WESTWOOD ONE INC /DE/
Form 10-Q
November 15, 2010

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United States
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2010

OR

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission file number 0-14691

WESTWOOD ONE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**95-3980449**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1166 Avenue of the Americas, 10th Floor New York, NY	**10036**
(Address of principal executive offices)	(Zip Code)

(212) 641-2000
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web Site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-X during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer o Smaller Reporting Company þ

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

Number of shares of common stock, par value $.01 per share outstanding at October 31, 2010 (excluding treasury shares): 21,313,704 shares

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PART I. FINANCIAL INFORMATION

WESTWOOD ONE, INC.
CONSOLIDATED BALANCE SHEET
(In thousands, except per share amounts)

	September 30, 2010 (unaudited)	December 31, 2009 (derived from audited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,058	$ 4,824
Accounts receivable, net of allowance for doubtful accounts of $840 (2010) and $2,723 (2009)	86,382	87,568
Federal income tax receivable		12,355
Prepaid and other assets	25,012	20,994
Total current assets	115,452	125,741
Property and equipment, net	36,925	36,265
Intangible assets, net	95,215	103,400
Goodwill	38,945	38,917
Other assets	2,652	2,995
TOTAL ASSETS	$ 289,189	$ 307,318
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 42,677	$ 40,164
Amounts payable to related parties	775	129
Deferred revenue	3,249	3,682
Accrued expenses and other liabilities	33,323	28,864
Current maturity of long-term debt		13,500
Total current liabilities	80,024	86,339
Long-term debt	135,631	122,262
Deferred tax liability	39,358	50,932
Due to Gores	10,144	11,165
Other liabilities	19,203	18,636
TOTAL LIABILITIES	284,360	289,334

Commitments and Contingencies

STOCKHOLDERS EQUITY

Common stock, $.01 par value: authorized: 5,000,000 shares issued and outstanding: 21,314 (2010) and 20,544 (2009)		213		205
Class B stock, $.01 par value: authorized: 3,000 shares; issued and outstanding: 0				
Additional paid-in capital		87,611		81,268
Net unrealized (loss) gain		(15)		111
Accumulated deficit		(82,980)		(63,600)
TOTAL STOCKHOLDERS EQUITY		4,829		17,984
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$	289,189	$	307,318

See accompanying notes to consolidated financial statements

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WESTWOOD ONE, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Successor Company				Predecessor Company
	Three Months Ended September 30,		Nine Months Ended September 30,	For the Period April 24 to September 30,	For the Period January 1 to April 23,
	2010	2009	2010	2009	2009
Revenue	$ 87,952	$ 78,474	$ 264,238	$ 136,518	$ 111,474
Operating costs	82,156	74,290	247,312	126,500	111,309
Depreciation and amortization	4,506	8,065	13,691	13,910	2,584
Corporate general and administrative expenses	2,346	3,562	9,174	5,875	4,519
Goodwill impairment		50,501		50,501	
Restructuring charges	561	1,372	2,422	2,826	3,976
Special charges	1,496	820	4,295	1,188	12,819
Total expenses	91,065	138,610	276,894	200,800	135,207
Operating loss	(3,113)	(60,136)	(12,656)	(64,282)	(23,733)
Interest expense	5,822	4,925	17,191	9,617	3,222
Other expense	1,920	70	1,918	66	(359)
Loss before income tax	(10,855)	(65,131)	(31,765)	(73,965)	(26,596)
Income tax benefit	(3,616)	(11,581)	(12,385)	(14,231)	(7,635)
Net loss	$ (7,239)	$ (53,550)	$ (19,380)	$ (59,734)	$ (18,961)
Net loss attributable to common stockholders	$ (7,239)	$ (131,686)	$ (19,380)	$ (141,283)	$ (22,037)
Loss per share:					
Common Stock					
Basic	$ (0.35)	$ (10.03)	$ (0.94)	$ (18.19)	$ (43.64)
Diluted	$ (0.35)	$ (10.03)	$ (0.94)	$ (18.19)	$ (43.64)

Class B stock					
Basic			$	$	$
Diluted			$	$	$
Weighted average shares outstanding:					
Common Stock					
Basic	20,921	13,135	20,671	7,769	505
Diluted	20,921	13,135	20,671	7,769	505
Class B stock					
Basic				1	1
Diluted				1	1

See accompanying notes to consolidated financial statements

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WESTWOOD ONE, INC.
CONSOLIDATED CONDENSED STATEMENT OF CASH FLOWS
(In thousands)
(unaudited)

