alarcón ("A") family maintain in excess of 50% of the vote of the combined company, the A family will continue to have a meaningful financial investment. The Alarcón family intends to be long-term shareholders and is willing to commit to holding its shares for a minimum period of time. Furthermore, we expect that you and other members of H's talented team will comprise a significant portion of the senior management responsible for the realization of synergies in the combined entity. We believe these elements of our offer will provide mutual incentives to realize potential synergies and maximize shareholder value.

Finally, although the combined company will have greater leverage than H shareholders are accustomed to, substantially all of the cash consideration, which comprises the incremental borrowings, is being delivered to your shareholders. Furthermore, the pro-forma debt levels are reasonable when compared to normal cash flows and are further supportable by the combined company's asset value.

We continue to believe that a combination of S and H has the potential to create significant value for the shareholders of both companies. In addition, this transaction and the scale it creates provides significant benefits to our listeners, advertisers and the communities we serve.

Mac, you have my personal assurance that our team is prepared to move quickly and efficiently towards signing a binding set of documents. I propose that we work towards signing definitive agreements and making an announcement within the next two weeks.

As contemplated by the terms of the Confidentiality Agreement we will need to sign to move forward, the existence and contents of this letter should be deemed strictly confidential and disclosure of its contents to any third party (other than the members of your board or your legal and financial advisors) is prohibited. If you have questions regarding any aspect of this proposal or need further clarification, please contact me directly.

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I look forward to speaking with you regarding this proposal and I will contact you within the next few days.

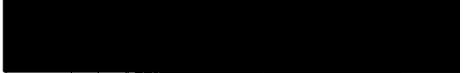
Sincerely,

A handwritten signature in black ink, appearing to read 'Raúl Alarcón, Jr.', is written over a horizontal line. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Raúl Alarcón, Jr.
President and Chief Executive Officer

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SBS020378





April 17, 2002

Raúl Alarcón
PRESIDENT

Mr. L. Lowry Mays
Chief Executive Officer
Clear Channel Worldwide
200 East Basse Road
San Antonio, Texas 78209

Privileged and Confidential
Via Facsimile: (210) 805-0734 and Overnight Delivery

Dear Lowry:

Thank you for your time on the phone today. Unfortunately, Mac and I have been trading phone calls over the last few days.

As we discussed, enclosed please find the SBS offer to HBC which I am forwarding to you on a confidential basis in light of the necessity of your consent to the transaction described in the offer:

As I mentioned to you, I believe this full and fair offer is hugely beneficial to HBC and its shareholders. HBC shareholders will receive a significant \$1 Billion of cash consideration as well as the Lion's share of the going-forward merged SBS/HBC entity including the incremental value created from the combined operational synergies. Importantly, this "synergy value" in and of itself has been conservatively estimated at roughly \$12.50 per share.

As you would undoubtedly concur, this alternative is a much more preferable option as compared to other courses of action which have been discussed and which I have expressed to you in my letter of February 8, 2002.

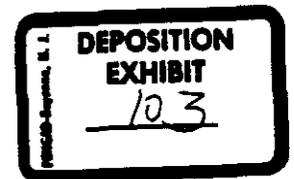
Stated simply, our proposal affords all concerned an unduplicated opportunity for growth and value creation. I say this without fear of contradiction.

Please let me know your thoughts. I am prepared to consummate this transaction in as expeditious a manner as possible. Let me again state that this transaction, in my opinion, is the clearly desirable alternative to the resolution of our differences and fully addresses the best interests of the shareholders of Clear Channel, HBC and SBS.

Wishing you continued success at Clear Channel, I remain,

Sincerely,

RA/id



c.c. McHenry T. Tichenor, Jr.

SBS TOWER 2601 SOUTH BAYSHORE DRIVE, PENTHOUSE II COCONUT GROVE, FLORIDA 33133 TEL (101)443-9000 FAX (305)444-2179

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SBS020404



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As filed with the Securities and Exchange Commission on November 4, 2002

Registration No. 333-99037

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Amendment No. 1

to

FORM S-4

**REGISTRATION STATEMENT UNDER THE
SECURITIES ACT OF 1933**

UNIVISION COMMUNICATIONS INC.

