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TV AZTECA SA DE CV
Form 6-K
December 15, 2003

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16
OF THE SECURITIES EXCHANGE ACT OF 1934

For the month of December 2003

Commission File Number 3337776

TV Azteca, S.A. de C.V.
(Translation of registrant's name into English)

Periferico Sur, No. 4121, Col. Fuentes del Pedregal, 14141 Mexico D.F., Mexico
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): _____

NOTE: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): _____

NOTE: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K if submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes No

If "Yes" is marked, indicate below the file number assigned to the registrant in

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connection with Rule 12g3-2(b): 82-_____.

SIGNATURES

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.

TV AZTECA, S.A. DE C.V.
(Registrant)

Date: December 12, 2003

By: /S/ OTHON FRIAS

Name: Othon Frias
Title: Attorney-in-fact

=====

DECEMBER 4, 2003

[LOGO]

TV AZTECA

TV AZTECA, S.A. DE C.V.

PERIFERICO SUR 4121

COLONIA FUENTES DEL PEDREGAL
14141 MEXICO, D.F.

BMV(1) TICKER CODE: TVAZTCA
NYSE TICKER CODE: TZA

This information memorandum ("Information Memorandum") was prepared in accordance with article 35, section I of the General Provisions Applicable to Stock Issuers and Other Participants on the Stock Market, (2) in connection with the proposed Spin-Off that is subject to the approval of the General Extraordinary Shareholders Meeting of TV Azteca, S.A. de C.V. ("TV Azteca," "we", "us", "our" or the "Issuer"), to be held on December 19, 2003. To approve the Spin-Off, an affirmative vote of the majority of the Series "A" shares of the capital stock of the Issuer is required. The majority shareholder, Azteca Holdings, S.A. de C.V., intends to vote in favor of the Spin-Off.

The Spin-Off will create a new company known as Unefon Holdings, S.A. de C.V.

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("Unefon Holdings"). The Issuer will survive as the spinning-off company. The main assets to be transferred to Unefon Holdings are shares representing 46.5% of the paid-in capital stock of Unefon, S.A. de C.V. (BMV ticker code "Unefon") and shares representing 50% of the paid-in capital stock of Cosmofrecuencias, S.A. de C.V., owned by the Issuer, respectively.

As a result of the Spin-Off, the shareholders of TV Azteca will have the same percentage of capital stock of Unefon Holdings as in TV Azteca; however, the distribution and delivery of the Unefon Holdings Shares will not be carried out until such shares are listed on the Mexican Stock Exchange and the U.S. securities exchange or quotation system to be chosen by the Issuer, after approval from the applicable authorities, as described herein.

The shareholders of the Issuer will receive one share of capital stock of Unefon Holdings for each share of capital stock of TV Azteca, with respect to the Series "A", Series "D-A" or Series "D-L" shares.

The Issuer will maintain its capital structure as well as the securities that currently trade on the Mexican and U.S. stock markets, TVAZTCA CPO and TZA ADR, respectively. The securities of the Issuer are registered in the Securities Section of the National Securities Registry and have the ability to be traded simultaneously on the Mexican Stock Exchange and the New York Stock Exchange.

No payment will be made to TV Azteca or to Unefon Holdings for the Unefon Holdings Shares issued as a consequence of the Spin-Off.

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- (1) Translator's Note: BMV = Bolsa Mexicana de Valores (Mexican Stock Exchange).
- (2) Translator's Note: Disposiciones de Caracter General Aplicables a las Issuers de Valores and a otros Participantes del Mercado de Valores.

THE REGISTRATION IN THE NATIONAL STOCK REGISTRY DOES NOT IMPLY A CERTIFICATION REGARDING THE VALUE OR SOLVENCY OF THE ISSUER.

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I. TERMS AND DEFINITIONS

For purposes of this Information Memorandum, the following terms will have the meanings assigned to them below and will retain such meanings whether used in the singular or plural forms:

"TVA SHARES" means the 9,154,284,479 shares of capital stock of TV AZTECA, which include 2,228,133,859 CPOs in circulation to December 31, 2003.

"UNEFON SHARES" means the 1,170,000,000 shares of capital stock of Unefon held by TV Azteca.

"UNEFON HOLDINGS SHARES" means the shares of capital stock of Unefon Holdings.

"ADS" means the certificates known as American Depositary Shares issued by BONY, each equal to 16 (sixteen) CPOs and therefore 48 (forty-eight) TVA Shares.

"ADS UNEFON HOLDINGS" means the certificates known as American Depositary Shares to be issued by BONY for the distribution of the Unefon Holdings Shares in the U.S.

"BMV" means Bolsa Mexicana de Valores, S.A. de C.V.

"BONY" means The Bank of New York.

"CNBV" means the National Banking and Securities Commission (Comision Nacional Bancaria y de Valores).

"CPO" means the Ordinary Participation Certificate (Certificados de Participacion Ordinaria) issued by National Financiera, S.N.C., representing one Series "A" share, one Series "D-A" share and one Series "D-L" share, all of capital stock of TV Azteca.

"COSMOFRECUENCIAS" means Cosmofrecuencias, S.A. de C.V.

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"GENERAL PROVISIONS" means the General Provisions Applicable to Issuers of Securities and Other Participants on the Market, published in the Official Gazette of the Federation(3) on March 19, 2003.

"ISSUER" means TV Azteca.

"SPIN-OFF" means the Spin-Off to be carried out by TV Azteca subject to approval by the General Extraordinary Shareholders Meeting to be held on October 19, 2003.

"RADIOELECTRIC SPECTRUM" means the space that allows for the propagation, without an artificial guide, of electromagnetic waves which frequency bands are fixed conventionally below 30 GHz.

"INFORMATION MEMORANDUM" means this Information Memorandum.

"GHZ" means gigahertz.

"GRUPO ELEKTRA" means Grupo Elektra, S.A. de C.V.

(3) Translator's Note: Diario Oficial de la Federation.

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"INDEVAL" means S.D. Indeval, S.A. de C.V., Securities Deposit Institution (Institucion para el Deposito de Valores).

"LGSM" means the General Law of Mercantile Corporations (Ley General de Sociedades Mercantiles).

"MEXICO" means the United Mexican States.

"MHZ" means megahertz.

"NYSE" means the New York Stock Exchange.

"OPERADORA DE COMUNICACIONES" means Operadora de Comunicaciones, S.A. de C.V.

"MEXICAN GAAP" means "Generally Accepted Accounting Principles" (Principios de Contabilidad Generalmente Aceptados) in Mexico.

"TV AZTECA ANNUAL REPORT" means the Annual Report presented by TV Azteca before the CNBV on June 30, 2003 with respect to the fiscal year ended on December 31, 2002.

"UNEFON ANNUAL REPORT" means the Annual Report presented by Unefon before the CNBV on July 28, 2003 with respect to the fiscal year ended on December 31, 2002.

"SEC" means the Securities and Exchange Commission of the U.S.

"MR. SALINAS PLIEGO" refers to Mr. Ricardo Benjamin Salinas Pliego.

"MR. SABA" refers to Mr. Moises Saba Masri.

"COMPANY" means TV Azteca.

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"TV AZTECA" means TV Azteca, S.A. de C.V.

"UNEFON" means Unefon, S.A. de C.V.

"UNEFON HOLDINGS" means Unefon Holdings, S.A. de C.V.

"U.S." means the United States of America.

"US\$" means US Dollars, legal tender in the U.S.

"\$" or "PS.\$" means pesos, legal tender in Mexico.

PRESENTATION OF FINANCIAL AND ECONOMIC INFORMATION

In this Information Memorandum, references to "Pesos", "Ps.\$" and "\$", refer to the legal currency of Mexico (pesos) and references made to the "Dollar" or "US\$", refer to the legal currency of the United States. Some figures and the percentages contained herein have been rounded for ease of reference.

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ADDITIONAL INFORMATION

Since both TV Azteca and Unefon are subject to the information and registration requirements established in the Stock Exchange Law (Ley del Mercado de Valores) and other applicable securities regulations, TV Azteca and Unefon presented annual and quarterly reports as well as information regarding relevant events and other information before the BMV and the CNBV (the "Public Information"). As a supplement to this Information Memorandum and to obtain more information regarding TV Azteca and Unefon, the Public Information presented before the BMV may be referenced on the BMV website (www.bmv.com.mx) by means of the electronic checking systems of the BMV information system located on the Mezzanine of the Centro Bursatil, located at Paseo de la Reforma numero 455, colonia Cuauhtemoc, Mexico, D.F., telephones (5255) 5726-6794 and (5255) 5726-3602, or on the website of TV Azteca (www.tvazteca.com.mx) and Unefon (www.unefon.com.mx), respectively.

Such Public Information is incorporated in this Information Memorandum by reference.

TV Azteca's investor and analyst contact persons are Bruno Rangel, telephone number 3099 9167 (jrangelk@tvazteca.com.mx) and Omar Avila, telephone number 3099 0041 (oavila@tvazteca.com.mx).

Unefon's investor and analyst contact persons are Gerardo Ibarra Gil, telephone number 8582 5133 (gibarra@unefon.com.mx) and Alan Infante Xibille, telephone number 8582 5134 (ainfante@unefon.com.mx).

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II. EXECUTIVE SUMMARY

This summary does not intend to contain all information that may be relevant regarding the operation described herein. The investing public should read the Information Memorandum in full including the sections entitled TV AZTECA ANNUAL REPORT and UNEFON ANNUAL REPORT which are referenced in this Information Memorandum.

1. TV AZTECA

TV Azteca was incorporated on July, 1993 as a result of a privatization by the Mexican Federal Government of its media assets.

TV Azteca is a leading producer of Spanish-language television programming. We are one of the two major producers of Spanish-language content for television in the world. We operate two television channels in Mexico, Azteca 13 and Azteca 7, through more than 554 transmission stations located around the country.

Our 44 local stations operate as part-time transmission stations of regional programming and sell local advertising through our national signal. In another 63 local transmission sites, we are able to block our national signal from Mexico City in order to insert local programming.

In addition to our Mexican television transmission operations, TV Azteca owns capital stock of the following companies:

- o Azteca International Corporation ("Azteca America"), 100% ownership. Azteca America is a company incorporated in the U.S. to operate a television network focused on the growing Spanish-speaking market in the U.S. Our affiliate stations reach 69% of the Hispanic population in the U.S.;
- o Unefon, 46.5% ownership, a cellular telephone services operator as well as provider of an ample variety of telecommunications services which focuses on the mass market in Mexico;
- o Todito, 50% ownership, Todito is a Mexican company which operates an internet portal in Spanish, an internet connection service and an e-commerce market; and
- o Cosmofrecuencias, 50% participation, Cosmofrecuencias is a high-speed internet service provider known commercially as Telecosmo.

(See also "The Company - - History and Development of the Company" "La Compania - Historia y Desarrollo de la Empresa" in the TV AZTECA ANNUAL REPORT).

The operating strategy of TV Azteca is to increase its income and to improve the yield of its operations and profitability. TV Azteca seeks to increase the cash flow generated by its television transmission services by means of:

- o Maximizing advertising earnings.
- o Building upon existing cost reduction programs.
- o Selling internally-produced programming to television stations outside Mexico.

- o Identifying and creating additional income sources that will complement existing television operations and which do not require the significant disbursement of capital.

2. UNEFON HOLDINGS

Once the Spin-Off takes effect, Unefon Holdings will be formed a corporation with variable capital incorporated under Mexican law.

Unefon Holdings, at the onset, will have the same shareholders and shareholder participation as TV Azteca currently has. Unefon Holdings will have, as its principle assets, 46.5% of the shares of capital stock of Unefon and 50% of the shares of capital stock of Cosmofrecuencias.

The capital stock is made up of a single Series with full voting rights for its holders, whether national or foreign.

Once the Spin-Off takes effect, the securities of Unefon Holdings will be listed on the BMV and on the securities exchange or quotation system in the U.S. to be decided.

MAIN ASSETS

By means of the Spin-Off, TV Azteca will transfer to Unefon Holdings 46.5% of the shares of the capital stock of Unefon and 50% of the shares of the capital stock of Cosmofrecuencias.

1. UNEFON

Unefon, a Mexican mobile telephone company focusing on the mass market, was founded in 1997. In 1999, it was restructured as a joint venture between Mr. Saba and TV Azteca. In December 2000, Unefon placed part of its capital among the investing public in general, obtaining US\$98 million from the sale of 176 million Series A shares (7% of its capital stock) by means of a successful primary public offering on the BMV.

Unefon has 30 MHz of the Radioelectric Spectrum on the 1.9 GHz frequency band on the national level, by means of which Unefon offers cellular telephone services to 16 of the most important cities in the country.

Unefon started commercial operations in February 2000, in the city of Toluca. At the close of 2000, Unefon offered cellular telephone services in 12 of the most important cities in the country, including Mexico City, Guadalajara and Monterrey. Through October 2003, Unefon offered services in 15 cities within Mexico, expecting to initiate operations in the cities of Celaya and Pachuca in 2004.

Since its inception, Unefon has experienced constant growth. For the fiscal years ended 2000, 2001 and 2002 it had 156 thousand, 825 thousand and 1.5 million users, respectively. Unefon has more than 1.8 million users at the end of October 2003.

(See also "The Company - - History and Development of the Company" "La Compania - Historia and Desarrollo de la Empresa" in the TV AZTECA ANNUAL REPORT).

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The capital stock of Unefon is made up of Series "A" common, registered shares with no par value divided as follows as of December 31, 2002:

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Shareholder	Number of Shares	Amount
	(Thousands of Ps.)	(Thousands of Ps.)
TV Azteca	1,170,000	
Moises Saba Masri	1,170,000	
Various (public at large)	176,129	
Option Plan	310,983	

Total Authorized	2,827,112	
Capital Stock Authorized but not shown	(310,983)	

Total in circulation	2,516,129	

(See also "Management - - Administrators and Shareholders" "Administracion - Administradores and Accionistas" in the UNEFON ANNUAL REPORT).

When the Spin-Off takes effect, the capital structure of Unefon will be as follows:

Shareholder	Number of Shares	Amount
	(Thousands of Ps.)	(Thousands of Ps.)
Unefon Holdings	1,170,000	
Moises Saba Masri	1,170,000	
Various (public at large)	176,129	
Option Plan	310,983	

Total authorized	2,827,112	
Capital stock authorized but not shown	(310,983)	

Total	2,516,129	

Notwithstanding the Spin-Off, Unefon will keep the securities that currently trade on the BMV: UNEFON.

2. COSMOFRECUENCIAS

Cosmofrecuencias was incorporated in August 2000. Its current capital structure is as follows:

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SHAREHOLDER	SHARES FIXED CAPITAL	VARI
TV Azteca	25	
Moises Saba Masri	25	
Grupo Corporativo Accionario, S.A. de C.V.		
Total	----- 50 -----	

When the Spin-Off occurs, the capital structure of Cosmofrecuencias will be as follows:

SHAREHOLDER	SHARES FIXED CAPITAL	VARI
Unefon Holdings	25	
Moises Saba Masri	25	
Grupo Corporativo Accionario, S.A. de C.V.		
Total	----- 50 -----	

Operadora de Comunicaciones has the main subsidiary of Cosmofrecuencias, with 99.99% of its capital stock owned by Cosmofrecuencias.

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Operadora de Comunicaciones has the concession to use and operate the 3.4 GHz frequency band of the Radioelectric Spectrum.

Operadora de Comunicaciones offers its fixed or mobile wireless access services under the brand name Telecosmo. Telecosmo was the first company to provide high-speed and broad-band wireless interconnection services in Mexico to both residential and corporate clients. This type of technology supports various applications including: video frequencies, voice internet protocol (VoIP), file transmission protocol (FTP), on-demand videogames, video transmission, computer programs, electronic mail, web hosting among others.

Using state of the art technology, Telecosmo offers its services to the Mexico City metropolitan area.

The Spin-Off.....The Spin-Off will take place in accordance with the provisions of article 228-Bis of the LGSM and requires approval at the General Extraordinary Shareholders Meeting of TV Azteca to be held on December 19, 2003.

The Spin-Off will not take full force and

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effect until (i) 45 calendar days have passed from the date on which the approval of the Spin-Off is published pursuant to article 228-Bis, section V of the LGSM and (ii) the registration of the certification of the minutes of the General Extraordinary Shareholders Meeting are entered into the Public Registry of Commerce of the Federal District (Registro Publico de Comercio del Distrito Federal), so long as no legal challenge to the Spin-Off has been presented by the creditors of TV Azteca during such time.

As a result of the Spin-Off and once the same is in full force and effect, a new company will be created known as Unefon Holdings, whose securities will be registered in the Securities Section of the National Securities Registry as well as on a securities exchange or quotation system in the U.S., subject to approval by the CNBV and the SEC, respectively.

The main assets of Unefon Holdings will be the shares representing 46.5% of the paid-in capital stock of Unefon (BMV ticker code "Unefon") and 50% of the paid-in capital stock of Cosmofrecuencias.