	Successor Company		Predecessor Company
	For the Nine Months Ended September 30, 2010	For the Period April 24 to September 30, 2009	For the Period January 1 to April 23, 2009
Cash Flows from Operating Activities:			
Net loss	$ (19,380)	$ (59,734)	$ (18,961)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	13,691	13,910	2,584
Goodwill and intangible asset impairment		50,501	
Loss on disposal of property and equipment		173	188
Deferred taxes	(12,167)	(15,824)	(6,873)
Federal tax refund	12,940		
Non-cash equity-based compensation	2,671	2,385	2,110
Paid-in-kind interest	4,348	2,922	
Change in fair value of derivative liability (see Note 7)	1,920		
Amortization of deferred financing costs			331
Net change in other assets and liabilities	3,403	(10,811)	19,844
Net cash provided by (used in) operating activities	7,426	(16,478)	(777)
Cash Flows from Investing Activities:			
Capital expenditures	(7,058)	(2,355)	(1,384)
Net cash used in investing activities	(7,058)	(2,355)	(1,384)
Cash Flows from Financing Activities:			
Proceeds from Revolving Credit Facility	10,000		
Repayments of Senior Notes	(15,500)		
Issuance of common stock to Gores	5,000		
Payments of capital lease obligations	(634)	(376)	(271)
Deferred financing costs		(228)	
Proceeds from term loan		20,000	
Debt repayments		(25,000)	
Issuance of Series B Convertible Preferred Stock		25,000	

Net cash (used in) provided by financing activities	(1,134)	19,396	(271)
Net increase in cash and cash equivalents	(766)	563	(2,432)
Cash and cash equivalents,beginning of period	4,824	4,005	6,437
Cash and cash equivalents, end of period	$ 4,058	$ 4,568	$ 4,005
Supplemental Schedule of Cash Flow Information:			
Non-cash financing activities			
Cancellation of long-term debt			252,060
Issuance of new long-term debt		117,500	
Preferred stock conversion to common stock		(81,551)	
Class B conversion to common stock		(3)	

See accompanying notes to consolidated financial statements

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WESTWOOD ONE, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY
(In thousands)
(unaudited)

	Common Stock		Additional Paid-in	Accumulated	Unrealized Gain (Loss) on Available for Sale	Total Stock-holders
	Shares	Amount	Capital	Deficit	Securities	Equity
Balance as of January 1, 2010	**20,544**	**$ 205**	**$ 81,268**	**$ (63,600)**	**$ 111**	**$ 17,984**
Net loss				(19,380)		(19,380)
Other comprehensive income					(126)	(126)
Equity-based compensation			2,671			2,671
Issuance of common stock to Gores	770	8	4,992			5,000
Gores $10,000 equity commitment (see Note 7)			442			442
Loss on issuance of common stock under equity-based compensation plans			(453)			(453)
Cancellations of vested equity grants			(1,309)			(1,309)
Balance as of September 30, 2010	**21,314**	**$ 213**	**$ 87,611**	**$ (82,980)**	**$ (15)**	**$ 4,829**

See accompanying notes to consolidated financial statements

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

NOTE 1 Basis of Presentation:

In this report, Westwood One, Company, registrant, we, us and our refer to Westwood One, Inc. The acco unaudited consolidated financial statements have been prepared by us pursuant to the rules of the Securities and Exchange Commission (SEC). These financial statements should be read in conjunction with the audited financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the SEC on March 31, 2010.

In the opinion of management, all adjustments, consisting of normal and recurring adjustments necessary for a fair statement of the financial position, the results of operations and cash flows for the periods presented have been recorded.

On April 23, 2009, we completed a refinancing of substantially all of our outstanding long-term indebtedness (approximately $241,000 in principal amount) and a recapitalization of our equity (the Refinancing). As part of the Refinancing we entered into a Purchase Agreement (the Purchase Agreement) with Gores Radio Holdings, LLC (currently our ultimate parent) (together with certain related entities Gores). In exchange for the then outstanding shares of Series A Preferred Stock held by Gores, we issued 75 shares of 7.50% Series A-1 Convertible Preferred Stock, par value $0.01 per share (the Series A-1 Preferred Stock). In addition Gores purchased 25 shares of 8.0% Series B Convertible Preferred Stock (the Series B Preferred Stock and together with the Series A-1 Preferred Stock, the Preferred Stock), for an aggregate purchase price of $25,000.

Additionally and simultaneously, we entered into a Securities Purchase Agreement (Securities Purchase Agreement) with: (1) holders of our then outstanding senior notes, which were issued under the Note Purchase Agreement, dated as of December 3, 2002 and (2) lenders under the Credit Agreement, dated as of March 3, 2004. Gores purchased at a discount approximately $22,600 in principal amount of our then existing debt held by debt holders who did not wish to participate in the new 15.00% Senior Secured Notes due July 15, 2012 (the Senior Notes) being offered by us, which upon completion of the Refinancing was exchanged for $10,797 of the Senior Notes. We also entered into a senior credit facility pursuant to which we have a $15,000 revolving credit facility on a senior unsecured basis (which has since been increased to $20,000) and a $20,000 unsecured non-amortizing term loan (collectively, the Senior Credit Facility), which obligations are subordinated to the Senior Notes. Gores also agreed to guarantee our Senior Credit Facility and payments due to the NFL for the license and broadcast rights to certain NFL games and NFL-related programming.