(Exact name of registrant as specified in its charter)

DELAWARE
(State of incorporation)

4833
(Primary Standard Industrial
Classification Code Number)
1999 Avenue of the Stars, Suite 3050
Los Angeles, California 90067
(310) 556-7676

95-4398884
(I.R.S. Employer
Identification Number)

(Address, including zip code and telephone number, including area code, of principal executive office)

C. Douglas Kraawinkie, Esq.
1999 Avenue of the Stars, Suite 3050
Los Angeles, California 90067
(310) 556-7676

(Name, address, including zip code, and telephone number, including area code, of agent for service)

COPIES TO.

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O'Melveny & Myers LLP
1999 Avenue of the Stars, Suite 700
Los Angeles, California 90067
(310) 553-6700

Mark Early, Esq.
Yinson & Elkins L.L.P.
2001 Ross Avenue, Suite 3700
Dallas, Texas 75201
(214) 220-7700



Approximate Date of Commencement of Proposed Sale to the Public:
As soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

THE MERGER

This section of the joint proxy statement/prospectus describes material aspects of the proposed merger, including the Agreement and Plan of Reorganization attached to this joint proxy statement/prospectus as Annex A. While we believe that the description covers the material terms of the merger and the related transactions, this summary may not contain all of the information that is important to Univision stockholders and Hispanic Broadcasting stockholders. You should carefully read the Agreement and Plan of Reorganization and the other documents that we refer to for a more complete understanding of the merger.

Background of the Merger

Univision periodically reviews potential acquisitions that it believes will benefit its stockholders. Since 1995, Univision has considered the radio industry an attractive complement to its core television business. Because of Hispanic Broadcasting's strong management and balance sheet as well as the size and scope of its operations, Univision believed that a business combination with Hispanic Broadcasting would benefit Univision's stockholders. Univision did not believe that any other radio station operation offered the same benefits as Hispanic Broadcasting and therefore did not enter negotiations with others in the radio industry. At various times from 1995 through 1999, Univision management held separate discussions regarding possible business combinations with the management of Hispanic Broadcasting. However, in each instance, all discussions and negotiations were terminated without any agreement being reached. In addition to its conversations with Univision management, Hispanic Broadcasting management has, at various times, held discussions with other media companies regarding potential business combinations. These discussions have included Spanish Broadcasting System, Inc., which we refer to as Spanish Broadcasting, and Company A, a television broadcasting company.

In March and April 1999, Univision and Hispanic Broadcasting held discussions about combining the two companies, but the parties did not enter into any agreement.

In June 2000, Univision entered into negotiations to acquire Clear Channel's interest in Hispanic Broadcasting and with Hispanic Broadcasting to acquire the remainder of Hispanic Broadcasting, but the parties did not enter into any agreement.

In June 2001, Univision and Hispanic Broadcasting held discussions about combining the two companies. No agreement could be reached on price and the discussions were terminated in August 2001.

On March 19, 2002, Andrew Hobson, Executive Vice President of Univision, received an e-mail from Randall Mays, Chief Financial Officer of Clear Channel, stating that Clear Channel had received an unsolicited offer for its stake in Hispanic Broadcasting and requesting that Mr. Hobson call Mr. Mays if Univision had any interest.

Several days later, Mr. Hobson received a call from Fahmi Zeko of Salomon Smith Barney, Inc., Clear Channel's financial advisor, inquiring about Univision's interest in acquiring Clear Channel's stake in Hispanic Broadcasting.

On March 25, 2002, Mr. Hobson responded to Mr. Mays' e-mail by declining any interest in Clear Channel's stake in Hispanic Broadcasting unless there was a clear path to control by Univision of Hispanic Broadcasting.

On March 25, 2002, following a meeting between the Chief Executive Officer of Spanish Broadcasting and McHenry Tichenor, Jr., the Chief Executive Officer of Hispanic Broadcasting, Hispanic Broadcasting received a proposal from Spanish Broadcasting that contemplated a potential combination between Spanish Broadcasting and Hispanic Broadcasting in which Spanish Broadcasting would acquire Hispanic Broadcasting and the Hispanic Broadcasting stockholders would receive a combination of Spanish Broadcasting regular voting stock and cash. However, Spanish Broadcasting's super-voting common stock would remain outstanding following the proposed transaction, effectively

transferring control of the combined company to Raúl Alarcón, Jr., Spanish Broadcasting's chief executive officer, by virtue of his ownership of super-voting stock.