The shareholders of TV Azteca will have the same percentages of the capital structure within the capital stock of Unefon Holdings, keeping, in addition, their ownership percentage in TV Azteca.

Distribution of the Unefon

Share Holdings.....Initially, after the Spin-Off is approved by the General Extraordinary Shareholders Meeting of TV Azteca, the

Unefon Holding Shares will not be separated from the TVA Shares and may only be held or traded together with the TVA Shares.

The Unefon Holdings Shares will be distributed and issued to the holders only after (i) the Spin-Off takes effect and (ii) the Unefon Holdings Shares have been listed on the BMV and on the securities or quotation system in the U.S., after approval is obtained from applicable authorities.

TV Azteca will timely and publicly publish the date on which the shareholders of TV Azteca have the right to receive the Unefon Holdings Shares ("Registration Date"), as the date on

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which the Unefon Holdings Shares may be delivered ("Distribution Date"), and therefore, held or traded separately from the TVA Shares.

TV Azteca expects that such dates will occur during the month of March 2004; however, it cannot guarantee such a timeframe.

Approval of the Spin-Off

by the Shareholders.....In accordance with the corporate by-laws of TV Azteca, the Spin-Off requires approval from the majority of the Series "A" TV Azteca shareholders. Azteca Holdings, as the majority shareholder of such Series "A" shares, expects to vote its shares in favor of the Spin-Off, which would result in the approval of the Spin-Off, even without the approval of any other shareholder. The holders of the "D-A" Series shares have no voting rights with respect to the Spin-Off, in accordance with the provisions of the corporate by-laws of TV Azteca.

Certain Creditors' Rights.....During the 45 calendar day period starting the date the Spin-Off has been approved by the General Extraordinary Shareholders Meeting of TV Azteca, the Spin-Off may be subject to challenge in the Mexican courts by any creditor of TV Azteca. In the event of any challenge, a judge, under certain situations, may temporarily suspend the Spin-Off. TV Azteca cannot predict the consequences arising out of any such challenge.

Certain Tax Consequences

in the U.S. and Mexico.....The Spin-Off is not a taxable event for Income Tax (Impuesto Sobre la Renta) purposes in Mexico. With respect to any tax implications for non-Mexican shareholders, U.S. tax attorneys for the Company have reported to the Company that the Spin-Off may be an event subject to taxation. Each non-Mexican

shareholder should check with a tax specialist regarding the fiscal implications of the Spin-Off with respect to applicable tax laws

III DETAILED INFORMATION REGARDING THE TRANSACTION

A. DETAILED DESCRIPTION OF THE TRANSACTION

The Spin-Off and Its Effects

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The Spin-Off is regulated by the LGSM. TV Azteca will create Unefon Holdings which may receive, by means of a transfer, a portion of the assets, liabilities and capital of TV Azteca. The transaction differs from the Spin-Off procedure in the U.S. where a controlling company distributes the shares of a subsidiary to its shareholders.

TV Azteca will execute the Spin-Off pursuant to the terms of the Relevant Corporate Restructuring under article 35, section I of the General Provisions with the primary objective of separating from its assets the current equity ownership TV Azteca currently holds in Unefon and Cosmofrecuencias.

As a result of the Spin-Off, TV Azteca will survive under the same guidelines, capital structure and corporate by-laws currently in effect. The new company Unefon Holdings will be financially and legally independent.

TV Azteca will maintain the listing of the securities that currently trade on U.S. and Mexican markets: TVAZTCA CPOs on the domestic market, which have been registered in the Securities Section of the National Securities Registry; and TZA ADS on the NYSE, respectively.

The shareholders of TV Azteca will own the same percentage of the capital stock of Unefon Holdings, maintaining, in addition, their percentage of ownership in TV Azteca and therefore, initially, TV Azteca and Unefon Holdings will have the same shareholders, shareholder ownership and the same group of controlling shareholders.

The Spin-Off will take effect once 45 calendar days have passed following the date of the announcement of the approval of the Spin-Off under the terms of article 228-Bis, section V of the LGSM and once registration of the certification of the meeting minutes approving the Spin-Off have been recorded in the Public Registry of Commerce of the Federal District.

During the 45 calendar day term, any creditor of TV Azteca may challenge the Spin-Off before a Mexican judge. In the event of any such challenge, a judge may suspend the Spin-Off temporarily if the party in opposition to the Spin-Off provides a bond that is sufficient to guarantee the possible payment of damages such challenge may cause TV Azteca. TV Azteca is unable to predict the consequences of any such challenge.

Distribution of the Unefon Holdings Shares

Once the Spin-Off is in full force and effect, Unefon Holdings will commence proceedings in order to register its securities in the National Securities Registry in Mexico as well as on the securities exchange or quotation system in the U.S. that has been chosen by the Issuer. During that time, the Unefon Holdings Shares may not be held or separately traded from the TVA Shares.

Upon authorization by the CNBV and the SEC of the registration of the Unefon Holdings Shares on the National Securities Registry and on the chosen securities exchange or quotation system in the U.S., respectively, the Unefon Holdings Shares will be issued to their holders through INDEVAL, as one Series "A", ordinary, nominative share with no par value of capital stock of Unefon Holdings for each share of

capital stock of TV Azteca, whether with regard to a Series "A", Series "D-A" or Series "D-L" share. For such effects, the shareholders will be advised through

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publication of the Distribution Date on which the Unefon Holdings Shares will be at the disposal of such shareholders at INDEVAL. Only as of the Distribution Date may the Unefon Holdings Shares be held and negotiated separately from the TVA Shares.

Parties with a right to receive the Unefon Holdings Shares are those shareholders of TV Azteca that are registered with INDEVAL in accordance with the registries kept by the securities intermediaries for the purposes of determining the identity of the shareholders on the Registration Date (that for such effects will be published in a timely manner by TV Azteca).

Transfer of Assets and Capital

In order for the Spin-Off to take effect, TV Azteca will transfer to Unefon Holdings the following assets and stock:

1. The assets to be contributed by TV Azteca to Unefon Holdings consist of:
 - (a) Investments in shares of the Unefon company equal to 1,170,000,000 Series "A" shares consisting of 46.5% of the duly subscribed and paid-in capital stock of Unefon owned by TV Azteca. The value of such shares, according to their book value as of October 31, 2003 is \$513,220,000.00.
 - (b) Investments in shares of Cosmofrecuencias, equal to 305,295 shares representing 50% of the subscribed paid-in and capital stock of Cosmofrecuencias owned by TV Azteca. The value of such shares, according to book value to October 31, 2003, is \$112,078,000.00.
2. The portion of the accounting capital to be contributed by TV Azteca to Unefon Holdings is in the amount of \$625,298,000.00, of which \$68,000,000.00 will come from capital stock and \$557,298,000.00 from other accounting capital accounts.
3. No liabilities will be transferred to Unefon Holdings.
4. TV Azteca as well as Unefon will keep all other assets and capital other than those mentioned above and transferred as a result of the Spin-Off to Unefon Holdings.

Certain Relationships Between TV Azteca and Unefon Holdings.

In connection with the Spin-Off, TV Azteca and Unefon Holdings will maintain a relationship in order to complete the Spin-Off and assure that related resolutions and agreements are executed. At this time, it is not expected that TV Azteca and Unefon Holdings will have a material contractual relationships; however, TV Azteca will continue to maintain the contractual obligations it currently has with Unefon, which are described below:

1. ADVERTISING AGREEMENT

In June 1998, TV Azteca and Unefon executed a 10 year advertising agreement for an amount of US\$200 million by which TV Azteca agreed to provide Unefon with advertising spots.

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The principal terms and conditions of the contract and its modifications include:

- o The Company will provide Unefon with advertising spots for a total of 120,000 Gross Rating Points ("GRPs") during the term of the agreement, for a maximum of 35,000 GRPs per year. For purposes of the agreement, GRPs are equal to the number of total ratings points obtained during the 60 second transmission of a commercial. 30% of such GRPs may be used during prime time. Unefon may only use the GRPs until December 2009;
- o TV Azteca receives income over 3% of the gross sales of Unefon, for which it is obligated to pay the Company 3.0% of its gross income up to a maximum of US\$200 million. As of December 31, 2003, the Company had transmitted advertisements to Unefon at a total value of Ps.\$147 million (nominal). Payments maturing in 2000, 2001 and 2002 will be paid in a deferred manner in four equal installments every six months during 2003 and 2004, the first of such payments maturing in June, 2003. The deferred payments accrue interest at an annual interest rate of 12%. Starting in 2003, the payments by Unefon to the Company will mature constantly; and
- o The failure of Unefon to pay advance payments will not be considered a default under the agreement; however, the Company may suspend television services to Unefon.

2. REAL ESTATE LEASE AGREEMENT

In May 1998, the Company signed a lease agreement with Unefon for Unefon office space. The lease has a valid term of ten years, which commenced in June, 1998, and may be renewed for an additional ten-year term by prior notice to Unefon. The rent is for an amount of Ps.\$2.5 million per month to be paid in advance each month.

3. CREDIT BACKING

In July, 2003, the Company and Mr. Saba announced their intent to provide credit support to Unefon in an amount of up to US\$80.0 million each. As of October 31, 2003, the Company has granted US\$31 million as credit backing to Unefon. The Company has decided not to grant any more credit backing to Unefon.

4. COMMON DIRECTORS

TV Azteca has three directors in common with Unefon: Messrs. Ricardo B. Salinas Pliego, Pedro Padilla Longoria and Jose Ignacio Morales Elcoro. The directors of TV Azteca and Unefon are obligated, in accordance with the LGCM and the corporate by-laws of each of the companies mentioned herein, to disclose to the Board of Directors any situation that may involve a conflict of interests. Any directors should abstain from voting on proposals in which they may have a conflict of interest.

B. OBJECT OF THE TRANSACTION

The principal objective of the Spin-Off of Unefon from TV Azteca is to separate the investment currently held by TV Azteca in Unefon and Cosmofrecuencias from the rest of its assets and in this manner convert TV Azteca into a company dedicated exclusively to media, as it once was.

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The Company anticipates this separation will allow TV Azteca to continue to grow as a successful signal transmission and television programming production company. Once the businesses of TV Azteca, Unefon and Cosmofrecuencias have been separated, TV Azteca believes it will be able to focus more efficiently on the improvement and increase of its ownership in its core business which differs substantially from the businesses of Unefon and Cosmofrecuencias, which consist essentially of the rendering of basic mobile telephone services and wireless broad band internet access, respectively.

Furthermore, each company is capable of growing by means of its own resources, without the existence of internal competition in obtaining additional resources, whether financial or otherwise and the financial community may focus, independently and separately, on the analysis and ownership of each of the projects of such companies.

C. EXPENSES DERIVED FROM THE TRANSACTION

The expenses of the Spin-Off are as follows:

Fees paid to legal and accounting counsel, independent auditors and notaries (fedatarios publicos), as well as expenses arising out of fees paid for recording in the Public Registry of Commerce of the Federal District (Registro Publico de Comercio del Distrito Federal) and publicizing the Spin-Off. According to the LGSM the amount will be approximately \$1 million.

D. OPERATION APPROVAL DATE.

Board of Directors

On October 21, 2003, the members of the Board of Directors of the Issuer will expressly and unanimously ratify the approval that such members had given outside of a board meeting during the period of September 30, and October 1, of this year.

General Extraordinary Shareholders Meeting

TV Azteca published its announcement on December 3, 2003 of the General Extraordinary Shareholders Meeting to be held on December 19, 2003. During such Meeting, approval of the Spin-Off will be placed before the holders of the Series "A" shares of the capital stock of TV Azteca.

In accordance with the corporate by-laws of TV Azteca, the Spin-Off is one of the matters of which (i) only the holders of the Series "A" shares of the capital stock of TV Azteca may vote and (ii) require the approval of the majority of the Series "A" shares of TV Azteca.

Azteca Holdings, the majority shareholder of the Series "A" shares of TV Azteca, expects to vote in favor of the Spin-Off, which would result in the approval of the Spin-Off even if all other shareholders do not vote in favor of the Spin-Off.

E. ACCOUNTING TREATMENT

In order to register the effects derived from the Spin-Off set forth in this Information Memorandum, the Issuer proposes applying the MEXICAN GAAP in accordance with the provisions of Bulletin B-8 "Consolidated and Pooled Financial Statements and Evaluation of Permanent Investments in Shares" ("Estados Financieros Consolidados and Combinados y Valuacion de Inversiones Permanentes en Acciones") issued by the Mexican Institute of Public Accountants (Instituto Mexicano de Contadores Publicos, A.C.).

The Issuer will recognize, pro rata to its shareholdings in Unefon and Cosmofrecuencias, the loss relating to the results of those companies, reflective of the structure of its ownership of those shareholdings, resulting in the following pro forma effects:

(i) a decrease in the investments in Unefon and Cosmofrecuencias of \$1,242,727,000.00 and \$251,097,000.00, respectively, and (ii) the recognition of a loss of \$1,493,824,000.00 in 2003.

Derived from the pro forma registries described above, the investments in Unefon and Cosmofrecuencias will be equal to \$513,220,000.00 and \$112,078,000.00, respectively, for which on a pro-forma basis, the Spin-Off will cause the following effects in TV Azteca:

(i) a decrease in the capital stock of \$68,000,000.00, (ii) a decrease in other accounting capital accounts of \$557,298,000.00 and (iii) the corresponding unincorporation of the investments in Unefon and Cosmofrecuencias in the amounts of \$513,220,000.00 and \$112,078,000.00, respectively.

F. TAX CONSEQUENCES

The Spin-Off is not a taxable event for Mexican Income Tax purposes.

For those TV Azteca shareholders who are not Mexican residents, the receipt by Unefon Holdings Shares with respect to the Spin-Off are not subject to income taxation on individuals, income taxes on companies or value added tax.

TV Azteca will not be subject to Mexican Income Tax for the transfer of resources in favor of Unefon Holdings based on the Spin-Off as long as at least 51% of the subscribed and paid-in shares of TV Azteca and Unefon Holdings are not transferred within the following year to the date on which the Mexican tax authorities have been notified of such Spin-Off.

For Mexican tax purposes, an individual resides in Mexico if he or she has established a residence therein, unless such person has resided abroad for more than 183 days, whether consecutive or not in any calendar year and can demonstrate that he or she has taken residence in such country for tax effects. A company resides in Mexico for Mexican tax effects if, when incorporated in Mexico, it has its main office or domicile in Mexico. A presumption exists that a Mexican citizen resides in Mexico unless such party can prove the contrary. If a non-resident in Mexico has a permanent establishment or fixed base in Mexico, it will be subject to Mexican taxation in accordance with the applicable fiscal legislation.

No fiscal stamp, issuance, registry, tax or similar tariff exists must be paid by the shareholders of Unefon Holdings with respect to the Spin-Off.

With respect to tax effects on non-Mexican shareholders, the Company's tax attorneys have informed it that the Spin-Off may be an event subject to taxation at the time such Spin-Off takes effect; however, each non-Mexican shareholder should consult with a tax specialist regarding the tax implications of such Spin-Off in accordance with applicable laws.

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IV. INFORMATION CONCERNING EACH PARTY INVOLVED IN THE TRANSACTION.

TV AZTECA

The description of the business and its evolution is contained in the TV AZTECA ANNUAL REPORT.

(See also "The Company - - History and Development of the Company - - Description of the Business" "La Compania - Historia and Desarrollo de la Empresa - Descripcion del Negocio"] in the TV AZTECA ANNUAL REPORT).

The corporate structure of the Company as of October 31 is as follows:

		A CPO	DA CPO	DL CPO
AH	2,301,957,280	817,835,848	817,835,848	817,835,848
RB	23,252,092	142,630,100	142,630,100	142,630,100
COTSA	144,673,530	44,226,751	44,226,751	44,226,751
Majority Shares Held	2,469,882,902	1,004,692,969	1,004,692,699	1,004,692,699
Total Paid Shares	--	1,223,441,160	1,223,441,160	1,223,441,160
Held Publicly	2,469,882,902	2,228,133,859	2,228,133,859	2,228,133,859
Total Treasury	234,318,842	475,743,891	475,743,891	475,743,891
Total Authorized	2,704,201,744	2,703,877,751	2,703,877,751	2,703,877,751

Grupo Elektra has the right to exchange Series N shares of Comunicaciones Avanzadas, S.A. de C.V. ("CASA") owned by it, in whole or in part, at any time until March 26, 2006 for approximately 226.5 million worth of CPOs owned by Azteca Holdings (the "Reserved Elektra Shares"). This exchange right allows Grupo Elektra to acquire approximately 7.6% of the capital stock of the Company owned by Azteca Holdings, which will reduce the direct and indirect ownership of Azteca Holdings of the capital stock of the Company to 49.8%.

There has been no significant change in the ownership of the principal shareholders during the last three years.

SECURITIES MARKET

CPOs are operated on the BMV. ADSs are issued by BONY (as depositary) and operated on the NYSE.