As a result of the Refinancing on April 23, 2009, Gores increased its equity ownership to approximately 75.1% of our then outstanding equity (in preferred and common stock) and our then existing lenders increased their equity ownership to approximately 22.7% of our then outstanding equity (in preferred and common stock). At the time of the Refinancing, we considered the ownership held by Gores and our existing debt holders as a collaborative group in accordance with the authoritative guidance. As a result, since the closing of the Refinancing, we have followed the acquisition method of accounting, as required by the authoritative guidance, and have applied the SEC rules and guidance regarding push down accounting treatment. Accordingly, our consolidated financial statements and transactional records prior to the closing of the Refinancing reflect the historical accounting basis in our assets and liabilities and are labeled Predecessor Company, while such records subsequent to the Refinancing are labeled Successor Company and reflect the push down basis of accounting for the new fair values in our financial statements. This is presented in our consolidated financial statements by a vertical black line division which appears between the columns entitled Predecessor Company and Successor Company on the statements and relevant notes. The black line signifies that the amounts shown for the periods prior to and subsequent to the Refinancing are not comparable.

Based on the complex structure of the Refinancing, a valuation was performed to determine the acquisition price using the Income Approach employing a Discounted Cash Flow (DCF) methodology. The DCF method explicitly recognizes that the value of a business enterprise is equal to the present value of the cash flows that are expected to be available for distribution to the equity and/or debt holders of a company. In the valuation of a business enterprise, indications of value are developed by discounting future net cash flows available for distribution to their present worth

at a rate that reflects both the current return requirements of the market and the risk inherent in the specific investment.

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WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

We used a multi-year DCF model to derive a Total Invested Capital value which was adjusted for cash, non-operating assets and any negative net working capital to calculate a Business Enterprise Value which was then used to value our equity. In connection with the Income Approach portion of this exercise, we made the following assumptions: (1) the discount rate was based on an average of a range of scenarios with rates between 15% and 16%; (2) management s estimates of future performance of our operations; and (3) a terminal growth rate of 2%. The discount rate and market growth rate reflect the risks associated with the general economic pressure impacting both the economy in general and more specifically and substantially the advertising industry. All costs and professional fees incurred as part of the Refinancing totaling $13,895 have been expensed as special charges in 2009 ($12,699 on and prior to April 23, 2009 for the Predecessor Company and $1,196 on and after April 24, 2009 for the Successor Company).

The allocation of the Business Enterprise Value for all accounts at April 24, 2009 was as follows:

Current assets	$	104,641
Goodwill		86,414
Intangibles		116,910
Property and equipment		36,270
Other assets		21,913
Current liabilities		81,160
Deferred income taxes		77,879
Due to Gores		10,797
Other liabilities		10,458
Long-term debt		106,703
Total Business Enterprise Value	$	79,151

On March 31, 2010, we recorded an adjustment to increase goodwill related to a correction of our current liabilities as of April 24, 2009. This under accrual of liabilities of $428 was related to the purchase in cash of television advertising airtime that occurred in the Predecessor Company prior to April 24, 2009.

The following unaudited pro forma financial summary for the three and nine months ended September 30, 2009 gives effect to the Refinancing and the resultant acquisition accounting. The pro forma information does not purport to be indicative of what the financial condition or results of operations would have been had the Refinancing been completed on the applicable dates of the pro forma financial information.

	Unaudited Pro Forma Nine Months Ended September 30, 2009	
Revenue	$	247,992
Net loss		(87,853)

Financial Statement Presentation

The preparation of our financial statements in conformity with the authoritative guidance of the Financial Accounting Standards Board (FASB) for generally accepted accounting principles in the United States (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. Management continually evaluates its estimates and judgments including those related to allowances for doubtful accounts, useful lives of property, plant and equipment and intangible assets and the valuation of such, barter inventory, fair value of stock options granted, forfeiture rate of equity based compensation grants, income taxes and valuation allowances on such and other

contingencies. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable in the circumstances. Actual results may differ from those estimates under different assumptions or conditions.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

Reclassification and Revisions

Certain reclassifications to our previously reported financial information have been made to the financial information that appears in this report to conform to the current period presentation.

For the year ended December 31, 2009, we understated our income tax receivable asset due to an error in how the deductibility of certain costs for the twelve months ended December 31, 2009 was determined. This resulted in an additional income tax benefit of $590, recorded in the three months ended March 31, 2010 and the nine months ended September 30, 2010, that should have been recorded in the successor period ended December 31, 2009. We overstated accounts receivable at December 31, 2009 by $250 in connection with our failure to record a billing adjustment as a result of a renegotiated customer contract and understated accrued expenses for certain general and administrative costs incurred by $278 at December 31, 2009. We also understated accrued liabilities at December 31, 2009 by $375 in connection with our failure to record an employment claim settlement related to an employee termination that occurred prior to 2008, but which was probable and estimable as of December 31, 2009. Finally, we understated our program and operating liabilities by $428 in the predecessor period ended April 23, 2009 and have adjusted our opening balance sheet and goodwill accordingly. We have determined that the impact of these adjustments recorded in the first quarter of fiscal 2010 were immaterial to our results of operations in all applicable prior interim and annual periods. As a result, we have not restated any prior period amounts.