Over the next three weeks, Mr. Hobson worked extensively with UBS Warburg, Univision's financial advisor, analyzing a potential combination of Univision and Hispanic Broadcasting. On April 10, 2002, during the National Association of Broadcasters convention in Las Vegas, Mr. Hobson met Mr. Mays by coincidence. A conversation ensued in which Mr. Mays raised the possibility of a potential transaction between Univision and Hispanic Broadcasting. Other than the previously mentioned conversations and other than with respect to the stockholder support agreement that it executed in June 2002 and the registration rights agreement that it will execute at the closing of the merger, Clear Channel did not have any role in the negotiations with Univision with respect to the proposed merger.

On April 15, 2002, UBS Warburg made a presentation to Univision senior management outlining its preliminary financial analysis of a possible combination of Univision and Hispanic Broadcasting based upon publicly available information concerning Hispanic Broadcasting.

On or about April 15, 2002, A. Jerrold Perenchio, Chief Executive Officer and Chairman of the Board of Univision, called Mr. Tichenor to arrange a meeting to discuss the possible combination of the two companies.

On or about April 19, 2002, Hispanic Broadcasting contacted its financial advisor, Credit Suisse First Boston, to advise it of the discussions with Univision and to request that it analyze the Spanish Broadcasting proposal.

On April 22, 2002, Mr. Tichenor met in Houston, Texas with the chief executive officer of Spanish Broadcasting and an advisor to Spanish Broadcasting's Chief Executive Officer concerning Spanish Broadcasting's proposal and a possible combination of Hispanic Broadcasting and Spanish Broadcasting.

On April 24, 2002, representatives of Hispanic Broadcasting, Credit Suisse First Boston, Spanish Broadcasting and Spanish Broadcasting's financial advisor met by means of a telephonic conference for further discussions regarding Spanish Broadcasting's letter dated March 25, 2002 including issues related to corporate governance and leverage of the combined company as well as divestitures that might be required in connection with the proposed transaction and the values at which its stock might trade.

On April 24, 2002, UBS Warburg updated its financial analysis and discussed alternative strategies with Univision senior management concerning a possible combination of Univision and Hispanic Broadcasting.

On April 25, 2002, Mr. Perenchio, Robert V. Cahill, Vice Chairman and Secretary of Univision, and Mr. Hobson met with Mr. Tichenor and Jeff Hinson, Chief Financial Officer of Hispanic Broadcasting, at Univision's offices in Los Angeles. In this meeting, Univision indicated that it might be willing to acquire Hispanic Broadcasting in a stock-for-stock acquisition for an exchange ratio of 0.791 of a share of Univision Class A common stock for each outstanding share of Hispanic Broadcasting common stock. Various other terms were discussed but not agreed upon by the parties. On April 25, 2002, the closing price of the Univision Class A common stock was \$43.45 per share, which represented \$34.37 on an equivalent Hispanic Broadcasting per share basis (calculated by multiplying the Univision Class A common stock price by an exchange ratio of 0.791).

Notwithstanding that the parties had not reached agreement on significant issues related to the structure and terms of any potential combination, including the amount of merger consideration, the number of directors to be added to Univision's board of directors following consummation of a transaction, and closing conditions, Univision and Hispanic Broadcasting agreed to have their attorneys

commence negotiation of a definitive document, using the agreements that had been partially negotiated in 1999 as a starting point. From April 30, 2002 through June 11, 2002, the attorneys continued to exchange drafts of the various agreements and to resolve open issues.

On May 1, 2002, Mr. Tichenor and Mr. Hinson met in New York, New York with representatives of Company A to discuss the potential for a strategic relationship or business combination between Hispanic Broadcasting and Company A.

On or about May 8, 2002, Mr. Tichenor called Mr. Hobson to discuss certain specific issues other than price. These issues included: (a) attribution issues in respect of Clear Channel under FCC rules, (b) the composition of Univision's post-merger board of directors, (c) the conditions after signing that would allow Univision not to close, (d) the effect of any possible offers for Univision during the pendency of a possible merger, and (e) the issues, if any, posed by potential attribution to Univision of radio stations owned by Entravision.

On May 9, 2002, Mr. Tichenor, Mr. Hinson and various representatives of Company A toured several of Company A's properties and continued discussions regarding a strategic relationship or a business combination between Company A and Hispanic Broadcasting. On May 10, 2002, Mr. Hinson had further discussions with representatives of Company A.