The following table provides, for the periods indicated below, the highest and lowest sale prices reported for CPOs on the BMV and the highest and lowest

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sale prices reported for ADSs on the NYSE. The prices have not been re-calculated in constant monetary terms, but are presented in the following manner in order to reflect the division of shares described below.

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FISCAL YEAR ENDED DECEMBER	M PESOS PER CP		NYSE U
	HIGH	LOW	HIGH
1998.....	Ps. 11.5152	Ps. 2.7780	US\$ 23.0625
1999.....	5.3100	5.1900	9.0000
2000.....	5.9400	5.8000	10.0000
2001.....	6.5800	2.2000	10.6500
2002.....	4.9200	2.7000	8.8000

QUARTER	M PESOS PER CP		NYSE U
	HIGH	LOW	HIGH
2001			
First Quarter.....	Ps. 6.5	Ps. 4.1	US\$ 10.6
Second Quarter.....	5.2	3.6	9.0
Third Quarter.....	4.0	2.2	6.9
Fourth Quarter.....	3.9	2.2	6.8
2002			
First Quarter.....	4.8	3.7	8.8
Second Quarter.....	4.9	4.0	8.7
Third Quarter.....	4.3	2.9	7.0
Fourth Quarter.....	3.4	2.0	5.6
2003			
First Quarter.....	3.3	2.8	5.1
Second Quarter.....	4.6	3.0	6.6
Third Quarter.....	5.1	4.1	7.5

MONTH ENDING ON	M PESOS PER CP		NYSE U
	HIGH	LOW	HIGH
31 December 2002.....	Ps. 3.0	Ps. 3.0	US\$ 4.8
31 January 2003.....	2.9	2.9	4.3
28 February 2003.....	3.2	3.2	4.7
31 March 2003.....	3.1	3.0	4.7
30 April 2003.....	3.7	3.6	5.9
31 May 2003.....	3.9	3.8	6.2
30 June 2003.....	4.3	4.1	6.7
31 July 2003.....	4.4	4.2	6.8

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31 August 2003.....	4.5	4.4	6.6
30 September 2003.....	5.1	5.0	7.5
31 October 2003.....	5.6	5.5	8.1

On March 27, 1998, the shareholders of the Company approved a four-for-one division of the shares of capital stock of TV Azteca. The division was declared effective on April 22, 1998. As a result of the division, each ADS now represents 16 CPOs.

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As of May 2003, approximately 109 million CPOs have been repurchased since the Company started its repurchasing in April 1998.

Behavior of the Shares on the Stock Market

CORPORATE NAME:	TV AZTECA
TICKER	TV AZTCA
SERIES	CP
TRADES ON	BMV

DATE	MAXIMUM	MINIMUM	CLOSE
LAST DAY OF THE LAST FIVE FISCAL YEARS			
31 12 1997	\$11.52	\$11.29	\$11.29
31 12 1998	\$4.28	\$4.17	\$4.17
30 12 1999	\$5.31	\$5.19	\$5.25
31 12 2000	\$5.94	\$5.80	\$5.84
31 12 2001	\$3.88	\$3.76	\$3.76
31 12 2002	\$3.08	\$3.04	\$3.05
LAST DAY OF EACH QUARTER OF THE LAST TWO YEARS			
30 03 2001	\$4.41	\$4.12	\$4.38
29 06 2001	\$3.71	\$3.61	\$3.62
28 09 2001	\$2.29	\$2.21	\$2.28
31 12 2001	\$3.88	\$3.76	\$3.76
27 03 2002	\$4.85	\$4.77	\$4.83
28 06 2002	\$4.28	\$4.20	\$4.22
30 09 2002	\$3.16	\$3.00	\$3.12
31 02 2002	\$3.07	\$3.04	\$3.05
31 03 2003	\$2.85	\$2.70	\$2.85
30 06 2003	\$4.31	\$4.16	\$4.16
30 09 2003	\$5.17	\$5.00	\$5.14
LAST DAY OF THE MONTH FOR THE SIX MONTHS PRIOR TO PRESENTATION			
30 05 2003	\$3.59	\$3.50	\$3.52
30 06 2003	\$4.31	\$4.16	\$4.16
31 07 2003	\$4.43	\$4.26	\$4.40
29 08 2003	\$4.50	\$4.43	\$4.47
30 09 2003	\$5.17	\$5.00	\$5.14
31 10 2003	\$5.64	\$5.50	\$5.53

CORPORATE NAME: TV AZTECA
 TICKER TZA
 SERIES ADR
 TRADES ON NYSE

DATE	MAXIMUM	MINIMUM	CLOSE
LAST DAY OF THE LAST FIVE FISCAL YEARS			
31 12 1998	\$6.94	\$6.69	\$6.69
31 12 1999	\$9.00	\$8.94	\$9.00
29 12 2000	\$10.00	\$9.75	\$9.94
31 12 2001	\$6.90	\$6.71	\$6.79
31 12 2002	\$4.81	\$4.69	\$4.79

On March 27, 1998, the shareholders of the Company approved a four-for-one division of the shares of capital stock of TV Azteca. The division was declared effective on April 22, 1998. As a result of the division, each ADS now represents 16 CPOs.

As of May 2003, approximately 109 million CPOs have been repurchased since the company started its repurchasing in April 1998.

BEHAVIOR OF THE SHARES ON THE STOCK MARKET

Recent Events as of Last Annual Report.

1. Payment of reimbursements, resulting from the reduction in capital and preferential dividends to shareholders approved in the General Shareholders' Meeting held on April 30, 2003.

On June 30, 2003, the Issuer paid the amount of US\$122 million for the reimbursement of reduction in capital and US\$3 million for the preferential dividends.

2. Extinction of shareholder rights of TV Azteca to acquire Unefon Shares.

In October 2000, the Company granted its shareholders rights to acquire, on a pro-rated basis, ownership held by such Company in Unefon for a total exercise price of US\$177.0 million. The exercise of such rights is subject to, among other things, the presentation and effectiveness of a declaration of registration before the SEC, registering the shares of capital stock of Unefon. The rights to acquire the Unefon Shares would originally have been exercised on December 11, 2002, but in December 2002, the Company approved a change in the exercise date to December 12, 2003.

Since, to date, some of these conditions have not been complied with and it is expected that such conditions will not be complied with, such rights may not be exercised and will be extinguished.

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UNEFON HOLDINGS

Unefon Holdings will be incorporated as a variable capital company organized under the laws of Mexico. Upon incorporation, Unefon Holdings will have the same shareholders and division of shares as TV Azteca currently has.

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Once the Spin-Off has taken effect, Unefon Holdings will be incorporated as a holding company representing 46.5% of the capital stock of Unefon, with the shares representing 50% of the capital stock of Cosmofrecuencias. As such, the main corporate purpose of Unefon Holdings will be the following:

"To promote, incorporate, establish, organize, develop, exploit, manage and represent all types of companies or corporations and associations of any other nature both domestic and foreign, including acquiring or subscribing shares and partnership interests of such companies and acquiring their own shares under the terms of the Stock Market Law."

Capital Structure

If the Spin-Off had occurred on October 31, 2003, the capital structure of Unefon Holdings would have been the following:

Unefon Holdings, as the resulting company, would have had capital stock worth \$68,000,000.00.

Therefore, the value of the total assets of Unefon Holdings will be \$625,298,000.00, capital stock in the amount of \$68,000,000.00 and total shareholder equity in the amount of \$625,298,000.00.

Shareholders' Rights; Management of Unefon Holdings.

The shareholders of TV Azteca will own the same percentage of shares in the capital stock of Unefon Holdings.

The shareholders of Unefon Holdings will have the rights conferred upon them by the Stock Market Law, the LGSM and the corporate by-laws of Unefon Holdings, which will be substantially similar to those of TV Azteca; provided, however, that the capital stock of Unefon Holdings will be represented by common, ordinary shares with full voting rights, which contrasts with the capital stock of TV Azteca, which is represented by both common, ordinary shares with full voting rights and by shares with limited voting rights under the terms of article 113 of the LGSM.

Furthermore, the Unefon shares will be subject to subscription and may be acquired by any person or company, whether national or foreign, as long as the applicable legal provisions regarding foreign investment, with respect to percentages of the participation of foreign investment in the capital stock of such company, have been complied with.

Unefon Holdings will be managed by a Board of Directors made up of a minimum of five members and a maximum of twenty members, to be determined by the General Ordinary Shareholders' Meeting. At least 20% of the Board will be independent under the terms of article 14 Bis of the Stock Market Law.

All the members of the Board of Directors will have the following obligations and will follow the following principles: (i) advise the Chairman and Secretary of the Board of Directors of any situation that may cause a

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conflict of interest, and abstain from participating in the related deliberations; (ii) use the assets or services of the Company solely in compliance with its corporate purpose and define clear policies when such assets are to be (exceptionally) used for personal reasons; (iii) dedicate the necessary time and attention to the tasks assigned to the members of the Board, particularly attending at least 70% of the meetings that are called; (iv) keep all information that may affect the Company's operations, as well as any deliberations carried out by the Board, completely confidential; (v) remain informed with regard to the matters dealt with in the Board of Directors meetings; and (vi) support the Board of Directors by means of opinions, recommendations and references derived from the analysis of the

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performance of the company, in order for the decisions to be adopted and to be duly supported by professional criteria and by qualified personnel with a broader and more independent focus with respect to the operations of the Company.

Furthermore, Unefon Holdings may form one or more committees to be created by the Board of Directors, which will each be made up of three members of the Board of Directors of Unefon Holdings. The committee(s) will act as a single body, provided that two of the three members be independent directors under the terms of the Stock Market Law.

Unefon Holdings anticipates the following committees:

1. COMPENSATION COMMITTEE: to review and make recommendations to the Board of Directors with respect to remuneration (including incentives and bonuses) to the directors of Unefon Holdings.
2. AUDITING COMMITTEE: to issue opinions regarding operations with related parties; propose the hiring of independent specialists in the cases it deems convenient; review financial reports and financial systems governing internal controls; and review the activities and independence of the independent auditors and the activities of the internal auditing team.
3. INVESTMENT COMMITTEE: to review any/all important capital investment decisions made outside the normal course of business, which are not included in the annual budget, and evaluate the riskiness of such business endeavors.
4. TRANSACTIONS WITH RELATED PARTIES COMMITTEE: to review any important transaction with any related party of Unefon Holdings or its majority shareholders.

Once the Spin-Off takes effect, the securities of Unefon Holdings will be sought to be registered on the BMV and on the securities exchange or quotation system in the U.S. that will be chosen for such effects.

Currently there is no intermediary market for the Unefon Holdings Shares or the ADS Unefon Holdings, and the establishment of such market cannot be ensured. TV Azteca is currently trying to receive approval to list or trade (i) the Unefon Holdings Shares on the BMV and (ii) the ADS Unefon Holdings on a securities quotation system or exchange in the U.S. The prices at which the Unefon Holdings Shares and ADS Unefon Holdings may be negotiated after the Distribution Date cannot be predicted.

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At the date of this Information Memorandum, the requests for the registry of the Unefon Holdings securities both in Mexico and the U.S. have not been presented to the corresponding authorities. Once such requests are presented, TV Azteca anticipates they will be modified before the respective authorizations are issued. Once the securities of Unefon Holdings have been authorized to trade both in Mexico as well as the U.S., Unefon Holdings will be subject to periodical reports and other information requirements, in accordance with the laws governing the stock market applicable to Issuers in the U.S. and in Mexico.

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V. RISK FACTORS

A. RISKS TO ISSUER

(See Also "Annual Information - - Risk Factors" "Informacion Anual - Factores de Riesgo" in the TV AZTECA ANNUAL REPORT).

B. RISKS DERIVED FROM THE TRANSACTION

Opposition from Creditors:

In terms of section VI of article 228-Bis of the LGSM, any creditor with a legal interest can legally oppose the Spin-Off. In the event there is opposition, the Company cannot envisage the results of such opposition, and in the event the opposition is duly grounded, the Company does not assert that it will reach a settlement with the party in opposition.

The Spin-Off Will Substantially Change Operations and the Financial Situation.

In the event the Spin-Off is agreed upon, Unefon Holdings will receive the transfer of certain assets and all the Unefon Shares, as well as the shares of Cosmofrecuencias owned by TV Azteca. As a result of the above, TV Azteca will be less diversified than it is currently. The Company cannot forecast whether the results of such a divestment in Unefon and Cosmofrecuencias will be positive.

The Spin-Off May Affect the Price of the TV Azteca Shares.

In the event the Spin-Off is agreed upon, the price of the TV Azteca securities on the market may fluctuate. In this sense, the Issuer does not claim that, if such fluctuations occur in the price of the TV Azteca shares, such fluctuations will be positive.

Sale of the Unefon Shares and/or Cosmofrecuencias Shares Owned by TV Azteca:

As a result of the Spin-Off, TV Azteca will not continue to maintain its shareholder interests in Unefon and Cosmofrecuencias; therefore, in the future, it will not have any cash flows from the sale of the Unefon and/or Cosmofrecuencias shares.

Dividends, Products or Reimbursements of Capital from Unefon and Cosmofrecuencias:

As a consequence of the Spin-Off, TV Azteca will not have, in the future, any cash flows arising out of capital dividends, products or reimbursements distributed by Unefon and/or Cosmofrecuencias to their shareholders.

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Participation in the Results of Unefon and Cosmofrecuencias:

As a result of the Spin-Off, TV Azteca will not continue to maintain its shareholder interest in Unefon and, in the event Unefon reflects positive net results, those results may not be reflected by means of the participation method.

Capital Gains on the Unefon Shares:

As a result of the Spin-Off, TV Azteca may not be able to continue maintaining its shareholder interest in Unefon and, in the event Unefon reflects increases in its market price, these increases may not be reflected in such investment.

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Lack of Registration of the Unefon Holdings Shares

Once the Spin-Off takes effect, the necessary procedures will be carried out to register the Unefon Holdings Shares in the Securities Registry of the National Securities Registry and in a securities or quotation system in the U.S., after obtaining authorization from the CNBV and SEC, respectively. The Company does not aver that it will obtain such authorizations, but if it does obtain them, it cannot predict when they will be granted.

Lack of Liquidity of the Unefon Holdings Shares

Starting in 1995, the Mexican stock market has experienced a considerable decrease in the amount and number of operations carried out on the same. In addition, the level of operations on the BMV is less than on other markets. As a result, the existence of a secondary market for the Unefon Holdings Shares cannot be guaranteed, nor can any guarantees be granted with respect to the conditions that may affect the market of the Unefon Holdings Shares in the future. Further, neither the capacity of the shareholders to assign nor the conditions under which, as applicable, they may assign such shares can be guaranteed.

Financial Information Included in This Information Memorandum

This Information Memorandum includes the General Consolidated Balances of TV Azteca and its Subsidiaries for the years ended December 31, 2001 and 2002, respectively, as well as the ten-month periods ended October 31, 2002 and 2003, respectively. Additionally, the Consolidated General Balances before and after the Spin-Off of TV Azteca and Subsidiaries for the period ended October 31, 2003 and the years ended December 31, 2001 and 2002 are included. The general balances of Unefon Holdings are prepared as if Unefon had been incorporated on October 31, 2003, using as a basis the historical financial information of TV Azteca. As a result, such balances reflect the situation of Unefon Holdings as if such company would have been operating during the financial years ended in the years of 2001 and 2002, respectively, and during the ten-month periods ended October 31, 2002 and 2003, respectively. However, it does not claim that the financial results of Unefon Holdings would have been the same if it had been incorporated on said date.

These factors and the other risk factors referred to in the TV AZTECA Annual Report are not necessarily all the important factors that may cause such real results to differ substantially from those expressed in any of the declarations regarding the future of the Company. Other unknown or unpredictable factors can also negatively affect the future results of the Company. Such declarations regarding the future included in this Information Memorandum are made solely as of the date of this Information Memorandum, and the Company does

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not represent that such projected results or facts will occur. The Company waives any obligation to update any of these declarations regarding the future, whether as a result of new information, future events or otherwise.