NOTE 2 Earnings Per Share:

Prior to the Refinancing, we had outstanding two classes of common stock (common stock and Class B stock) and a class of preferred stock, 7.5% Series A Convertible Preferred Stock (referred to herein as the Series A Preferred Stock). Both the Class B stock and the Series A Preferred Stock were convertible into common stock. To the extent declared by our Board of Directors (the Board), the common stock was entitled to cash dividends of at least ten percent higher than those declared and paid on our Class B stock, and the Series A Preferred Stock was also entitled to receive such dividends on an as-converted basis if and when declared by the Board.

As part of the Refinancing, we issued Series A-1 Preferred Stock and Series B Preferred Stock. To the extent declared by our Board, the then outstanding Series A-1 Preferred Stock and Series B Preferred Stock were also entitled to receive such dividends on an as-converted basis if and when declared by the Board. The Series A Preferred Stock, Series A-1 Preferred Stock and Series B Preferred Stock were considered participating securities requiring use of the two-class method for the computation of basic net income (loss) per share. Losses were not allocated to the Series A Preferred Stock, Series A-1 Preferred Stock or Series B Preferred Stock in the computation of basic earnings per share (EPS) as the Series A Preferred Stock, Series A-1 Preferred Stock and the Series B Preferred Stock were not obligated to share in losses. Diluted earnings per share is computed using the if-converted method.

Basic EPS excludes the effect of common stock equivalents and is computed using the two-class computation method, which divides the sum of distributed earnings to common and Class B stockholders and undistributed earnings allocated to common stockholders and preferred stockholders on a pro rata basis, after Series A Preferred Stock dividends, by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per share assumes the exercise of stock options using the treasury stock method and the conversion of Class B stock, Series A Preferred Stock, Series A-1 Preferred Stock and Series B Preferred Stock using the if-converted method.

Common equivalent shares are excluded in periods in which they are anti-dilutive. Options, restricted stock, restricted stock units (RSUs) (see Note 9 Equity-Based Compensation), warrants and Series A Preferred Stock were excluded from the Predecessor Company calculations of diluted earnings per share because the conversion price, combined exercise price, unamortized fair value and excess tax benefits were greater than the average market price of our common stock for the periods presented. Options, restricted stock and RSUs were excluded from the Successor Company calculations of diluted earnings per share because combined exercise price, unamortized fair value and excess tax benefits were greater than the average market price of our common stock for the periods presented. EPS

calculations for all periods reflect the effect of the 200 for 1 reverse stock split that occurred on August 3, 2009.

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WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

The following is a reconciliation of our common shares outstanding for calculating basic and diluted net loss per share:

	Successor Company				Predecessor Company
	Three Months Ended September 30,		Nine Months Ended September 30,	For the Period April 24 to September 30,	For the Period January 1 to April 23,
	2010	2009	2010	2009	2009
Net loss	$ (7,239)	$ (53,550)	$ (19,380)	$ (59,734)	$ (18,961)
Less: Accumulated Preferred Stock dividends		(78,136)		(81,549)	(3,076)
Undistributed losses	$ (7,239)	$ (131,686)	$ (19,380)	$ (141,283)	$ (22,037)

NOTE 3 Related Party Transactions:

Gores Radio Holdings

We have a related party relationship with Gores. As a result of our Refinancing, Gores, our ultimate parent company, created a holding company which currently owns approximately 75.2% of our equity, after giving effect to Gores purchase of 769 shares of common stock for $5,000 on September 7, 2010. Gores also holds $10,144 (including paid-in-kind (PIK) interest) of our Senior Notes as a result of purchasing debt from certain of our former debt holders who did not wish to participate in the issuance of the Senior Notes on April 23, 2009 in connection with our Refinancing. Such debt is classified as Due to Gores on our balance sheet.

We recorded interest expense and fees related to consultancy and advisory services rendered by, and incurred on behalf of, Gores and Glendon Partners, an operating group affiliated with Gores as follows:

	Successor Company				Predecessor Company
	Three Months Ended September 30,		Nine Months Ended September 30,	For the Period April 24 to September 30,	For the Period January 1 to April 23,
	2010	2009	2010	2009	2009
Gores and Glendon fees (1)	$ 176	$ 514	$ 617	$ 810	$ 984
Reimbursement of legal fees			8		1,533
Reimbursement of letter-of-credit fees (2)	62		188		
Interest on loan	376	408	1,195	711	
	$ 614	$ 922	$ 2,008	$ 1,521	$ 2,517

(1)

These fees consist of payments for professional services rendered by various members of Gores and Glendon to us in the areas of operational improvement, tax, finance, accounting, legal and insurance/risk management.