A special telephonic meeting of the board of directors of Hispanic Broadcasting was held on May 14, 2002 to discuss various proposals made to Hispanic Broadcasting. During the meeting, Mr. Tichenor and representatives of Credit Suisse First Boston and Vinson & Elkins L.L.P., Hispanic Broadcasting's counsel, updated the board of directors of Hispanic Broadcasting regarding the proposals made by Univision, Spanish Broadcasting and Company A. The board of directors of Hispanic Broadcasting directed Hispanic Broadcasting's officers to make a counter-proposal to Spanish Broadcasting and to continue to pursue discussions with Company A. In considering a counter-proposal to Univision's proposal, the board of directors of Hispanic Broadcasting considered, among other things, the increase of the proposed exchange ratio to Hispanic Broadcasting stockholders, the ability of Hispanic Broadcasting's stockholders to be proportionately represented on the board of directors of the combined company, the opportunity for Hispanic Broadcasting's stockholders to participate in a larger and more diversified broadcasting company, the commitment of Univision to the proposed transaction, including its agreement not to enter into other transactions that would delay or prevent the merger, the receipt of the same economic consideration by each of the Hispanic Broadcasting Class A stockholders and the Hispanic Broadcasting Class B stockholders, the agreement by Mr. Perenchio not to vote his shares of Univision Class P common stock in favor of any future transaction in which the Univision Class A common stockholders would receive different consideration than Mr. Perenchio, and the financial strength of the combined company. On this basis, the board of directors of Hispanic Broadcasting gave authority to Hispanic Broadcasting's officers to continue discussions with Univision regarding a possible transaction on the following terms: (a) an exchange ratio of no less than 0.85 of a Univision Class A common share for each outstanding share of Hispanic Broadcasting, (b) the retention of two seats on the combined company's board of directors, (c) a "full" commitment to the transaction (i.e., limited closing conditions and prohibitions on Univision activities that might delay the transaction), and (d) payment of identical consideration in the transaction to Clear Channel, subject to regulatory limitations.

On May 14, 2002, Mr. Tichenor called Mr. Perenchio and explained that the Hispanic Broadcasting board would not proceed with a transaction involving an exchange ratio of less than 0.85 of a Univision share for each Hispanic Broadcasting share. Mr. Tichenor sent a letter later that day outlining the proposed price and a proposal to resolve a number of the outstanding issues between the parties.

On May 15, 2002, Hispanic Broadcasting by letter made a counter-proposal to Spanish Broadcasting that proposed an all-stock transaction based on the valuation of Hispanic Broadcasting.

implied in Spanish Broadcasting's proposal and included several governance features intended to protect the interests of stockholders in the combined entity, including (a) a nominating committee comprised of the chief executive officer of each of Hispanic Broadcasting and Spanish Broadcasting, both of whom would have the right to approve the appointment of independent members to the combined company's board of directors, (b) a change to the combined company's bylaws prohibiting the combined company's board from acting with respect to any matter to be voted on by stockholders before the matter had been recommended to the board by a committee of the combined company's independent directors and (c) a requirement that any proposal made to the combined company that would require a stockholder vote for approval would be submitted to the committee of independent directors for evaluation.

Mr. Tichenor, Mr. Hinson, other employees of Hispanic Broadcasting and representatives of Company A met on May 21, 2002 in New York, New York to further discuss potential strategic alternatives between Hispanic Broadcasting and Company A.

On May 21, 2002, Mr. Hobson called Mr. Tichenor and informed him that Univision would agree to an exchange ratio of 0.85 of a share of Univision common stock for each share of Hispanic Broadcasting common stock and proposed compromises on certain of the other issues specified in Mr. Tichenor's letter of May 14, 2002. On May 21, 2002, the closing price of the Univision Class A common stock was \$39.42 per share, which represented \$33.51 on an equivalent Hispanic Broadcasting per share basis (calculated by multiplying the Univision Class A common stock price by an exchange ratio of 0.85).