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VI. SELECTED FINANCIAL DATA

TV AZTECA, S.A. DE C.V.
MILLONES DE PESOS CONSTANTES DEL 31 DE
OCTUBRE DE 2003

POR EL AÑO QUE TERMINO Y AL 31 DE DICIEMBRE DE:

		AJUSTE PRO FORMA	PRO FORMA		AJUSTE PRO FORMA	PRO FORMA
DATOS DEL ESTADO DE RESULTADOS:	2001	2001	2001	2002	2002	2002
MEXICAN GAAP:						
Ventas netas	PS. 6,286		PS. 6,286	PS. 6,869		PS. 6,869
Costo de programacion, produccion y transmision	2,536		2,536	2,578		2,578
Gastos de venta y administracion	982		982	1,000		1,000
Depreciacion y amortizacion	620		620	396		396
Utilidad de operacion	2,148		2,148	2,895		2,895
Otros gastos - Neto	(250)		(250)	(453)		(453)
Costo integral de financiamiento	(340)		(340)	(1,133)		(1,133)
Utilidad antes de provision para impuesto sobre la renta e impuesto sobre la renta diferido y partida especial	1,558		1,558	1,308		1,308
Provision para impuesto sobre la renta e impuesto sobre la renta diferido	(11)		(11)	(297)		(297)
Partida epsecial - Efecto del reconocimiento del metodo de participacion de Unefon y Cosmofrecuencias		PS. (306)	(306)		PS. (627)	(627)
Utilidad neta	1,546	(306)	1,240	1,011	(627)	384
(Perdida) utilidad del interes minoritario	(2)		(2)	0		0
Utilidad del interes mayoritario	1,548	(306)	1,242	1,011	(627)	384
Utilidad neta por accion de los accionistas mayoritarios	0.17	(0.03)	0.14	0.11	(0.07)	0.04
Promedio ponderado de acciones en circulacion	9,025		9,025	9,057		9,057
DATOS DEL BALANCE:						
MEXICAN GAAP:						
Inmuebles, maquinaria y equipo - Neto	PS. 2,366		PS. 2,366	PS. 2,291		PS. 2,291
Concesiones de television - Neto	3,843		3,843	3,842		3,842
Inversion en Unefon	1,898	PS. (1,898)	-	1,803	PS. (1,803)	-
Inversion en Cosmofrecuencias	345	(345)	-	364	(364)	-
Total activo	22,069	(2,243)	19,826	22,238	(2,167)	20,071
Total deuda	6,355		6,355	6,322		6,322
Anticipos de anunciantes	4,764		4,764	4,565		4,565

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Anticipos de anunciantes de Unefon	2,319		2,319	2,225		2,225
Anticipos de Publicidad, programacion y servicios de Todito	735		735	518		518
Interes mayoritario	5,923	(2,243)	3,680	6,759	(2,167)	4,592
Interes minoritario	9		9	9		9
Total inversion de los accionistas	5,932	(2,243)	3,689	6,768	(2,167)	4,601
OTRA INFORMACION FINANCIERA:						
Mexican GAAP:						
EBITDA	PS.2,768		PS.2,768	PS.3,290	PS.	PS.3,290
EBITDA margen	44%		44%	48%		48%

POR EL PERIODO DE DIEZ MESES QUE TERMINO Y AL 31 DE
OCTUBRE DE:

	2002	AJUSTE PRO FORMA 2002	PRO FORMA 2002	2003	AJUSTE PRO FORMA 2003	PRO FORMA 2003
DATOS DEL ESTADO DE RESULTADOS:						
MEXICAN GAAP:						
Ventas netas	PS.5,455		PS.5,455	PS.5,643		PS.5,643
Costo de programacion, produccion y trasmision	2,265		2,265	2,263		2,263
Gastos de venta y administracion	813		813	857		857
Depreciacion y amortizacion	438		438	285		285
Utilidad de operacion	1,940		1,940	2,239		2,239
Otros gastos - Neto	(327)		(327)	(306)		(306)
Costo integral de financiamiento	(1,003)		(1,003)	(612)		(612)
Utilidad antes de provision para impuesto sobre la renta e impuesto sobre la renta diferido y partida especial	609		609	1,321		1,321
Provision para impuesto sobre la renta e impuesto sobre la renta diferido	(177)		(177)	(140)		(140)
Partida epsecial - Efecto del reconocimiento del metodo de participacion de Unefon y Cosmofrecuencias		PS.(598)	(598)	(1,494)		(1,494)
Utilidad neta	432	(598)	(166)	(313)		(313)
(Perdida) utilidad del interes minoritari	1		1	(1)		(1)
Utilidad del interes mayoritario	433	(598)	(165)	(314)		(314)
Utilidad neta por accion de los accionistas mayoritarios	0.05	(0.07)	(0.02)	(0.03)		(0.03)
Promedio ponderado de acciones en circulacion	9,058		9,058	9,113		9,113
DATOS DEL BALANCE:						
MEXICAN GAAP:						
Inmuebles, maquinaria y equipo - Neto	PS.2,287		PS.2,287	PS.2,263		PS.2,263
Concesiones de television - Neto	3,743		3,743	3,838		3,838
Inversion en Unefon	1,825	PS.(1,825)	-	513	PS.(513)	-
Inversion en Cosmofrecuencias	362	(362)	-	112	(112)	-
Total activo	20,413	(2,187)	18,226	19,160	(625)	18,535
Total deuda	6,731		6,731	6,892		6,892
Anticipos de anunciantes	2,579		2,579	2,911		2,911
Anticipos de anunciantes de Unefon	2,259		2,259	2,088		2,088
Anticipos de Publicidad, programacion y servicios de Todito	574		574	424		424
Interes mayoritario	6,283	(2,187)	4,097	4,809	(625)	4,181
Interes minoritario	9		9	10		10

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Total inversion de los accionistas	6,292	(2,187)	4,106	4,820	(625)	4,199
OTRA INFORMACION FINANCIERA:						
Mexican GAAP:						
EBITDA	PS.2,378	PS.	PS.2,378	PS.2,524	PS.	PS.2,450
EBITDA margen	44%		44%	45%		45%

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VII. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The Issuer recognizes the following accounting effects in a pro-forma basis:

- a) Participation method, arising out of the results of its investments in Unefon and Cosmofrecuencias, which causes the accounting effects detailed below:
 - i) Recognition of a loss of \$305,516,000.00, \$626,694,000.00, \$597,571,000.00 and \$1,493,824,000.00 for the years ended December 31, 2001 and 2002, and the ten-month periods ended October 31, 2002 and 2003, respectively;
 - ii) The decrease in investment in Unefon of \$305,516,000.00, \$626,694,000.00, \$597,571,000.00 and \$1,242,727,000.00 for the years ended December 31, 2001 and 2002, and the ten-month periods ended October 31, 2002 and 2003, respectively; and
 - iii) The decrease of investment in Cosmofrecuencias of \$251,097,000.00 for the ten-month period ended October 31, 2003. During the years ended December 31, 2001 and 2002, as well as the ten-month period ended October 31, 2002, Cosmofrecuencias did not generate any results that affect the participation method.

- b) Pro-forma Spin-Off of the investments mentioned above, which originated the following accounting effects:
 - i) A decrease in the capital stock in the amount of \$68,000,000.00, \$68,000,000.00, \$68,000,000.00 and \$68,000,000.00 for the years ended December 31, 2001 and 2002, and the ten-month periods ended October 31, 2002 and 2003, respectively;
 - ii) A decrease in other accounting capital accounts in the amounts of \$2,174,628,000.00, \$2,099,043,000.00, \$2,118,661,000.00 and \$557,298,000.00 for the years ended December 31, 2001 and 2002, and the ten-month periods ended October 31, 2002 and 2003, respectively;
 - iii) the unincorporation of the investment in Unefon in the amounts of \$1,897,840,000.00, \$1,802,826,000.00, \$1,824,845,000.00 and \$513,220,000.00 for the years ended December 31, 2001 and 2002, and the ten-month periods ended October 31, 2002 and 2003, respectively; and
 - iv) the unincorporation of the investment in Cosmofrecuencias in the amount of \$344,785,000.00, \$364,218,000.00, \$361,816,000.00 and \$112,078,000.00 for the years ended December 31, 2001 and 2002, and the ten-month periods ended

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October 31, 2002 and 2003, respectively.

DECLARATIONS RELATED TO FUTURE EXPECTATIONS

Some of the declarations in this Information Memorandum are future expectations. Furthermore, TV Azteca or Unefon Holdings may make declarations of future expectations for future proceedings before the CNBV, in written materials, in the press, and as verbal declarations issued by or in the name of such companies. The declarations of future expectations include declarations regarding the current intentions, beliefs or expectations of TV Azteca or Unefon Holdings, or the officers of such companies (including declarations preceded or followed by, or that include terminology implying, a future

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expectation, such as "could", "should", "relieve", "hope" or "expect", "anticipate", "predict", "continue" or similar expressions or comparable terminology) with respect to various issues.

It is important to point out that the actual financial results of TV Azteca or Unefon Holdings may differ materially from those anticipated results in the future expectations declarations, since they depend on various important factors. Such factors include economic, political and governmental conditions in Mexico and any other conditions, inflation rates, exchange rates and exchange controls in Mexico, adjustments to rates, changes in legislation, technological improvements, market demand and competition. This list of factors is not exclusive since risks and uncertainties may cause the results to materially differ from those declared in the future expectations.

All information and the future expectation declarations contained in this Information Memorandum are based on the information available to the date for TV Azteca. TV Azteca is not obligated to update such information or future expectation declaration made by it or in the name of TV Azteca or Unefon Holdings, in this Information Memorandum or in any other manner, except in the ordinary course of information that has been publicly revealed.

NO PARTY HAS BEEN AUTHORIZED TO PROVIDE ANY INFORMATION OR TO MAKE ANY DECLARATION WHATSOEVER THAT HAS NOT BEEN CONTAINED OR REFERRED TO HEREIN, AND IF IT WERE TO DO SO, SUCH INFORMATION OR DECLARATION WILL NOT BE CONSIDERED AUTHORIZED BY TV AZTECA OR UNEFON HOLDINGS.

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VIII. RESPONSIBLE PARTIES

The undersigned declare, under an oath to declare truthfully, that in the scope of our respective functions, we have prepared the information related to the Issuer contained herein, which, to the best of our knowledge and understanding, reasonably reflects its situation. Furthermore, we declare that we are unaware of any relevant information that has been omitted or any false declarations herein, or that this Information Memorandum contains any information that may lead to an error by the investors.

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 Lic. Pedro Padilla Longoria
 General Director of TV Azteca, S.A. de
 C.V.

 C.P. Carlos Hesles Flores
 General Director of Administration and
 Finance of TV Azteca, S.A. de C.V.

 Lic. Francisco X. Borrego Hinojosa
 Linage General Legal Director of TV Azteca,
 S.A. de C.V.

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IX. EXHIBITS

- A. OPINION OF THE INDEPENDENT AUDITOR
- B. GENERAL AND PRO FORMA BALANCE SHEETS

TV AZTECA, S.A. DE C.V. AND SUBSIDIARIES
 CONDENSED AND CONSOLIDATED GENERAL BALANCES
 Thousands of Pesos as of October 31, 2003

	----- DECEMBER 31, ----- 2001 2002 -----		
ASSETS			
Circulating			
Cash and cash equivalents	\$ 1,694,949	\$ 1,430,473	\$
Accounts receivable	5,059,008	5,052,596	
Other circulating assets	1,137,933	953,340	
Total circulating assets	7,891,890	7,436,410	
Investments in shares of Unefon, S.A. de C.V. (Unefon), associated company	1,897,840	1,802,826	
Investments in shares of Cosmofrecuencias, S.A. de C.V. (Cosmofrecuencias), associated company	344,788	364,218	
Accounts receivable from Unefon, associated company	1,982,700	2,062,709	
Real estate, machinery and equipment - Net	2,365,596	2,291,023	
Television concessions - Net	3,842,882	3,841,605	

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Other assets	3,743,510	4,439,352	---
	-----	-----	---
Total assets	\$22,069,206	\$22,238,142	\$2
	=====	=====	==
LIABILITIES AND INVESTMENT OF SHAREHOLDERS			
Short term liabilities:			
Short term debt	\$ 582,009	\$ 448,849	\$
Other accounts payable and accumulated expenses	1,753,932	1,560,382	---
	-----	-----	---
Sum, short term liabilities	2,335,941	2,009,230	---
	-----	-----	---
Long term liabilities:			
Long term debt	5,772,953	5,873,535	---
Advances from advertisers	4,763,702	4,564,979	---
Long term advances from advertisers of Unefon, associated company	2,318,680	2,225,208	---
Advances for publicity, programming and services from associated company	734,548	517,886	---
Other accounts payable	211,581	278,883	---
	-----	-----	---
Total long term liabilities	13,801,364	13,460,491	1
	-----	-----	1
Total liabilities	16,137,305	15,469,721	1
	-----	-----	1
Investments by shareholders:			
Majority interest	5,923,305	6,759,471	---
Minority interest	8,596	8,950	---
	-----	-----	---
Total shareholder investment	5,931,901	6,768,421	---
	-----	-----	---
Total liabilities and shareholder investment	\$22,069,206	\$22,238,142	\$2
	=====	=====	==

The attached note is an integral part of these general balances.

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TV AZTECA, S.A. DE C.V. AND SUBSIDIARIES
CONSOLIDATED CONDENSED PRO FORMA GENERAL
BALANCES BEFORE AND AFTER THE SPIN-OFF
AS OF OCTOBER 31, 2003
Thousands of pesos as of October 31, 2003

BASE SUMS	UNEFON
TV AZTECA, S.A. DE	HOLDINGS, S.A. D
C.V.	C.V.
Y SUBSIDIARIAS	C.V.
-----	-----
BEFORE SPIN-OFF	RESULTING COMPAN
NOT AUDITED	

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ASSETS

Circulating:

Cash and Cash equivalents	\$ 1,101,159	
Accounts receivable	4,005,468	
Other circulating assets	1,209,290	

Total circulating assets	6,315,917	
Investments in shares of Unefon, S.A. de C.V. (Unefon), associated company	513,220	\$ 513,220
Investments in shares of de Cosmofrecuencias, S.A. de C.V. (Cosmofrecuencias), associated company	112,078	112,078
Accounts receivable from Unefon, associated company	1,813,982	
Real estate, machinery and equipment - Net	2,263,196	
Television concessions - Net	3,837,825	
Other assets	4,303,497	
	-----	-----
Total assets	\$ 19,159,715	\$ 625,298
	=====	=====

LIABILITIES AND INVESTMENT OF SHAREHOLDERS

Short term liabilities:

Circulating portion of long term bank loans	2,249,174
Other accounts payable and accumulated expenses	1,884,250

Total short term liabilities	4,133,424

Long term liabilities:

Long term debt	4,643,128
Advances from advertisers	2,910,705
Advances from advertisers of Unefon, associated company	2,088,222
Advances for Publicity, programming and services from Todito, associated company	423,792
Other accounts payable	140,570

Total long term liabilities	10,206,417

Total liabilities	14,339,841	

Investments by shareholders:

Majority interest	4,809,439	\$ 625,298
Minority interest	10,435	
	-----	-----
Total shareholder investments	4,819,874	625,298
	-----	-----
Total liabilities and shareholder investments	\$ 19,159,715	\$ 625,298
	=====	=====

The attached note is an integral part of these general balances.

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TV AZTECA, S.A. DE C.V. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED PRO FORMA GENERAL
 BALANCES BEFORE AND AFTER THE SPIN-OFF
 AS OF DECEMBER 2002
 Thousands of Pesos as of October 31, 2003

	BASE SUMS TV AZTECA, S.A. DE C.V. Y SUBSIDIARIAS -----	UNEFON HOLDINGS S.A. DE C.V. -----
	BEFORE SPIN-OFF	RESULTING COMPANY
ASSETS		
Circulating		
Cash and cash equivalents	\$ 1,430,473	
Accounts receivable	5,052,596	
Other circulating assets	953,340	

Total circulating assets	7,436,410	
Investment in shares of Unefon, S.A. de C.V. (Unefon), associated company	1,802,826	\$ 1,802,826
Investment in shares of Cosmofrecuencias, S.A. de C.V. (Cosmofrecuencias), associated company	364,218	364,218
Accounts receivable from Unefon, associated company	2,062,709	
Real estate, machinery and equipment - Net	2,291,023	
Television concessions - Net	3,841,605	
Other assets	4,439,352	
	-----	-----
Total assets	\$22,238,142	\$ 2,167,043
	=====	=====
LIABILITIES AND SHAREHOLDER INVESTMENTS		
Short term liabilities:		
Circulating portion of long term bank loans	\$ 448,849	
Other accounts payable and accumulated expenses	1,560,382	

Total, short term assets	2,009,230	

Long term liabilities:		
Long term debt	5,873,535	
Advances from advertisers	4,564,979	
Advances from advertisers of Unefon, associated company	2,225,208	
Advances from publicity, programming and services of Todito, associated company	517,886	
Other accounts payable	278,883	

Total, long term liabilities	13,640,491	

Total liabilities	15,469,721	

Shareholder investment:		
Majority interest	6,759,471	\$ 2,167,043
Minority interest	8,950	

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Total investment by shareholders	6,768,421	2,167,043
Total liabilities and investment by shareholders	\$22,238,142	\$ 2,167,043

The attached note is an integral part of these general balances.