(2) Reimbursement of a standby letter-of-credit fee incurred and paid by Gores in connection with its guarantee of the $20,000 revolving credit facility with Wells Fargo.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

POP Radio

We also have a related party relationship, including a sales representation agreement, with our 20% owned investee, POP Radio, L.P. We recorded fees in connection with this relationship as follows:

	Successor Company				Predecessor Company
	Three Months Ended September 30,		Nine Months Ended September 30,	For the Period April 24 to September 30,	For the Period January 1 to April 23,
	2010	2009	2010	2009	2009
Program commission expense	$ 366	$ 333	$ 1,093	$ 581	$ 416

CBS Radio

As a result of the Refinancing and the August 3, 2009 conversion of all of the Preferred Stock then outstanding into common stock, CBS Radio, which previously owned approximately 15.8% of our common stock, now owns less than 1% of our common stock. Viacom is an affiliate of CBS Radio, given that National Amusements, Inc. beneficially owns a majority of the voting power of all classes of common stock of each of CBS Corporation and Viacom. As a result of CBS Radio s change in ownership and that CBS Radio ceased to manage us in March 2008, we no longer consider CBS Radio or its affiliates to be related parties as of August 3, 2009. Accordingly, on such date we ceased recording payments to CBS and its affiliates as related party expenses or amounts due to related parties.

Through August 3, 2009, we recorded the following expenses as a result of transactions with CBS Radio and/or its affiliates:

	Successor Company		Predecessor Company
	Three Months Ended September 30, 2009	For the Period April 24 to September 30, 2009	For the Period January 1 to April 23, 2009
Programming and affiliate arrangements	$ 4,189	$ 13,877	$ 20,884
News agreement	1,121	3,623	4,107
	$ 5,310	$ 17,500	$ 24,991

A summary of related party expense by expense category is as follows:

	Successor Company	Predecessor Company
	Three Months Ended	For the Period

	September 30,		Nine Months Ended September 30,	For the Period April 24 to September 30,	January 1 to April 23,
	2010	2009	2010	2009	2009
Operating costs	$ 366	$ 5,643	$ 1,093	$ 18,081	$ 25,407
Special charges	176	514	625	810	2,517
Interest expense	438	408	1,383	711	
	$ 980	$ 6,565	$ 3,101	$ 19,602	$ 27,924

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except per share data)

NOTE 4 Property and Equipment:

Property and equipment is recorded at cost and is summarized as follows:

	September 30, 2010	December 31, 2009
Land, buildings and improvements	$ 11,397	$ 10,830
Recording, broadcasting and studio equipment	23,880	20,581
Furniture, equipment and other	14,799	11,592
	50,076	43,003
Less: Accumulated depreciation and amortization	13,151	6,738
Property and equipment, net	$ 36,925	$ 36,265

Depreciation expense was $2,080, $6,413, $2,791, $4,113 and $2,354 for the three and nine month periods ended September 30, 2010, the three months ended September 30, 2009, the period from April 24, 2009 to September 30, 2009 and the period from January 1, 2009 to April 23 2009, respectively. The allocation of the business enterprise value for the capital lease at April 24, 2009 was $7,355. Accumulated amortization related to the capital lease was $6,523 and $5,787 as of September 30, 2010 and December 31, 2009, respectively.

NOTE 5 Intangible Assets

In accordance with the authoritative guidance which is applicable to the Refinancing, we revalued our intangibles using our best estimate of current fair value. The value assigned to our only indefinite lived intangible assets, our trademarks, are not amortized to expense but tested at least annually for impairment or upon a triggering event. Our identified definite lived intangible assets are: our relationships with radio and television affiliates, and other distribution partners from whom we obtain commercial airtime that we sell to advertisers; internally developed software for systems unique to our business; contracts which provide information and talent for our programming; real estate leases; and insertion order commitments from advertisers. The values assigned to definite lived assets are amortized over their estimated useful life using, where applicable, contract completion dates, lease expiration dates, historical data on affiliate relationships and software usage. On an annual basis as of October 1, or more frequently if upon the occurrence of certain events, we are required to perform impairment tests on our identified intangible assets with indefinite lives, including goodwill, which testing could impact the value of our business. Intangible assets with definite lives are tested for impairment when events and circumstances indicate that the carrying amount may not be recoverable.

While we understood there was an inherent unpredictability in the economy and our business in 2010 as described in our Form 10-Q for the first quarter ending March 31, 2010, our performance in the second half of the second quarter demonstrated a greater unpredictability than we anticipated. Based upon the results of the second quarter of 2010, we reduced our forecasted results for the second half of 2010 and 2011. We believed these new forecasts constituted a triggering event. In accordance with the authoritative guidance, we performed an impairment analysis in August 2010 for our consolidated balance sheet dated June 30, 2010 by comparing our recalculated fair value based on an income based valuation technique to our current carrying value in the second quarter. There were no indications of impairment as a result of this analysis.