On May 22, 2002, Spanish Broadcasting sent a letter to Mr. Tichenor proposing two alternatives to the terms proposed in Hispanic Broadcasting's letter of May 15, 2002. The first alternative involved an all stock merger in which Spanish Broadcasting would acquire Hispanic Broadcasting at an exchange ratio that was lower than the exchange ratio implied in Spanish Broadcasting's initial stock and cash proposal and that also included a "collar" that fixed the value of the stock to be issued in the transaction to the extent Spanish Broadcasting's stock traded within a 5% range above or below the trading price at the time the proposed transaction was announced. It also provided that Hispanic Broadcasting stockholders would receive a contingent value right, or CVR, that was intended to protect the value received by Hispanic Broadcasting stockholders for two years after the completion of the proposed transaction. The second proposal was a modification of Spanish Broadcasting's initial stock and cash proposal that increased the cash consideration and reduced the amount of Spanish Broadcasting stock to be issued in the transaction. The second proposal also included a CVR and "collar" that operated within a range of 10% above or below the announcement date trading price. In addition, under both alternatives Spanish Broadcasting proposed that a majority of the combined company's independent directors be selected by the chief executive officer of Spanish Broadcasting and not be subject to the approval of any other party and did not require all proposals made to the combined company that would require a stockholder vote for approval to be submitted to the committee of independent directors for evaluation.

On May 23, 2002, the Univision board of directors held its regularly scheduled board meeting. At the meeting:

Representatives of UBS Warburg made a presentation setting forth UBS Warburg's financial analysis relating to the possible transaction;

Univision management reviewed with the Univision board of directors the status of negotiations of the proposed transaction, indicating that the parties had still not reached agreement on significant issues, and discussed with the board the strategic rationale for the possible transaction and the various regulatory hurdles which would have to be overcome in order to consummate the proposed transaction; and



FAX MEMO:

4 Pages

HISPANIC BROADCASTING CORPORATION • 3102 Oak Lawn, Suite 215, Dallas, Texas 75219 • (214) 525-7700 • FAX (214) 525-7830

TO: Randall Mays

FROM: Mac Tichenor, Jr. 

RE: Attached letter

DATE: April 3, 2002

This is still rough but, because it covers some things that you're probably not up to speed on, I wanted to get it to you in advance of our meeting tomorrow so you can look into those things.

See you at 1:30.

*CC: MAM
LLM done 4/4/02*

*FYI → I do not like
the tone of this letter at
all. Mac is here at
1:30 pm today if anyone
wants to sit in.*



CC 000081

McHenry T. Tichenor, Jr.
President and CEO

April 3, 2002

Mr. Randall Mays
Executive Vice President
Chief Financial Officer
Clear Channel Communications, Inc
200 East Basse Road
San Antonio, Texas 78209

Dear Randall:

We have been considering the implications of Clear Channel's desire to monetize its stake in Hispanic Broadcasting, with the goals of finding an approach least detrimental to our remaining shareholders and least disruptive to our company's ability to raise capital when necessary, while allowing you to exit your position as expeditiously and lucratively as possible. Like most things, it turns out to be more complicated than it first appears.

We have concluded that maintaining an evergreen selling shelf registration for a large number of shares is not in the best interests of the company, nor would it serve to maximize the proceeds that Clear Channel would realize from liquidating its position. CSFB has done good work in developing alternatives that will allow us both to maximize our position, and they will present those alternatives to you. For the purposes of this letter, I am assuming that you will find the most attractive alternatives to involve the HBC undertaking the registration of at least 6 to 8 million of your shares, a road show marketing effort by HBC management, and consents and waivers by the the Tichenor family of rights they hold under the shareholders agreement, including the Right of First Offer, Tag Along and Piggy Back rights, and HBC's granting registration rights to CCU as described above.

I am prepared to recommend to our board that these undertakings are in the best interests of the shareholders in conjunction with certain understandings and agreements with Clear Channel. Those include the following:

- Acceptance by CCU of the HBC proposal regarding outlined in my letter to Jerry Kersting of October 10, 2001, subsequently modified as described in Exhibit A attached hereto, and agreement to use our respective commercially reasonable best efforts to create and file an appropriate rulemaking as expeditiously as possible.
- Agreement by CCU to support prosecution of the "Quannah Rulemaking," including supporting the FCC's grant of the "Southern Tier," as contemplated in the filings, if the FCC determines not to grant the entire rulemaking. Further,

*What is this?
HBC's 10/10/01*

*Taken Annies.
First Rescheduling
is getting out.*

Quannah Rulemaking. ?