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TV AZTECA, S.A. DE C.V. AND SUBSIDIARIES
CONDENSED CONSOLIDATED GENERAL PRO FORMA
BALANCES BEFORE AND AFTER THE SPIN-OFF
AS OF DECEMBER 2001
Thousands of Pesos as of December 31, 2003

	BASE SUMS TV AZTECA, S.A. DE C.V. AND SUBSIDIARIAS ----- BEFORE SPIN-OFF	UNEFON HOLDINGS S.A. DE C.V. ----- RESULTING COMPANY
ASSETS		
Circulating		
Cash and cash equivalents	\$ 1,694,949	
Accounts receivable	5,059,008	
Other circulating assets	1,137,933	
Total circulating assets	7,891,890	
Investment in shares of Unefon, S.A. de C.V. (Unefon), associated company	1,897,840	\$ 1,897,840
Investments in shares of Cosmofrecuencias, S.A. de C.V. (Cosmofrecuencias), associated company	344,788	344,788
Accounts receivable from Unefon, associated company	1,982,700	
Real estate, machinery and equipment - Net	2,365,596	
Television concessions - Net	3,842,882	
Other assets	3,743,510	
Total assets	\$22,069,206	\$ 2,242,628
LIABILITIES AND INVESTMENT BY SHAREHOLDERS		
Short term liabilities:		
Circulating portion of long term bank debt	\$ 582,009	
Other accounts payable and accumulated expenses	1,753,932	
Sum, short term liabilities	2,335,941	
Long term liabilities:		
Long term debt	5,772,853	

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Advances from advertisers	4,763,702	
Advances from advertisers of Unefon, associated company	2,318,680	
Advances from publicity, programming and services of associated company	734,548	
Other accounts payable	211,581	

Total long term liabilities	13,801,364	

Total liabilities	16,137,305	

Investments by shareholders:		
Majority interest	5,923,305	2,242,628
Minority interest	8,596	
	-----	-----
Total shareholder investments	5,931,901	2,242,628
	-----	-----
Total liabilities and shareholder investments	\$22,069,206	\$ 2,242,628
	=====	=====

The attached note is an integral part of these general balances.

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TV AZTECA, S.A. DE C.V. AND SUBSIDIARIES

NOTE TO THE CONDENSED, CONSOLIDATED PRO FORMA BALANCES

AMOUNTS REFLECTED IN PESOS

NOTE 1. THE SPIN-OFF OF UNEFON AND COSMOFRECUENCIAS

The Company assumed the following accounting effects during the drafting of the general balances:

- a) Recognition of the participation method arising out of the results of the investments in Unefon and Cosmofrecuencias, causing the accounting effects mentioned detailed below:
 - i) Recognition of a loss of \$305,516,000.00, \$626,694,000.00, \$597,571,000.00 and \$1,493,824,000.00 for years ended December 31, 2001, 2002, and the ten-month periods ended October 31, 2002 and 2003, respectively;
 - ii) the decrease in the investments in Unefon in the amount of \$305,516,000.00, \$626,694,000.00, \$597,571,000.00 and \$1,242,727,000.00 for years ended December 31, 2001, 2002, and the ten-month periods ended October 31, 2002 and 2003, respectively; and
 - iii) The decrease in the investment in Cosmofrecuencias in the amount of \$251,097,000.00 for the ten month period ended October 31, 2003. During the years ended December 31, 2001 and 2002 as well as the ten-month period ended October 31, 2002, Cosmofrecuencias did not generate any results affecting the participation method.

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b) Pro forma division of the investments mentioned above, causing the following accounting effects:

- i) A decrease in the capital stock in the amounts of \$68,000,000.00, \$68,000,000.00, \$68,000,000.00 and \$68,000,000.00 for the years ended December 31, 2001, 2002, and the ten-month periods ended October 31, 2002 and 2003, respectively;
- ii) A decrease in other accounting capital accounts in the amount of \$2,174,628,000.00, \$2,099,043,000.00, \$2,118,661,000.00 and \$557,298,000.00 for years ended December 31, 2001 and 2002, and the ten-month periods ended October 31, 2002 and 2003, respectively;
- iii) The unincorporation of the investment in Unefon in the amount of \$1,897,840,000.00, \$1,802,826,000.00, \$1,824,845,000.00 and \$513,220,000.00 for years ended December 31, 2001 and 2002, and the ten-month periods ended October 31, 2002 and 2003, respectively; and
- iv) The unincorporation of the investment in Cosmofrecuencias in the amount of \$344,785,000.00, \$364,218,000.00, \$361,816,000.00 and \$112,078,000.00 for the years ended December 31, 2001 and 2002, and the ten-month periods ended October 31, 2002 and 2003, respectively.

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= "top" ALIGN="right" > 2005

2004
2003 250,000
240,000
233,000 52,986

69,900

34,541

12,500
12,500 27,840
27,277

26,441 Joseph B. Bower, Jr., Treasurer of CNB Financial Corp. Executive Vice President and COO of County National Bank (3) 2005

2004
2003 150,000
130,000
125,000 34,791

37,500

22,259

8,000

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6,250 18,792
 15,921
 19,663 Mark D. Breakey, Senior Vice President and Credit Risk Manager 2005
 2004
 2003 115,000
 110,000
 108,000 28,213
 28,325
 24,975

13,910

5,000
 5,000 13,439
 12,889
 12,610 Donald E. Shawley Senior Vice President and Senior Trust Officer 2005
 2004
 2003 105,000
 101,000
 98,500 1,910
 7,070
 14,775

10,433

3,750
 3,750 11,355
 14,834
 16,086 Richard L. Sloppy Senior Vice President and Senior Loan Officer 2005
 2004
 2003 120,000
 115,000
 96,822 31,150
 4,313
 19,158

13,910

5,000
 5,000 14,837
 14,751
 14,411

- (1) It is the policy of the Corporation to pay dues to certain service and social organizations for the executive officers. The incremental cost of these benefits was minimal and did not exceed the lesser of 10% of total salary and bonus or \$50,000 for any named executive officer for any of the years shown.
- (2) Figures stated in this column include contributions to the County National Bank Money Purchase Pension Plan, 401(K) Savings Plan, term life insurance premiums.

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- (3) The Corporation has employment contracts with Messrs. Falger and Bower. See EXECUTIVE COMPENSATION - Employment Contracts.
- (4) Reflects shares of restricted stock awarded under the 1999 Stock Incentive Plan (the 1999 Plan) on February 14, 2006, valued on the basis of the closing market price of the stock on the date of award. The shares of restricted stock that remain subject to forfeiture entitle the Named Officer to all of the rights of a shareholder generally, including the right to vote the shares and receive any dividends that may be paid thereon. The shares of restricted stock awarded on February 14, 2006 vest equally over a four-year period. The shares continue to be subject to risk of forfeiture, which will lapse upon vesting. Accelerated vesting will occur and restrictions will lapse in the event that certain change in control events occur.

Pension Plan

The Bank maintains a non-contributory pension plan called The County National Bank Money Purchase Pension Plan. All active officers and full-time employees, 21 years of age or over, employed by the Bank for one year, are participants in the Plan. The Bank's contribution per participant is 6% of total salary plus 5.7% of salary in excess of \$90,000, but subject to a \$210,000 salary limit. The total contribution to the retirement plan for the year 2005 was \$377,000. Employees become vested after five years of service with the Bank. Directors other than active officers are not covered by any retirement plan. Retirement funds are held in trust for each employee. Benefits are determined by the employer's contribution over the years and the plan earnings. At the time of retirement, the total value is distributed in one lump sum.

Savings Plan

The County National Bank Savings Plan is qualified under Section 401(k) of the Internal Revenue Code. Participants can elect to deposit up to 15% of their annual salary into the Plan. Under the Tax Reform Act, participants' contributions are limited to \$12,000, plus an additional \$1,000 for employees age 50 and over, and also subject to the \$210,000 compensation limit. All officers and employees of County National Bank, including those named in the Summary Compensation Table set forth herein, are eligible to participate in the Plan. The Bank makes matching contributions dollar-for-dollar of the participant's salary deferrals up to 3% of compensation and then a fifty-cents on the dollar matching contribution on salary deferrals from 3% to

5% of compensation in the form of Corporation stock. The Bank's total contribution to the savings plan was \$176,000 for the year. All participant's contributions, at the participant's election, are invested among several mutual fund options maintained by the Bank as Trustee during 2005. The Bank's contributions to the Savings Plan in 2005 for the accounts of the officers named in the Summary Compensation Table set forth herein is included as All Other Compensation.

Stock Incentive Plan

In 1999, the Corporation's Board of Directors adopted and the stockholders approved the CNB Financial Corporation Stock Incentive Plan. The purpose of the Plan is to advance the development, growth and financial condition of the Corporation by providing incentives through participation in the appreciation of the capital stock in order to secure, retain and motivate personnel responsible for the operation and management of the Corporation and its subsidiaries. On February 14, 2006, the Board of Directors, upon the recommendation of the Executive Compensation Committee, granted to key officers of the Bank restricted stock shares of the Corporation Common Stock for the performance of the Corporation related to 2005. The shares will vest equally over four years for officers and three years for non employee directors. Restricted shares granted for 2005 totaled 11,654. The Stock Incentive Plan does not authorize the grant of stock appreciation rights.

Aggregated Option Exercises During 2005 and Year-End Option Values

The following table sets forth information concerning the exercise during 2005 of options granted under the Stock Incentive Plan by the executives of the Corporation named in the Summary Compensation Table and options held by them at year end:

Name	Number of Shares Acquired On Exercise	Value Realized on Shares Acquired (1)	Number of Shares Underlying Unexercised Options at December 31, 2005		Value of Unexercised In-the-Money Options on December 31, 2005 (2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
William F. Falger			68,125	3,125	\$ 179,931	\$ 2,531
Joseph B. Bower, Jr.			32,999	1,563	\$ 82,061	\$ 1,266
Mark D. Breakey	350	1,232	25,900	1,250	\$ 63,304	\$ 1,013
Donald E. Shawley			13,124	938	\$ 14,492	\$ 760
Richard L. Sloppy			15,155	782	\$ 16,111	\$ 633

(1) Represents the difference between the market value on the date of exercise of the shares acquired and the option price of those shares.

(2) Represents the difference between the aggregate market value at December 31, 2005 of the shares subject to the options and the aggregate option price of those shares.

Supplemental Executive Retirement Plan

The Bank has adopted a non-qualified supplemental executive retirement plan (SERP) for certain executives of the Bank to compensate those executive participants in the Bank's Pension Plan and Savings Plan whose benefits are limited by Section 415 of the Code (which places a limitation on annual benefits at \$170,000 in 2005) or Section 401 (a) (17) of the Code (which places a limitation on compensation at \$210,000). The SERP provides the designated executives with retirement benefits generally equal to the difference between the benefit that would be available under the Pension Plan and Savings Plan but for the limitations imposed by Code Sections 401 (a) (17) and 415 and that which is actually funded as a result of the limitations.

Pre-retirement survivor benefits are provided for designated beneficiaries of participants who do not survive until retirement in an amount equal to the lump sum actuarial equivalent of the participant's accrued benefit under the SERP. Pre-retirement benefits are payable in 10 equal annual installments. The SERP is considered an unfunded plan for tax and ERISA purposes. All obligations arising under the SERP are payable from the general assets of the Bank.

COMPENSATION OF DIRECTORS

Members of the Corporation's Board of Directors who are not employees of the Corporation or the Bank are paid a monthly retainer fee of \$500 and also \$200 for attendance at each Board meeting and \$300 for attendance at each committee meeting. Non-Executive Corporate Board Chairperson is also paid a \$500 monthly retainer fee. Members of the Bank's Board of Directors who are not employees of the Corporation or the

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Bank are paid \$425 for attendance at each Board meeting and \$300 for attendance at each committee meeting. Committee Chairpersons were paid \$350 for each meeting attended. The chairpersons

of the Executive Compensation and Audit Committees are paid a quarterly retainer of \$500. All Bank Board of Director members are paid a \$500 monthly retainer.

CERTAIN TRANSACTIONS

Peter F. Smith is general counsel for the Corporation and the Bank. During the last fiscal year, the Corporation paid Mr. Smith \$41,439 for legal services. Directors and officers of the Corporation and certain business organizations and individuals associated with them have been customers of and have had normal banking transactions with County National Bank. All such transactions have been in the ordinary course of business, on terms substantially equivalent, including interest rates and collateral, to those which prevailed in similar transactions with unrelated persons and do not involve more than the normal risk of collectability or present other unfavorable features.

From time to time, the Corporation and the Bank purchase materials or services from directors or from companies with which directors are associated. Such transactions have been at prices and terms not less favorable to the Corporation than could have been obtained from other suppliers or service providers.

DIRECTORS AND EXECUTIVES DEFERRED COMPENSATION PLAN

The Directors approved a Directors and Executive Deferred Compensation Plan. Annually, outside directors can elect the level of participation of their director compensation to be deferred. Executive deferrals can be elected throughout the year up to 10% of base compensation and 100% of all bonuses. All deferred compensation will be a general liability of this Corporation and Bank, respectively. This is a phantom stock plan whereby any appreciation or depreciation in each participants account value will reflect precisely CNB Financial Corporation common stock performance including cash dividends. Deferred compensation will serve as a funding source for a trust. Investments are expected to closely match the appreciated or depreciated liability. Any variance will be adjusted by an expense or gain to the Corporation or Bank. In addition to the tax advantages to the participants, they are each additionally incented toward the general performance of the Corporation's common stock. Accounting treatment for this plan is subject to the Financial Accounting Standards Board Statement #123.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based on our records and other information, we believe that all of our directors and officers complied during 2005 with the reporting requirements of section 16(a) of the Securities Exchange Act of 1934.

PERFORMANCE GRAPH

The following graph illustrates the performance pattern of the common stock of CNB Financial Corporation as compared to the NASDAQ bank stock index and all NASDAQ U.S. stocks. The index values are market weighted, dividend reinvestment numbers which measure the total return for investing \$100 five years ago. This index meets all SEC requirements for showing dividend reinvestment share performance over a five year period. The bank index values qualify as industry specific peer groups for reporting purposes and measure the return to an investor for placing \$100 into a basket of stocks and letting that money set with all dividends being reinvested into the stock paying the dividend.

CNB Financial Corporation**Stock Price Performance**

<i>Index</i>	<i>Period Ending</i>					
	12/31/00	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05
CNB Financial Corporation	100.00	158.03	238.74	313.06	293.86	281.60
NASDAQ Composite	100.00	79.18	54.44	82.09	89.59	91.54
SNL NASDAQ Bank Index	100.00	108.85	111.95	144.51	165.62	160.57

Source : SNL Financial LC, Charlottesville, VA
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CONCERNING THE INDEPENDENT PUBLIC ACCOUNTANTS

Independent Auditors for the Year Ending December 31, 2005. The Corporation's independent auditor for the fiscal year ended December 31, 2005 was Crowe Chizek. The Audit Committee has selected Crowe Chizek to be the independent auditor for the fiscal year ending December 31, 2006. Representatives of Crowe Chizek are expected to be present at the annual meeting to respond to appropriate questions and to make such statements as they may desire, including comments on the financial statements of the Corporation.

Audit Fees. The aggregate fees billed or estimated to be billed for professional services rendered by Crowe Chizek for the audit of the Corporation's annual financial statements included in the Form 10 K for the years ended December 31, 2004 and 2005 and for Crowe Chizek's review of the financial statements included in the Forms 10-Q for the quarters ended March 31, June 30, and September 30, and attestation

of management's report on internal controls under Section 404 of the Sarbanes Oxley Act of 2002 were \$178,200 and \$191,900, respectively.

Tax Fees. Through 2004, Crowe Chizek prepared the consolidated federal, state and local tax returns for the Corporation. The aggregate fees billed or estimated to be billed for the preparation of various federal, state and local income tax returns were \$9,100 and \$4,800 in fees related to change in accounting for tax treatment for year end 2004.

Audit-Related Fees. The Corporation did not engage Crowe Chizek for any audit-related services for 2004 and 2005.

All Other Fees. The Corporation did not engage Crowe Chizek for any other services during 2005. During 2004, the Bank paid \$18,875 for software to assist in Sarbanes Oxley section 404 compliance.

Auditor Independence. The Audit Committee of the Board believes that the non-audit services provided by Crowe Chizek are compatible with maintaining the auditor's independence. None of the time devoted by Crowe Chizek on its engagement to audit the financial statements for the year ended December 31, 2005 is attributable to work performed by persons other than full-time, permanent employees of Crowe Chizek. The Audit Committee is responsible for approving any service provided by Crowe Chizek. The audit service represented % of total fees approved for Crowe Chizek.

SHAREHOLDER PROPOSALS

The Board of Directors will consider shareholder proposals for the year 2007 annual meeting of shareholders. Any shareholder wishing to make a proposal to be considered for inclusion in the Proxy Statement for that meeting should forward a written copy of such proposal to William F. Falger, President, CNB Financial Corporation, P.O. Box 42, Clearfield, PA 16830 by certified mail, return receipt requested, no later than November 21, 2006.

By Order of the Board of Directors,

/s/ Joseph B. Bower, Jr.
Joseph B. Bower, Jr.
Secretary and Treasurer

Clearfield, Pennsylvania

March 20, 2006

APPENDIX A

CNB Financial Corporation & County National Bank Audit Committee Charter

PURPOSE

To assist the board of directors in fulfilling its oversight responsibilities for (1) the integrity of the company's financial statements, (2) the company's compliance with legal and regulatory requirements, (3) the independent auditor's qualifications and independence, and (4) the performance of the company's internal audit function and independent auditors. The audit committee will also prepare the report that SEC rules require be included in the company's annual proxy statement.