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Intangible assets by asset type and estimated life as of September 30, 2010 and December 31, 2009 are as follows:

		As of September 30, 2010			As of December 31, 2009		
	Estimated Life	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Trademarks	Indefinite	$ 20,800	$	$ 20,800	$ 20,800	$	$ 20,800
Affiliate relationships	10 years	72,100	(10,360)	61,740	72,100	(4,953)	67,147
Software and technology	5 years	7,896	(2,078)	5,818	7,896	(890)	7,006
Client contracts	5 years	8,930	(2,848)	6,082	8,930	(1,363)	7,567
Leases	7 years	980	(205)	775	980	(100)	880
Insertion orders	9 months				8,400	(8,400)	
		$ 110,706	$ (15,491)	$ 95,215	$ 119,106	$ (15,706)	$ 103,400

Amortization expense of intangible assets was $2,425, $7,277, $5,413, $10,291 and $231 for the three and nine month periods ended September 30, 2010, the three months ended September 30, 2009, the period from April 24, 2009 to September 30, 2009 and the period from January 1, 2009 to April 23 2009, respectively.

NOTE 6 Goodwill:

Goodwill represents the excess of cost over fair value of net assets of businesses acquired. In accordance with authoritative guidance, the value assigned to goodwill and indefinite lived intangible assets is not amortized to expense, but rather the estimated fair value of the reporting unit is compared to its carrying amount on at least an annual basis to determine if there is a potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the reporting unit goodwill and intangible assets is less than their carrying value. On an annual basis as of October 1, or more frequently if upon the occurrence of certain events, we are required to perform impairment tests on our identified intangible assets with indefinite lives, including goodwill, which testing could impact the value of our business.

On March 31, 2010, we recorded a prior period adjustment of $428 to increase goodwill related to a correction of our current liabilities as of April 24, 2009 (See Note 1 Basis of Presentation).

Based upon the results of the second quarter of 2010, we reduced our forecasted results for the second half of 2010 and 2011. We believed these new forecasts constituted a triggering event. In accordance with the authoritative guidance, we performed a Step 1 analysis in August 2010 for our consolidated balance sheet dated June 30, 2010 by comparing our recalculated fair value based on our new forecast to our current carrying value in the second quarter. There were no indications of impairment as a result of this analysis.

Changes in the carrying amount of goodwill for the nine months ended September 30, 2010 are as follows:

	Total	Metro Traffic	Network Radio
Balance January 1, 2010	$ 38,917	$ 13,005	$ 25,912
Adjustments to opening balance	28	144	(116)

Balance at September 30, 2010	$ 38,945	$ 13,149	$ 25,796

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Gross amounts of goodwill, accumulated impairment losses and carrying amount of goodwill as of September 30, 2010 are as follows:

	Total	Metro Traffic	Network Radio
Goodwill	$ 89,346	$ 63,550	$ 25,796
Accumulated impairment losses from April 24, 2009 to September 30, 2010	(50,401)	(50,401)	
Balance at September 30, 2010	$ 38,945	$ 13,149	$ 25,796

NOTE 7 Debt:

On April 23, 2009, we completed the Refinancing and entered into a Credit Agreement that governs our Senior Credit Facility and a Securities Purchase Agreement that govern our Senior Notes. The Senior Credit Facility included a $15,000 senior unsecured revolving credit facility, which was increased to $20,000 as part of the August 17, 2010 amendment as described below and has a $2,000 letter of credit sub-facility, and a $20,000 unsecured non-amortizing term loan. As of September 30, 2010 and December 31, 2009, we had borrowed the entire amount under the term loan and $15,000 and $5,000, respectively, under the revolving credit facility. Additionally, as of September 30, 2010 and December 31, 2009, respectively, we had used $1,219 of the term loan availability for letters of credit as security for various leased properties.

On October 14, 2009, we entered into separate agreements with the holders of our Senior Notes and Wells Fargo Capital Finance, LLC (Wells Fargo) to amend the terms of our Securities Purchase Agreement and Credit Agreement, respectively, to waive compliance with our debt leverage covenants which were to be measured on December 31, 2009 on a trailing four-quarter basis. On March 30, 2010, we entered into additional agreements with the holders of our Senior Notes and Wells Fargo to amend the terms of our Securities Purchase Agreement and Credit Agreement, respectively, to modify our debt leverage covenants for periods to be measured (on a trailing four-quarter basis) on March 31, 2010 and beyond.