Mr. Randall Mays
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April 3, 2002

Clear Channel's affirmation that it will honor the agreements between it and HBC regarding the sale and purchase of KVCQ-FM (McQueeney) and KHFI-FM (Austin), whether the entire **Quanah Rulemaking is granted** or only the Southern Tier. If the **Quanah Rulemaking is dismissed** by the FCC **without** granting the Southern Tier, **CCU would agree to participate** in the refilling of at least the Southern Tier or creation of a similar rulemaking that would **allow** the completion of the KVCQ-FM and **KHFI-FM** transactions.

D

- Agreement by CCU that once it has sold below 20%, it will stay below 20% (avoiding the question of its veto rights springing back into effect).

*check with
Main Group.*

R

- Agreement by CCU that it will not sell shares of stock equal to 5% or more of HBC's common stock to any person or group acting in concert.

• No

A

- Agreement by CCU to reimburse HBC for all out-of-pocket costs it incurs in connection with the monetization of the CCU stake.

In addition, I would be prepared to recommend to the family that its rights be eliminated by termination of the shareholders agreement, in consideration of CCU's agreements as described above.

Very truly yours,

F

McHenry T. Fichenor, Jr.
President and CEO

T

Attachment

Exhibit A

Proposal summary, as modified, regarding Snn Antonio, Waco, Bryan/College Statio?, Lufkin, Austin. Houston

San Antonio. CC, Henderson, and HBC would cooperate to seek FCC approval for the move of KROM-FM and KSJL-FM to transmitter sites as described in the Reynolds Technical Analysis presented to you on August 24, 2001, or other mutually agreeable sites, as well as the modification of their signals as depicted in that analysis. Henderson would agree to move and/or modify his KYKM-FM (Yoakum) as necessary to allow this move. In addition, the parties would agree on an approach to John Barger to secure his cooperation with respect to KRNH-FM (Kerrville). Upon completion of the move, CC and HBC would exchange licenses and transmitter facilities, subject only to any third-party transmitter site leases, of KROM-FM and KSJL-FM. Each party would bear its respective legal and engineering costs, including the costs of construction, and any further payment, if any, made to Barger would be borne equally by CC and HBC.

Waco/Austin. CC would swap the license of radio station WACO-FM, licensed to Waco, Texas, to HBC in exchange for the license of radio station KDXX-FM, licensed to Robinson, Texas. HBC and CC will cooperate to secure FCC approval for the move of WACO-FM to Austin, Texas, as a Class C1 facility as set forth in the Reynolds analysis. Each party would be responsible for its legal and engineering costs; however, HBC would be responsible for the cost of constructing the new WACO-FM facilities in Austin. CC would keep the WACO call sign.

Bryan/College Station. Henderson would move and/or modify facilities controlled by him to allow KAGG to upgrade via Mark Lipp's/Reynolds plan. In addition, Henderson will swap Clear Channel's channel 284C2 with Henderson's channel 297 from Caldwell, creating a full C-2 in Bryan, Texas for Clear Channel. Each party would pay its own legal, moving and engineering costs.

Lufkin. CC would agree to modify the facilities of station KYKS to a Class C2 on channel 284 (104.7 MHz), and move it as described in the Reynolds analysis.

Cash consideration. As further consideration for the mutual promises contemplated herein, HBC would pay CC \$15 million, and CC would pay Henderson \$5 million, in cash.

Contingencies. Each party's obligations would be subject to favorable FCC actions allowing 1) the contemplated moving and modification of KROM-FM and KSJL-FM; 2) the contemplated moving and modification of WACO-FM; 3) the contemplated moving and modifications of KAGG-FM and KLTR-FM; and, 4) the contemplated moving and modification of KOVA-FM, all as described in the Reynolds analysis or otherwise mutually agreed among the parties. Any settlement fees, if any that may be paid to John Barger to effectuate the KOVA move shall be borne equally by CC, HBC, and FBBC. However, if the KOVA changes are not allowed but the move and modification of WACO-FM are allowed, 1) HBC would commit to move and modify KROM-FM in order to allow the move and modification of KSJL-FM, both as described in the analysis, 2) CC would transfer the license of WACO-FM to HBC; 3) HBC would transfer the license of KDXX-FM to CC; and, 4) HBC would pay \$10 million to CC.

CC 000080