AUTHORITY

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

Appoint, compensate, and oversee the work of the public accounting firm employed by the organization to conduct the annual audit. This firm will report directly to the audit committee.

Resolve any disagreements between management and the auditor regarding financial reporting.

Pre-approve all auditing and permitted non-audit services performed by the company's external audit firm.

Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.

Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.

Meet with company officers, external auditors, internal auditors or outside counsel, as necessary.

The committee may delegate authority to subcommittees, including the authority to pre-approve all auditing and permitted non-audit services, providing that such decisions are presented to the full committee at its next scheduled meeting.

COMPOSITION

The audit committee will consist of at least three and no more than six members of the board of directors. The board nominating committee will appoint committee members and the committee chair.

Each committee member will be both independent and financially literate. At least one member may be designated as the financial expert, as defined by applicable legislation and regulation. If there is not a financial expert, as defined by applicable law, on the Board of Directors, disclosure will be related to such in the annual proxy filing for CNB Financial Corporation. No committee member shall simultaneously serve on the audit committees of more than two other public companies.

MEETINGS

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The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via teleconference.

The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. If necessary, it will meet separately, periodically, with management, with internal auditors and with external auditors.

It will also meet periodically in executive session. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

RESPONSIBILITIES

The committee will carry out the following responsibilities:

Financial Statement

Review significant accounting and reporting issues and understand their impact on the financial statements. These issues include:

Complex or unusual transactions and highly judgmental areas

Major issues regarding accounting principles and financial statement presentations, including any significant changes in the company's selection or application of accounting principles

The effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the company.

Review analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements.

Review with management and the external auditors the results of the audit, including any difficulties

encountered. This review will include any restrictions on the scope of the independent auditor's activities or on access to requested information, and any significant disagreements with management.

Discuss the annual audited financial statements and quarterly financial statements with management and the external auditors, including the company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations.

Review disclosures made by CEO and Principal Financial Officer during the Forms 10-K and 10-Q certification process about significant deficiencies in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the company's internal controls.

Discuss earnings press releases (particularly use of proforma, or adjusted non-GAAP, information), as well as financial information and earnings guidance provided to analysts and rating agencies. This review may be general (i.e., the types of information to be disclosed and the type of presentations to be made). The audit committee does not need to discuss each release in advance.

Internal Control

Consider the effectiveness of the company's internal control system, including information technology security and control.

Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

Internal Audit

Review with management and the chief audit executive the charter, plans, activities, staffing, and organizational structure of the internal audit function.

Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive. Upon dismissal of the chief audit executive, ensure that the replacements qualifications meet with the approval of the committee.

On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

External Audit

Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.

Review the performance of the external auditors, and exercise final approval on the appointment or discharge of the auditors. In performing this review, the committee will:

At least annually, obtain and review a report by the independent auditor describing the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence) all

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relationships between the independent auditor and the company.

Take into account the opinions of management and internal audit.

Review and evaluate the lead partner of the independent auditor.

Present its conclusions with respect to the external auditor to the Board.

Ensure time rotation of the lead audit partner every five years and other audit partners every seven years, and consider whether there should be regular rotation of the audit firm itself.

Present its conclusions with respect to the independent auditor to the full board.

Set clear hiring policies for employees or former employees of the independent auditors.

On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

Compliance

Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.

Establish procedures for:

Time receipt, retention, and treatment of complaints received by the listed issuer regarding accounting, internal accounting controls, or auditing matters

The confidential, anonymous submission by employees of time listed issuer of concerns regarding questionable accounting or auditing matters.

Review the findings of any examinations by regulatory agencies, and any auditor observations.

Review the process for communicating the code of conduct to the company's officers, and for monitoring compliance therewith.

Obtain regular updates from management and company legal counsel regarding compliance matters.

REPORTING RESPONSIBILITIES

Regularly report to the board of directors about committee activities and issues that arise with respect to the quality or integrity of the company's financial statements, the company's compliance with legal or regulatory requirements, the performance and independence of the company's independent auditors, and the performance of the internal audit function.

Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.

Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.

Review any other reports the company issues that relate to committee responsibilities.

OTHER RESPONSIBILITIES

Discuss with management the company's major policies with respect to risk assessment and risk management.

Perform other activities related to this charter as requested by the board of directors.

Institute and oversee special investigations as needed.

Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.

Confirm annually that all responsibilities outlined in this charter have been carried out.

PROPOSED

APPENDIX B

**CNB Financial Corporation &
County National Bank
Articles of Association
Domestic Business Corporation**

1. The name of the corporation is **CNB Financial Corporation**

2. The address of the current registered office of the corporation (which is located in Clearfield County) is:
1 South Second Street

Clearfield, PA 16830

3. The statute by or under which it is incorporated is: **Pennsylvania Business Corporation Law of 1988, as amended**

4. The original date of its incorporation is **September 12, 1983**

5. The amendment shall be effective upon filing these Articles of Association in the Department of State.

6. The amendment was adopted by the shareholders pursuant to 15 Pa.C.S. § 1914 (a) and (b).

7. The amendment adopted by the corporation, set forth in full, is as follows:
RESOLVED, that the Articles of Incorporation of the corporation be amended and restated to read in their entirety as set forth in Exhibit A.

8. The amended and restated Articles supersede the original Articles and all amendments thereto.
IN TESTIMONY WHEREOF, the undersigned corporation has caused these Articles of Association to be signed by a duly authorized officer thereof as of _____, 2006.

CNB Financial Corporation

BY: /s/ William F. Falger
William F. Falger
President

Exhibit A

**CNB Financial Corporation &
County National Bank
Amended and Restated
Articles of Incorporation**

1. The name of the corporation is: **CNB FINANCIAL CORPORATION**

2. The address of the registered office of the corporation in Pennsylvania (which is located in Clearfield County) is:
1 South Second Street

Clearfield, PA 16830

3. The corporation is incorporated under the Business Corporation Law of 1988, as amended (the BCL). The term of the corporation shall be perpetual.

4. The aggregate number of shares that the corporation shall have authority to issue is 50,000,000 shares, no par value per share. The Board of Directors shall have the full authority permitted by law to divide the authorized and unissued shares into classes or series, or both, and to determine for any such class or series its designation and the number of shares of the class or series and the voting rights, preferences, limitations and special rights, if any, of the shares of the class or series.

5. The shareholders shall not have preemptive rights or the right to cumulate their votes in the election of directors.

6. The corporation shall have unlimited power to engage in and to do any lawful business for which corporations may be incorporated under the BCL.

7. If the Board of Directors is classified by the Bylaws, the number of directors of each class shall be determined by the Board of Directors and need not be equal.

8. In order to effect the merger or consolidation of this corporation into another corporation which is not a wholly owned subsidiary of this corporation, the affirmative vote of 66% of the outstanding shares entitled to vote shall be required.

9. The shareholders have reserved the right to amend the By-Laws to themselves by affirmative vote of the shares voting.

PROPOSED

APPENDIX C

**BYLAWS OF
CNB Financial Corporation
(a Pennsylvania corporation)
As Amended and Restated¹**

1/26/06

ARTICLE I

Offices and Fiscal Year

Section 1.01. Registered office. The registered office of the corporation in Pennsylvania shall be at 1 South Second Street, Clearfield, PA 16830, until otherwise established by an amendment of the articles or by the board of directors and a record of the change is filed with the Department of State in the manner provided by law.

Section 1.02. Other offices. The corporation may also have offices at such other places within or without Pennsylvania as the board of directors may from time to time appoint or the business of the corporation may require.

Section 1.03. Fiscal year. The fiscal year of the corporation shall end on December 31 of each year.

ARTICLE II

Notice - Waivers - Meetings Generally

Section 2.01. Manner of giving notice.

- (a) General rule. Whenever written notice is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws, it may be given to the person either personally or by sending a copy thereof by first class or express mail, postage prepaid, or by telegram (with messenger service specified), telex or TWX (with answerback received) or courier service, charges prepaid, or by facsimile transmission, or by electronic mail or other electronic communication, to the address (or to the telex, TWX or fax number or the electronic mail address) of the person appearing on the books of the corporation or, in the case of directors, supplied by the director to the corporation for the purpose of notice. Notwithstanding the foregoing, any person entitled to notice under the provisions of the Business Corporation Law or by the articles or these bylaws may direct the corporation not to send notices by electronic mail or other electronic communications provided that such direction shall not be effective until such person has submitted it in writing to the secretary of the corporation to be filed with the corporate records. If the notice is sent by mail, telegraph or courier service, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail or with a telegraph office or courier service for delivery to that person or, in the case of telex or TWX, when dispatched or, in the case of fax, when received. If the notice is sent by electronic mail or other electronic communication (and the intended recipient has not effectively directed the corporation not to send notices by such means as provided in this paragraph), it shall be deemed to have been given when it has been addressed properly and enters an information processing system outside the control of the sender or a region of an information processing system in the control of the intended recipient. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by any other provision of the Business Corporation Law, the articles or these bylaws.

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- (b) Adjourned shareholder meetings. When a meeting of shareholders is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the board fixes a new record date for the adjourned meeting or the Business Corporation Law requires notice of the business to be transacted and that notice has not previously been given.

Section 2.02. Notice of meetings of board of directors. Notice of a regular meeting of the board of directors need not be given. Notice of every special meeting of the board of directors shall be given to each director by telephone or in writing at least 24 hours (in the case of notice by telephone, telex, TWX, fax or electronic mail or other electronic communication) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by first class mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the board need be specified in a notice of the meeting.

Section 2.03. Notice of meetings of shareholders.

- (a) General rule. Written notice of every meeting of the shareholders shall be given by, or at the direction of, the secretary to each shareholder of record entitled to vote at the meeting at least:
 - (1) ten days prior to the day named for a meeting called to consider a fundamental change under 15 Pa.C.S. Chapter 19;
or
 - (2) five days prior to the day named for the meeting in any other case.

If the secretary neglects or refuses to give notice of a meeting, the person or persons calling the meeting may do so.

- (b) Contents. In the case of a special meeting of shareholders, the notice shall specify the general nature of the business to be transacted.
- (c) Notice of action by shareholders on bylaws. In the case of a meeting of shareholders that has as one of its purposes action on the bylaws, written notice shall be given to each shareholder that the purpose, or one of the purposes, of the meeting is to consider the adoption, amendment or repeal of the bylaws. There shall be included in, or enclosed with, the notice a copy of the proposed amendment or a summary of the changes to be effected thereby.

Section 2.04. Waiver of notice.

- (a) Written waiver. Whenever any written notice is required to be given under the provisions of the Business Corporation Law, the articles or these bylaws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of the notice. Neither the business to be transacted at, nor the purpose of, a meeting need be specified in the waiver of notice of the meeting.
- (b) Waiver by attendance. Attendance of a person at any meeting shall constitute a waiver of notice of the meeting except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

Section 2.05. Modification of proposal contained in notice. Whenever the language of a proposed resolution is included in a written notice of a meeting required to be given under the provisions of the Business Corporation Law or the articles or these bylaws, the meeting considering the resolution may without further notice adopt it with such clarifying or other amendments as do not enlarge its original purpose.

Section 2.06. Exception to requirement of notice.

- (a) General rule. Whenever any notice or communication is required to be given to any person under the provisions of the Business Corporation Law or by the articles or these bylaws or by the terms of any agreement or other instrument or as a condition precedent to taking any corporate action and communication with that person is then unlawful, the giving of the notice or communication to that person shall not be required.
- (b)

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Shareholders without forwarding addresses. Notice or other communications shall not be sent to any shareholder with whom the corporation has been unable to communicate for more than 24 consecutive months because communications to the shareholder are returned unclaimed or the shareholder has otherwise failed to provide the corporation with a current address. Whenever the shareholder provides the corporation with a current address, the corporation shall commence sending notices and other communications to the shareholder in the same manner as to other shareholders.

Section 2.07. Use of conference telephone, video conference, webcast and similar equipment. One or more persons may participate in a meeting of the board of directors or the shareholders of the corporation by means of conference telephone, video conference, webcast or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting.

ARTICLE III

Shareholders

Section 3.01. Place and notice of meetings. All meetings of the shareholders of the corporation shall be held at the registered office of the corporation unless another place is designated by the board of directors in the notice of the meeting. Shareholder meetings shall only be upon at least twenty-one (21) days prior written notice.

Section 3.02. Annual meeting. The board of directors may fix the date and time of the annual meeting of the shareholders, but if no such date and time is fixed by the board, the meeting for any calendar year shall be held on the third Tuesday in April in such year, if not a legal holiday under the laws of Pennsylvania, and, if a legal holiday, then on the next succeeding business day, not a Saturday, at 2:00 o'clock P.M. At such meeting the shareholders then entitled to vote shall elect directors and shall transact such other business as may properly be brought before the meeting. If the annual meeting shall not have been called and held within six months after the designated time, any shareholder may call the meeting at any time thereafter.

Section 3.03. Special meetings.

- (a) Call of special meetings. Special meetings of the shareholders may be called at any time:
 - (1) by the president of the corporation or by order of the board of directors; or
 - (2) upon the written request of shareholders entitled to cast at least 50% of the votes that all shareholders are entitled to cast at the particular meeting.
- (b) Fixing of time for meeting. At any time, upon written request of any person who has called a special meeting, it shall be the duty of the secretary to fix the time of the meeting which shall be held not more than 60 days after the receipt of the request. If the secretary neglects or refuses to fix the time of the meeting, the person or persons calling the meeting may do so.

Section 3.04. Quorum and adjournment.

- (a) General rule. A meeting of shareholders of the corporation duly called shall not be organized for the transaction of business unless a quorum is present. The presence of shareholders entitled to cast at least a majority of the votes that all shareholders are entitled to cast on a particular matter to be acted upon at the meeting shall constitute a quorum for the purposes of consideration and action on the matter. Shares of the corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be counted in determining the total number of outstanding shares for quorum purposes at any given time.
- (b) Withdrawal of a quorum. The shareholders present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough shareholders to leave less than a quorum.
- (c) Adjournment for lack of quorum. If a meeting cannot be organized because a quorum has not attended, those present may, except as provided in the Business Corporation law, adjourn the meeting to such time and place as they may determine.

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- (d) Adjournments generally. Any meeting at which directors are to be elected shall be adjourned only from day to day, or for such longer periods not exceeding 15 days each as the shareholders present and entitled to vote shall direct, until the directors have been elected. Any other regular or special meeting may be adjourned for such period as the shareholders present and entitled to vote shall direct.

- (e) Electing directors at adjourned meeting. Those shareholders entitled to vote who attend a meeting called for the election of directors that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of electing directors.

- (f) Other action in absence of quorum. Those shareholders entitled to vote who attend a meeting of shareholders that has been previously adjourned for one or more periods aggregating at least 15 days because of an absence of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those shareholders who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

Section 3.05. Action by shareholders. Except as otherwise provided in the Business Corporation Law or the articles or these bylaws, whenever any corporate action is to be taken by vote of the shareholders of the corporation, it shall be authorized upon receiving the affirmative vote of a majority of the votes cast by all shareholders entitled to vote thereon and, if any shareholders are entitled to vote thereon as a class, upon receiving the affirmative vote of a majority of the votes cast by the shareholders entitled to vote as a class.

Section 3.06. Organization of meetings. At every meeting of the shareholders, the chairperson of the board, if there be one, or, in the case of a vacancy in office or absence of the chairperson of the board, one of the following officers present in the order stated: the vice chairperson of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by majority vote of the shareholders present, shall act as chairperson of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of the secretary and assistant secretaries, a person appointed by the chairperson of the meeting, shall act as secretary.

Section 3.07. Voting rights of shareholders. Unless otherwise provided in the articles, every shareholder of the corporation shall be entitled to one vote for every share standing in the name of the shareholder on the books of the corporation.

Section 3.08. Voting and other action by proxy.

- (a) General rule.

- (1) Every shareholder entitled to vote at a meeting of shareholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person to act for the shareholder by proxy.
- (2) The presence of, or vote or other action at a meeting of shareholders, or the expression of consent or dissent to corporate action in writing, by a proxy of a shareholder shall constitute the presence of, or vote or action by, or written consent or dissent of the shareholder.
- (3) Where two or more proxies of a shareholder are present, the corporation shall, unless otherwise expressly provided in the proxy, accept as the vote of all shares represented thereby the vote cast by a majority of them and, if a majority of the proxies cannot agree whether the shares represented shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among those persons.