In July 2010, as a result of our underperformance against our financial projections in late May and June of the second quarter of 2010, we reduced our forecasted results for the second half of 2010 and 2011. While these projections indicated that we would attain sufficient EBITDA to comply with the debt leverage covenants then in place for the four quarters beginning on September 30, 2010 (7.0, 6.5, 6.0 and 5.5 times, respectively). Management did not believe there was sufficient cushion in our EBITDA projections to predict with any certainty that we would satisfy such covenants given the unpredictability in the economy and our business in 2010 which as evidenced by our underperformance in late May and June 2010. Additionally, as of June 30, 2010, our available liquidity was $6,175, which was lower than our prior projections of liquidity, primarily as a result of our second quarter performance. Given our financial condition on June 30, 2010 and our revised projections, management believed it was prudent to renegotiate amendments to our debt agreements to enhance our available liquidity and to modify our debt leverage covenants. These negotiations resulted in the August 17, 2010 amendment described below. If we were to significantly underperform against our future financial projections, we may need to take additional actions designed to respond to or improve our financial condition and we cannot provide any assurance that any such actions would be successful in improving our financial position. As part of the August 17, 2010 amendments, Gores agreed to purchase an additional $15,000 of common stock, $5,000 of which was purchased on September 7, 2010 and $10,000 of which shall be purchased on February 28, 2011 or sooner depending on our needs. Notwithstanding the foregoing, if we shall have received net cash proceeds of at least $10,000 from the issuance and sale of Company qualified equity interests (as such term is defined in the Securities Purchase Agreement) to any person, other than in connection with (1) Gores $5,000 investment in 2010, and (2) any stock or option grant to our employees under a stock option plan or other

similar incentive or compensation plan of the Company or upon the exercise thereof, Gores shall not be required to invest the aforementioned $10,000. As part of the amendment we entered into with our lenders on August 17, 2010, Gores agreed to purchase $10,000 in common stock on February 28, 2011 or earlier depending on our liquidity needs (Gores $10,000 equity commitment) and provided we have not received $10,000 in net cash proceeds from the sale of Company qualified equity interests (as defined in the Securities Purchase Agreement) after August 17, 2010. The purchase price of the common stock to be issued to Gores (if such commitment is funded) would be calculated using a trailing 30-day weighted average of our common stock s closing share price for the 30 consecutive days, subject to a $4.00 per share minimum and a $9.00 per share maximum price. The Gores $10,000 equity commitment contains embedded features that have the characteristics of a derivative that is settled in our common stock. Accordingly, pursuant to authoritative guidance, we determined the fair value of the derivative by applying the Black-Scholes model using the Monte Carlo simulation to estimate the price of our common stock on the derivative s expiration date and estimated the expected volatility of the derivative by using the aforementioned trailing 30-day weighted average. On August 17, 2010, we recorded an asset of $442 related to the aforementioned $10,000 Gores equity commitment. On September 30, 2010, the fair market value of such Gores equity commitment was a liability of $1,478 resulting in other expense of $1,920 for the quarter ended September 30, 2010. We will continue to mark-to-market the value of the derivative for each reporting period until the expiration of the derivative.

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As part of the third amendment to the Securities Purchase Agreement entered into on August 17, 2010, our adjusted debt leverage covenants were modified to 11.25 times for the next three quarters beginning on September 30, 2010, then stepping down to 11.0, 10.0, and 9.0 times in the last three quarters of 2011 and 8.0 and 7.5 times in the first two quarters of 2012. The quarterly debt leverage covenants that appear in the Credit Agreement (governing the Senior Credit Facility) were also amended to maintain the additional 15% cushion that exists between the debt leverage covenants applicable to the Senior Credit Facility and the corresponding covenants applicable to the Senior Notes. By way of example, the remaining 2010 covenant levels of 11.25 in the Securities Purchase Agreement (applicable to the Senior Notes) are 12.95 in the Credit Agreement (governing the Senior Credit Facility). We have accrued additional interest expense for amendment fees for the nine months ended September 30, 2010 of $1,495.

Long-term debt, including current maturities of long-term debt and debt Due to Gores, is as follows:

	September 30, 2010	December 31, 2009
Senior Secured Notes due July 15, 2012 (1)	$ 100,631	$ 110,762
Due to Gores (1)	10,144	11,165
Term Loan (2)	20,000	20,000
Revolving Credit Facility (2)	15,000	5,000
	$ 145,775	$ 146,927

(1) The applicable interest rate on such debt is 15.0%, which includes 5.0% PIK interest which accrues and is added to principal on a quarterly basis. For the nine months ended September 30, 2010, interest expense on the debt to Due to Gores was $1,195. The Due to Gores debt was reduced by its pro-rata share of the $15,500 payments we made to pay

down the Senior Notes. PIK interest is not due until maturity.

(2) The applicable interest rate on such debt was 7.0% as of September 30, 2010 and December 31, 2009. The interest rate is variable and is payable at the greater of (i) LIBOR plus 4.5% (with a LIBOR floor of 2.5%) or (ii) the base rate plus 4.5% (with a base rate floor equal to the greater of 3.75% or the one-month LIBOR rate), at our option.