- (b) Execution and filing. Every proxy shall be executed in writing by the shareholder or by the duly authorized attorney-in-fact of the shareholder and filed with the secretary of the corporation. A telegram, telex, cablegram, datagram or similar transmission from a shareholder or attorney-in-fact, or a photographic, facsimile or similar reproduction of a writing executed by a shareholder or attorney-in-fact:

- (1) may be treated as properly executed for purposes of this subsection; and

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- (2) shall be so treated if it sets forth a confidential and unique identification number or other mark furnished by the corporation to the shareholder for the purposes of a particular meeting or transaction.
- (c) Revocation. A proxy, unless coupled with an interest, shall be revocable at will, notwithstanding any other agreement or any provision in the proxy to the contrary, but the revocation of a proxy shall not be effective until written notice thereof has been given to the secretary of the corporation. An unrevoked proxy shall not be valid after three years from the date of its execution unless a longer time is expressly provided therein. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of the death or incapacity is given to the secretary of the corporation.

- (d) Expenses. Unless otherwise restricted in the articles, the corporation shall pay the reasonable expenses of solicitation of votes, proxies or consents of shareholders by or on behalf of the board of directors or its nominees for election to the board, including solicitation by professional proxy solicitors and otherwise.

Section 3.09. Voting by fiduciaries and pledgees. Shares of the corporation standing in the name of a trustee or other fiduciary and shares held by an assignee for the benefit of creditors or by a receiver may be voted by the trustee, fiduciary, assignee or receiver. A shareholder whose shares are pledged shall be entitled to vote the shares until the shares have been transferred into the name of the pledgee, or a nominee of the pledgee, but nothing in this section shall affect the validity of a proxy given to a pledgee or nominee.

Section 3.10. Voting by joint holders of shares.

- (a) General rule. Where shares of the corporation are held jointly or as tenants in common by two or more persons, as fiduciaries or otherwise:
- (1) if only one or more of such persons is present in person or by proxy, all of the shares standing in the names of such persons shall be deemed to be represented for the purpose of determining a quorum and the corporation shall accept as the vote of all the shares the vote cast by a joint owner or a majority of them; and
 - (2) if the persons are equally divided upon whether the shares held by them shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among the persons without prejudice to the rights of the joint owners or the beneficial owners thereof among themselves.
- (b) Exception. If there has been filed with the secretary of the corporation a copy, certified by an attorney at law to be correct, of the relevant portions of the agreement under which the shares are held or the instrument by which the trust or estate was created or the order of court appointing them or of an order of court directing the voting of the shares, the persons specified as having such voting power in the document latest in date of operative effect so filed, and only those persons, shall be entitled to vote the shares but only in accordance therewith.

Section 3.11. Voting by corporations.

- (a) Voting by corporate shareholders. Any corporation that is a shareholder of this corporation may vote by any of its officers or agents, or by proxy appointed by any officer or agent, unless some other person, by resolution of the board of directors of the other corporation or a provision of its articles or bylaws, a copy of which resolution or provision certified to be correct by one of its officers has been filed with the secretary of this corporation, is appointed its general or special proxy in which case that person shall be entitled to vote the shares.
- (b) Controlled shares. Shares of this corporation owned, directly or indirectly, by it and controlled, directly or indirectly, by the board of directors of this corporation, as such, shall not be voted at any meeting and shall not be counted in determining the total number of outstanding shares for voting purposes at any given time.

Section 3.12. Determination of shareholders of record.

- (a) Fixing record date. The board of directors may fix a date prior to the date of any meeting of shareholders as a record date for the determination of the shareholders entitled to notice of, or to vote at, the meeting, which date, except in the case of an adjourned meeting, shall be not more than 90 days prior to the date of the meeting of shareholders. Only shareholders of record on the date fixed shall be so entitled notwithstanding any transfer of shares on the books of the corporation after any

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record date fixed as provided in this subsection. The board of directors may similarly fix a record date for the determination of shareholders of record for any other purpose. When a determination of shareholders of record has been made as provided in this section for purposes of a meeting, the determination shall apply to any adjournment thereof unless the board fixes a new record date for the adjourned meeting.

(b) Determination when a record date is not fixed. If a record date is not fixed:

(1) The record date for determining shareholders entitled to notice of or to vote at a meeting of shareholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day immediately preceding the day on which the meeting is held.

(2) The record date for determining shareholders entitled to:

(i) express consent or dissent to corporate action in writing without a meeting, when prior action by the board of directors is not necessary;

(ii) call a special meeting of the shareholders; or

(iii) propose an amendment of the articles;

shall be at the close of business on the day on which the first written consent or dissent, request for a special meeting or petition proposing an amendment of the articles is filed with the secretary of the corporation.

(3) The record date for determining shareholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating thereto.

Section 3.13. Voting lists.

(a) General rule. The officer or agent having charge of the transfer books for shares of the corporation shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of shares held by each. The list shall be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any shareholder during the whole time of the meeting for the purposes thereof.

(b) Effect of list. Failure to comply with the requirements of this section shall not affect the validity of any action taken at a meeting prior to a demand at the meeting by any shareholder entitled to vote thereat to examine the list. The original share register or transfer book, or a duplicate thereof kept in Pennsylvania, shall be prima facie evidence as to who are the shareholders entitled to examine the list or share register or transfer book or to vote at any meeting of shareholders.

Section 3.14. Judges of election.

(a) Appointment. In advance of any meeting of shareholders of the corporation, the board of directors may appoint judges of election, who need not be shareholders, to act at the meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of the meeting may, and on the request of any shareholder shall, appoint judges of election at the meeting. The number of judges shall be one or three. A person who is a candidate for office to be filled at the meeting shall not act as a judge.

(b) Vacancies. In case any person appointed as a judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the board of directors in advance of the convening of the meeting or at the meeting by the presiding officer thereof.

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- (c) Duties. The judges of election shall determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. The judges of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

- (d) Report. On request of the presiding officer of the meeting, or of any shareholder, the judges shall make a report in writing of any challenge or question or matter determined by them, and execute a certificate of any fact found by them. Any report or certificate made by them shall be prima facie evidence of the facts stated therein.

Section 3.15. Consent of shareholders in lieu of meeting.

- (a) Unanimous written consent. Any action required or permitted to be taken at a meeting of the shareholders or of a class of shareholders may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the shareholders who would be entitled to vote at a meeting for such purpose shall be filed with the secretary of the corporation. Such consents can be given in electronic or tangible form and be maintained by the secretary in paper form if the minutes are maintained in paper form or in electronic form if the minutes are maintained in electronic form.
- (b) Partial written consent. Any action required or permitted to be taken at a meeting of the shareholders or of a class of shareholders may be taken without a meeting upon the written consent of shareholders who would have been entitled to cast the minimum number of votes that would be necessary to authorize the action at a meeting at which all shareholders entitled to vote thereon were present and voting. The consents shall be filed with the secretary of the corporation. Such consents can be given in electronic or tangible form and be maintained by the secretary in paper form if the minutes are maintained in paper form or in electronic form if the minutes are maintained in electronic form. The action shall not become effective until after at least ten days' written notice of the action has been given to each shareholder entitled to vote thereon who has not consented thereto.

Section 3.16. Minors as security holders. The corporation may treat a minor who holds shares or obligations of the corporation as having capacity to receive and to empower others to receive dividends, interest, principal and other payments or distributions, to vote or express consent or dissent and to make elections and exercise rights relating to such shares or obligations unless, in the case of payments or distributions on shares, the corporate officer responsible for maintaining the list of shareholders or the transfer agent of the corporation or, in the case of payments or distributions on obligations, the treasurer or paying officer or agent has received written notice that the holder is a minor.

ARTICLE IV

Board of Directors

Section 4.01. Powers; personal liability.

- (a) General rule. Unless otherwise provided by statute, all powers vested by law in the corporation shall be exercised by or under the authority of, and the business and affairs of the corporation shall be managed under the direction of, the board of directors, including the power to elect or appoint all officers, to employ agents, clerks and workpersons, to fix their compensation, to prescribe their duties, and to dismiss any officers or agents without previous notice.
- (b) Personal liability of directors. A director of the corporation shall, to the maximum extent permitted by the laws of the Commonwealth of Pennsylvania, have no personal liability for monetary damages for any action taken, or any failure to take any action, as a director, provided that this Section 4.01(b) shall not eliminate the liability of a director in any case where such elimination is not permitted by law.
- (c) Notation of dissent. A director who is present at a meeting of the board of directors, or of a committee of the board, at which action on any corporate matter is taken on which the director is generally competent to act, shall be presumed to have assented to the action taken unless his or her dissent is entered in the minutes of the meeting or unless the director files a written dissent to the action with the secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the secretary of the corporation immediately after the adjournment of the meeting. The right to dissent shall not apply to a director who voted in favor of the action. Nothing in this section shall bar a director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the director notifies the secretary, in writing, of the asserted omission or inaccuracy.

Section 4.02. Qualifications and selection of directors.

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- (a) Qualifications. Each director of the corporation shall be a natural person of full age who

need not be a resident of Pennsylvania. Each director upon first being appointed or elected to the Board shall own the lesser of 1,000 unencumbered shares of common stock of the Corporation or the number of shares equivalent to \$15,000 of market value as of the date of appointment or election. On or before the third anniversary of the director's first election to the Board, each director shall own at least the lesser of 2,500 unencumbered shares of common stock of the Corporation or the number of shares equivalent to \$25,000 of market value. A director shall be qualified if the director meets either or both of the foregoing criteria. No incumbent director shall be proposed for nomination to the board of directors without approval of at least 25% of the board of directors, and no person not then a director shall be proposed for nomination to the board of directors without approval of at least two-thirds of the board of directors.

- (b) Election of directors. Except as otherwise provided in these bylaws, directors of the corporation shall be elected by the shareholders. In elections for directors, voting shall be by ballot and the candidates receiving the highest number of votes shall be elected. If at any meeting of shareholders, directors of more than one class are to be elected, each class of directors shall be elected in a separate election.

Section 4.03. Number and term of office.

- (a) Number. The board of directors shall consist of such number of directors, not less than nine (9) nor more than twenty-four (24), as may be determined from time to time by resolution of a majority of the board of directors.
- (b) Classified board. Directors shall be elected by classes as follows: Class 1, Class 2, and Class 3, with the numbers in each class to be no less than three (3) directors nor more than eight (8) directors. The exact number of each class shall be fixed from time to time by resolution of a majority of the board of directors.
- (c) Term of office. Each director shall hold office until the expiration of the term for which he or she was selected and until a successor has been selected and qualified or until his or her earlier death, resignation or removal. Each director shall retire from service to the Board by tendering his or her resignation on or before attaining the age of 70. A decrease in the number of directors shall not have the effect of shortening the term of any incumbent director.
- (d) Resignation. Any director may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as shall be specified in the notice of resignation.

Section 4.04. Vacancies.

- (a) General rule. Vacancies in the board of directors, including vacancies resulting from an increase in the number of directors, may be filled by a majority vote of the remaining members of the board though less than a quorum, or by a sole remaining director, and each person so selected shall be a director to serve until the next annual meeting of shareholders, at which time he or she shall stand separately for election to serve out the term to which he or she has been appointed.
- (b) Action by resigned directors. When one or more directors resign from the board effective at a future date, the directors then in office, including those who have so resigned, shall have power by the applicable vote to fill the vacancies, the vote thereon to take effect when the resignations become effective.

Section 4.05. Removal of directors.

- (a)

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Removal by the board. The board of directors may declare vacant the office of a director who has been judicially declared of unsound mind or who has been convicted of an offense punishable by imprisonment for a term of more than one year or if, within 60 days after notice of his or her selection, the director does not accept the office either in writing or by attending a meeting of the board of directors. In addition, a director may be removed upon a two-third majority of the Board of Directors for conduct or circumstances detrimental to the best interests of the Corporation

Section 4.06. Place of meetings. Meetings of the board of directors may be held at such place within or without Pennsylvania as the board of directors may from time to time appoint or as may be designated in the notice of the meeting.

Section 4.07. Organization of meetings. At every meeting of the board of directors, the chairperson of the board, if there be one, or, in the case of a vacancy in the office or absence of the chairperson of the board, one of the following officers present in the order stated: the vice chairperson of the board, if there be one, the president, the vice presidents in their order of rank and seniority, or a person chosen by majority vote of the directors present, shall act as chairperson of the meeting. The secretary or, in the absence of the secretary, an assistant secretary, or, in the absence of the secretary and assistant secretaries, a person appointed by the chairperson of the meeting, shall act as secretary.

Section 4.08. Regular meetings. Regular meetings of the board of directors shall be held at such time and place as shall be designated from time to time by resolution of the board of directors.

Section 4.09. Special meetings. Special meetings of the board of directors shall be held whenever called by the chairperson or by two or more of the directors.

Section 4.10. Quorum of and action by directors.

- (a) General rule. A majority of the directors in office of the corporation shall be necessary to constitute a quorum for the transaction of business and, except as otherwise provided in these bylaws, the acts of a majority of the directors present and voting at a meeting at which a quorum is present shall be the acts of the board of directors.
- (b) Action by written consent. Any action required or permitted to be taken at a meeting of the directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the directors in office is filed with the secretary of the corporation. Such consents can be given in electronic or tangible form and be maintained by the secretary in paper form if the minutes are maintained in paper form or in electronic form if the minutes are maintained in electronic form.

Section 4.11. Committees.

- (a) Establishment and powers. The board of directors may, by resolution adopted by a majority of the directors in office, establish one or more committees to consist of one or more directors of the corporation. Any committee, to the extent provided in the resolution of the board of directors, shall have and may exercise all of the powers and authority of the board of directors except that a committee shall not have any power or authority as to the following:
 - (1) The submission to shareholders of any action requiring approval of shareholders under the Business Corporation Law.
 - (2) The creation or filling of vacancies in the board of directors.
 - (3) The adoption, amendment or repeal of these bylaws.
 - (4) The amendment or repeal of any resolution of the board that by its terms is amendable or repealable only by the board.
 - (5) Action on matters committed by a resolution of the board of directors to another committee of the board.

- (b) Term. Each committee of the board shall serve at the pleasure of the board.

- (c) Committee procedures. The term board of directors or board, when used in any provision of these bylaws relating to the organization or procedures of or the manner of taking action by the board of directors, shall be construed to include and refer to any executive or other committee of the board.

Section 4.12. Compensation. The board of directors shall have the authority to fix the compensation of directors for their services as directors; a salaried person of the corporation may be a director but shall not receive director's fees except at the discretion of the board of directors.

ARTICLE V

Officers

Section 5.01. Officers generally.

- (a) Number, qualifications and designation. The officers of the corporation shall be a president, a secretary, a treasurer, and such other officers as may be elected in accordance with the provisions of Section 5.03. Officers may but need not be directors or shareholders of the corporation. The president and secretary shall be natural persons of full age. The treasurer may be a corporation, but if a natural person shall be of full age. The board of directors may elect from among the members of the board a chairperson of the board and a vice chairperson of the board who shall be officers of the corporation. Any number of offices may be held by the same person, except the office of president.
- (b) Resignations. Any officer may resign at any time upon written notice to the corporation. The resignation shall be effective upon receipt thereof by the corporation or at such subsequent time as may be specified in the notice of resignation.
- (c) Bonding. The corporation may secure the fidelity of any or all of its officers by bond or otherwise.

Section 5.02. Election and term of office. The officers of the corporation, except those elected by delegated authority pursuant to Section 5.03, shall be elected annually by the board of directors, and each such officer shall hold office at the discretion of the board of directors.

Section 5.03. Subordinate officers, committees and agents. The board of directors may from time to time elect one or more vice presidents and such other officers, employees or other agents as the business of the corporation may require, including one or more assistant secretaries, and one or more assistant treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these bylaws or as the board of directors may from time to time determine. The board of directors may delegate to any officer or committee the power to appoint subordinate officers and to retain or appoint employees or other agents, or committees thereof and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

Section 5.04. Removal of officers and agents. Any officer or agent of the corporation may be removed by the board of directors with or without cause. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

Section 5.05. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, shall be filled by the board of directors or by the officer or committee to which the power to fill such office has been delegated pursuant to Section 5.03, as the case may be, and if the office is one for which these bylaws prescribe a term, shall be filled for the unexpired portion of the term.

Section 5.06. Authority. All officers of the corporation, as between themselves and the corporation, shall have such authority and perform such duties in the management of the corporation as may be provided by or pursuant to resolutions or orders of the board of directors or, in the absence of controlling provisions in the resolutions or orders of the board of directors, as may be determined by or pursuant to these bylaws.

Section 5.07.

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The chairperson and vice chairperson of the board. The chairperson of the board or in the absence of the chairperson, the vice chairperson of the board, shall preside at all meetings of the shareholders and of the board of directors and shall perform such other duties as may from time to time be requested by the board of directors. The chairperson shall appoint committee chairs and committee members subject to the approval of the Board of Directors.

Section 5.08. The president. The president may be the chief executive officer of the corporation and shall have general supervision over the business and operations of the corporation, subject, however, to the control of the board of directors. The president shall sign, execute and acknowledge, in the name of the corporation, deeds, mortgages, bonds, contracts or other instruments authorized by the board of directors, except in cases where the signing and execution thereof shall be expressly delegated by the board of directors, or by these bylaws, to some other officer or agent of the corporation; and, in general, shall perform all duties incident to the office of president and such other duties as from time to time may be assigned by the board of directors.

Section 5.09. The secretary. The secretary or an assistant secretary shall attend all meetings of the shareholders and of the board of directors and shall record all the votes of the shareholders and of the directors and the minutes of the meetings of the shareholders and of the board of directors and of committees of the board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the corporation as required by law; shall be the custodian of the seal of the corporation and see that it is affixed to all documents to be executed on behalf of the corporation under its seal; and, in general, shall perform all duties incident to the office of secretary, and such other duties as may from time to time be assigned by the board of directors or the president.

Section 5.10. The treasurer. The treasurer or an assistant treasurer shall have or provide for the custody of the funds or other property of the corporation; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the corporation; shall deposit all funds in his or her custody as treasurer in such banks or other places of deposit as the board of directors may from time to time designate; shall, whenever so required by the board of directors, render an account showing all transactions as treasurer and the financial condition of the corporation; and, in general, shall discharge such other duties as may from time to time be assigned by the board of directors or the president.

Section 5.11. Compensation. The compensation of the officers of the corporation shall be fixed from time to time by the board of directors or by such committee of the board as may be designated by resolution of the board. The compensation of employees and other agents shall be fixed from time to time by the board of directors or by the officer or committee to which the power to retain or appoint such employees or other agents has been delegated pursuant to Section 5.03. No officer shall be prevented from receiving such salary or other compensation by reason of the fact that the officer is also a director of the corporation.

ARTICLE VI

Share Certificates, Transfer, Etc.

Section 6.01. Share certificates. Certificates for shares of the corporation shall be in such form as approved by the board of directors, and shall state that the corporation is incorporated under the laws of Pennsylvania, the name of the person to whom issued, and the number and class of shares and the designation of the series (if any) that the certificate represents. The share register or transfer books and blank share certificates shall be kept by the secretary or by any transfer agent or registrar designated by the board of directors for that purpose.

Section 6.02. Issuance. The share certificates of the corporation shall be numbered and registered in the share register or transfer books of the corporation as they are issued. They shall be signed by the president or a vice president and by the secretary or an assistant secretary or the treasurer or an assistant treasurer, and shall bear the corporate seal, which may be a facsimile, engraved or printed; but where a certificate is signed by a transfer agent or a registrar, the signature of any corporate officer upon the certificate may be a facsimile, engraved or printed. In case any officer who has signed, or whose facsimile signature has been placed upon, any share certificate shall have ceased to be such officer because of death, resignation or otherwise, before the certificate is issued, it may be issued with the same effect as if the officer had not ceased to be such at the date of its issue. The provisions of this Section shall be subject to any inconsistent or contrary agreement at the time between the corporation and any transfer agent or registrar.

Section 6.03. Transfer. Transfers of shares shall be made on the share register or transfer books of the corporation upon surrender of the certificate therefor, endorsed by the person named in the certificate or by an attorney lawfully constituted in writing. No transfer shall be made inconsistent with the provisions of the Uniform Commercial Code, 13 Pa.C.S. §§ 8101 et seq., or other provisions of law.

Section 6.04. Record holder of shares. The corporation shall be entitled to treat the person in whose name any share or shares of the corporation stand on the books of the corporation as the absolute owner thereof, and shall not be bound to recognize any equitable or other claim to, or interest in, such share or shares on the part of any other person.

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Section 6.05. Lost, destroyed or mutilated certificates. The holder of any shares of the corporation shall immediately notify the corporation of any loss, destruction or mutilation of the certificate therefor, and the board of directors may, in its discretion, cause a new certificate or certificates to be issued to the holder, in case of mutilation of the certificate, upon the surrender of the mutilated certificate or, in case of loss or destruction of the certificate, upon satisfactory proof of the loss or destruction and, if the board of directors shall so determine, the deposit of a bond in such form and in such sum, and with such surety or sureties, as it may direct.

ARTICLE VII

Indemnification of Directors, Officers and Other Authorized Representatives

Section 7.01. Scope of indemnification.

- (a) General rule. The corporation shall indemnify an indemnified representative against any liability incurred in connection with any proceeding in which the indemnified representative may be involved as a party or otherwise by reason of the fact that such person is or was serving in an indemnified capacity, including, without limitation, liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement, negligence, gross negligence or act giving rise to strict or products liability, except:
- (1) where the indemnification is expressly prohibited by applicable law;
 - (2) where the conduct of the indemnified representative has been finally determined pursuant to Section 7.06 or otherwise:
 - (i) to constitute willful misconduct or recklessness within the meaning of 15 Pa.C.S. § 1746(b) or any superseding provision of law sufficient in the circumstances to bar indemnification against liabilities arising from the conduct; or
 - (ii) to be based upon or attributable to the receipt by the indemnified representative from the corporation of a personal benefit to which the indemnified representative is not legally entitled; or
 - (3) to the extent the indemnification has been finally determined in a final adjudication pursuant to Section 7.06 to be otherwise unlawful.
- (b) Partial payment. If an indemnified representative is entitled to indemnification in respect of a portion, but not all, of any liabilities to which such person may be subject, the corporation shall indemnify the indemnified representative to the maximum extent for such portion of the liabilities.
- (c) Presumption. The termination of a proceeding by judgment, order, settlement or conviction or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the indemnified representative is not entitled to indemnification.
- (d) Definitions. For purposes of this Article:
- (1) indemnified capacity means any and all past, present and future service by an indemnified representative in one or more capacities as a director, officer, employee or agent of the corporation, or, at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise;

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- (2) indemnified representative means any and all directors and officers of the corporation and any other person designated as an indemnified representative by the board of directors of the corporation (which may, but need not, include any person serving at the request of the corporation, as a director, officer, employee, agent, fiduciary or trustee of another corporation, partnership, joint venture, trust, employee benefit plan or other entity or enterprise);
- (3) liability means any damage, judgment, amount paid in settlement, fine, penalty, punitive damages, excise tax assessed with respect to an employee benefit plan, or cost or expense, of any nature (including, without limitation, attorneys fees and disbursements); and
- (4) proceeding means any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the corporation, a class of its security holders or otherwise.

Section 7.02. Proceedings initiated by indemnified representatives. Notwithstanding any other provision of this Article, the corporation shall not indemnify under this Article an indemnified representative for any liability incurred in a proceeding initiated (which shall not be deemed to include counter-claims or affirmative defenses) or participated in as an intervenor or amicus curiae by the person seeking indemnification unless the initiation of or participation in the proceeding is authorized, either before or after its commencement, by the affirmative vote of a majority of the directors in office. This section shall not apply to reimbursement of expenses incurred in successfully prosecuting or defending an arbitration under Section 7.06 or otherwise successfully prosecuting or defending the rights of an indemnified representative granted by or pursuant to this Article.

Section 7.03. Advancing expenses. The corporation shall pay the expenses (including attorneys' fees and disbursements) incurred in good faith by an indemnified representative in advance of the final disposition of a proceeding described in Section 7.01 or the initiation of or participation in which is authorized pursuant to Section 7.02 upon receipt of an undertaking by or on behalf of the indemnified representative to repay the amount if it is ultimately determined pursuant to Section 7.06 that such person is not entitled to be indemnified by the corporation pursuant to this Article. The financial ability of an indemnified representative to repay an advance shall not be a prerequisite to the making of the advance.

Section 7.04. Securing of indemnification obligations. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the corporation may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the corporation, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the board of directors shall deem appropriate. Absent fraud, the determination of the board of directors with respect to such amounts, costs, terms and conditions shall be conclusive against all security holders, officers and directors and shall not be subject to voidability.

Section 7.05. Payment of indemnification. An indemnified representative shall be entitled to indemnification within 30 days after a written request for indemnification has been delivered to the secretary of the corporation.

Section 7.06. Arbitration.

- (a) General rule. Any dispute related to the right to indemnification, contribution or advancement of expenses as provided under this Article, except with respect to indemnification for liabilities arising under the Securities Act of 1933 that the corporation has undertaken to submit to a court for adjudication, shall be decided only by arbitration in the metropolitan area in which the principal executive offices of the corporation are located at the time, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before a panel of three arbitrators, one of whom shall be selected by the corporation, the second of whom shall be selected by the indemnified representative and the third of whom shall be selected by the other two arbitrators. In the absence of the American Arbitration Association, or if for any reason arbitration under the arbitration rules of the American Arbitration Association cannot be initiated, or if one of the parties fails or refuses to select an arbitrator or if the arbitrators selected by the corporation and the indemnified representative cannot agree on the selection of the third arbitrator within 30 days after such time as the corporation and the indemnified representative have each been notified of the selection of the other's arbitrator, the necessary arbitrators shall be selected by a judge of the court of general jurisdiction in the county of the corporation's registered office.
- (b) Burden of proof. The party or parties challenging the right of an indemnified representative to the benefits of this Article shall have the burden of proof.
- (c) Expenses. The corporation shall reimburse an indemnified representative for the expenses (including attorneys' fees and disbursements) incurred in successfully prosecuting or defending such arbitration.
- (d) Effect. Any award entered by the arbitrators shall be final, binding and nonappealable and judgment may be entered thereon by any party in accordance with applicable law in any court of competent jurisdiction, except that the corporation

shall be entitled to interpose

as a defense in any such judicial enforcement proceeding any prior final judicial determination adverse to the indemnified representative under Section 7.01(a)(2) in a proceeding not directly involving indemnification under this Article. This arbitration provision shall be specifically enforceable.

- Section 7.07. Contribution. If the indemnification provided for in this Article or otherwise is unavailable for any reason in respect of any liability or portion thereof, the corporation shall contribute to the liabilities to which the indemnified representative may be subject in such proportion as is appropriate to reflect the intent of this Article or otherwise.
- Section 7.08. Mandatory indemnification of directors, officers, etc. To the extent that a representative of the corporation has been successful on the merits or otherwise in defense of any action or proceeding referred to in 15 Pa.C.S. §§ 1741 or 1742 or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees and disbursements) actually and reasonably incurred by such person in connection therewith.
- Section 7.09. Contract rights; amendment or repeal. All rights under this Article shall be deemed a contract between the corporation and the indemnified representative pursuant to which the corporation and each indemnified representative intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not affect any rights or obligations then existing.
- Section 7.10. Scope of Article. The rights granted by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification, contribution or advancement of expenses may be entitled under any statute, agreement, vote of shareholders or disinterested directors or otherwise both as to action in an indemnified capacity and as to action in any other capacity. The indemnification, contribution and advancement of expenses provided by, or granted pursuant to, this Article shall continue as to a person who has ceased to be an indemnified representative in respect of matters arising prior to such time, and shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.
- Section 7.11. Reliance on provisions. Each person who shall act as an indemnified representative of the corporation shall be deemed to be doing so in reliance upon the rights provided by this Article.
- Section 7.12. Insurance. If authorized by the board of directors, the corporation may purchase and maintain insurance on behalf of any person to the full extent permitted by the laws of the Commonwealth of Pennsylvania.
- Section 7.13. Interpretation. The provisions of this Article are intended to constitute bylaws authorized by 15 Pa.C.S. § 1746.

ARTICLE VIII

Miscellaneous

- Section 8.01. Corporate seal. The corporation shall have a corporate seal in the form of a circle containing the name of the corporation, the year of incorporation and such other details as may be approved by the board of directors.
- Section 8.02. Checks. All checks, notes, bills of exchange or other orders in writing shall be signed by such person or persons as the board of directors or any person authorized by resolution of the board of directors may from time to time designate.
- Section 8.03. Contracts.

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- (a) General rule. Except as otherwise provided in the Business Corporation Law in the case of transactions that require action by the shareholders, the board of directors may authorize any officer or agent to enter into any contract or to execute or deliver any instrument on behalf of the corporation, and such authority may be general or confined to specific instances.

- (b) Statutory form of execution of instruments. Any note, mortgage, evidence of indebtedness, contract or other document, or any assignment or endorsement thereof, executed or entered into between the corporation and any other person, when signed by one or more officers or agents having actual or apparent authority to sign it, or by the president or vice president and secretary or assistant secretary or treasurer or assistant treasurer of the corporation, shall be held to have been properly executed for and in behalf

of the corporation, without prejudice to the rights of the corporation against any person who shall have executed the instrument in excess of his or her actual authority.

Section 8.04. Interested directors or officers; quorum.

- (a) General rule. A contract or transaction between the corporation and one or more of its directors or officers or between the corporation and another corporation, partnership, joint venture, trust or other enterprise in which one or more of its directors or officers are directors or officers or have a financial or other interest, shall not be void or voidable solely for that reason, or solely because the director or officer is present at or participates in the meeting of the board of directors that authorizes the contract or transaction, or solely because his, her or their votes are counted for that purpose, if:
- (1) the material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors and the board authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors even though the disinterested directors are less than a quorum;
 - (2) the material facts as to his or her relationship or interest and as to the contract or transaction are disclosed or are known to the shareholders entitled to vote thereon and the contract or transaction is specifically approved in good faith by vote of those shareholders; or
 - (3) the contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors or the shareholders.
- (b) Quorum. Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board that authorizes a contract or transaction specified in subsection (a).

Section 8.05. Deposits. All funds of the corporation shall be deposited from time to time to the credit of the corporation in such banks, trust companies or other depositories as the board of directors may approve or designate, and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees as the board of directors shall from time to time determine.

Section 8.06. Corporate records.

- (a) Required records. The corporation shall keep complete and accurate books and records of account, minutes of the proceedings of the incorporators, shareholders and directors and a share register giving the names and addresses of all shareholders and the number and class of shares held by each. The share register shall be kept at either the registered office of the corporation in Pennsylvania or at its principal place of business wherever situated or at the office of its registrar or transfer agent. Any books, minutes or other records may be in written form, electronic form or any other form capable of being converted into written form within a reasonable time.
- (b) Right of inspection. Every shareholder shall, upon ten days written verified demand stating specifically the purpose thereof, have a right to examine, in person or by agent or attorney, during the usual hours for business and for any proper purpose, the share register, books and records of account, and records of the proceedings of the incorporators, shareholders and directors and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to the interest of the person as a shareholder. In every instance where an attorney or other agent is the person who seeks the right of inspection, the demand shall be accompanied by a verified power of attorney or other writing that authorizes the attorney or other agent to so act on behalf of the shareholder. The demand shall be directed to the corporation at its registered office in Pennsylvania or at its principal place of business wherever situated.

Section 8.07. Financial reports. Unless otherwise agreed between the corporation and a shareholder, the corporation shall furnish to its shareholders annual financial statements, including at least a balance sheet as of the end of each fiscal year and a statement of income and expenses for the fiscal year. The financial statements shall be prepared on the basis of U.S. generally accepted accounting principles (GAAP), if the corporation prepares financial statements for the fiscal year on that basis for any purpose, or any other reasonable basis, if the corporation does not use GAAP, and may be consolidated statements of the corporation and one or more of its subsidiaries. The financial statements shall be sent by the corporation to each of its shareholders entitled thereto within 120 days after the close of each fiscal year. Statements that are audited, compiled or reviewed by a certified public accountant shall be accompanied by the report of the accountant; in other cases, each copy shall be accompanied by a statement of the person in charge of the financial records of the corporation:

- (1) Stating his reasonable belief as to whether or not the financial statements were prepared in accordance with generally accepted accounting principles and, if not, describing the basis of presentation.

- (2) Describing any material respects in which the financial statements were not prepared on a basis consistent with those prepared for the previous year.

Section 8.08. Amendment of bylaws. These bylaws may be amended or repealed, or new bylaws may be adopted, by affirmative vote of the shareholders at any duly organized annual or special meeting of shareholders. Any change in these bylaws shall take effect when adopted unless otherwise provided in the resolution effecting the change. See Section 2.03(c) (relating to notice of action by shareholders on bylaws).

Section 8.09. Electronic Communications Are Writings. If the Business Corporation Law, the articles or these bylaws require a writing or a signature, an electronic record (including, without limitation, electronic mail) or electronic signature, respectively, satisfies such requirement.

Section 8.10. Saving Clause. If any provision of these bylaws conflicts with any rule, regulation or statute of the Commonwealth of Pennsylvania or the United States of America, then these bylaws shall remain in full force and effect and construed as if such provision did not exist.

¹ Adopted _____, 2006

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5. Transact such other business as may properly come before said meeting. **IF ANY OTHER BUSINESS IS PRESENTED AT SAID MEETING, THE NAMED PROXIES ARE AUTHORIZED TO VOTE THEREON AT THEIR DISCRETION.**

This proxy confers authority to vote FOR the four named nominees in the absence of contrary directions. The action of a majority of said attorneys and proxies present and acting at said meeting or adjournment (or the one thereof so present and acting if only one shall be present and acting) shall be the action of said attorneys and proxies.

Number of shares

of record on

March 9, 2006

Dated

2006

Signature

Signature

Please sign exactly as printed hereon. When signing as attorney, executor, administrator, trustee, guardian, etc., give full title as such. If stock is held jointly, **each** joint owner should sign.