NOTE 8 Fair Value Measurements:

Fair Value of Financial Instruments

Our financial instruments include cash, cash equivalents, receivables, accounts payable and borrowings. The fair value of cash and cash equivalents, accounts receivable, accounts payable and borrowings under the revolving credit facility approximated carrying values because of the short-term nature of these instruments. The estimated fair value of the borrowings was based on estimated rates for long-term debt with similar debt ratings held by comparable companies. The carrying amount and estimated fair value for our borrowings are as follows:

	September 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Borrowings (short and long term)	$ 130,775	$ 131,789	$ 141,927	$ 148,425

The authoritative guidance establishes a common definition of fair value to be applied under GAAP, which requires the use of fair value, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

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Fair Value Hierarchy

The authoritative guidance specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect our own assumptions of market participant valuation (unobservable inputs). In accordance with the authoritative guidance, these two types of inputs have created the following fair value hierarchy:

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The authoritative guidance requires the use of observable market data if such data is available without undue cost and effort.

Items Measured at Fair Value on a Recurring Basis

The following table sets forth our financial assets and liabilities that were accounted for at fair value on a recurring basis:

	September 30, 2010			December 31, 2009		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets:						
Investments (1)	$ 754	$	$	$ 968	$	$
Liabilities						
Derivative liability (2)	$	$ 1,478	$	$	$	$

(1) Included in other assets

(2) Gores $10,000 equity commitment which is included in accrued expenses and other liabilities

NOTE 9 Equity-Based Compensation:

We have issued equity compensation to our directors, officers and key employees under three plans, the 1999 Stock Incentive Plan (the 1999 Plan), the 2005 Equity Compensation Plan (the 2005 Plan) and the 2010 Equity Compensation Plan (defined below as the 2010 Plan). Although the 1999 Plan expired in early 2009 and no additional equity compensation may be issued under such plan, certain awards remain outstanding thereunder. Only stock options were issued under the 1999 Plan.

On May 25, 2005, our stockholders approved the 2005 Plan that allowed us to grant stock options, restricted stock and RSUs to our directors, officers and key employees. Effective February 12, 2010, the Board amended and restated the 2005 Plan because we had a limited number of shares available for issuance thereunder (such plan, as amended and restated, the 2010 Plan).

Stock Options

Options granted under our equity compensation plans vest over periods ranging from 2 to 5 years, generally commencing on the anniversary date of each grant. Options expire within ten years from the date of grant. On February 12, 2010, our Board granted 1,998 options with an exercise price of $6.00 to 56 employees, which vest over 3 years. When made, these stock options were subject to approval of the 2010 Plan by our stockholders which approval was obtained on July 30, 2010 at our annual meeting of stockholders. In accordance with the authoritative guidance, the options were considered outstanding on February 12, 2010 because formal approval was essentially a formality, given that Gores owned 74.3% of our common stock at that time, which constituted enough votes to approve the 2010 Plan and options.

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Stock option activity for the period from January 1, 2010 to September 30, 2010 is as follows:

	Shares		Weighted Average Exercise Price Per share
Outstanding January 1, 2010	28.6	$	1,345
Granted	1,998.0	$	6
Exercised		$	
Cancelled, forfeited or expired	(146.9)	$	40
Outstanding September 30, 2010	1,879.7	$	24
Options exercisable September 30, 2010	18.6	$	1,709

Aggregate estimated fair value of options vesting during the nine months ended September 30, 2010	$	1,099

At September 30, 2010, vested and exercisable options had an aggregate intrinsic value of $0 and a weighted average remaining contractual term of 5.82 years. Additionally, at September 30, 2010, 1,709.5 options were expected to vest with a weighted average exercise price of $26, a weighted average remaining term of 9.33 years and an aggregate intrinsic value of $4,049. No options were exercised during the nine months ended September 30, 2010. The aggregate intrinsic value of options represents the total pre-tax intrinsic value (the difference between our closing stock price at the end of the period and the option s exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options at that time.

As of September 30, 2010, there was $7,260 of unearned compensation cost related to stock options granted under all of our equity compensation plans. That cost is expected to be recognized over a weighted-average period of 2.27 years.

The estimated fair value of options granted during the first nine months of 2010 was measured on the date of grant using the Black-Scholes option pricing model using the weighted average assumptions as follows:

Risk-free interest rate		2.35%
Expected term (years)		5.0
Expected volatility		98.6%
Expected dividend yield		0.00%
Weighted average fair value of options granted	$	4.47

Restricted Stock

Restricted stock granted under our 2005 Plan vests over periods ranging from 2 to 4 years, generally commencing on the anniversary date of each grant. Recipients of restricted stock are entitled to the same dividends and voting rights as common stock and, once issued, such stock is considered to be currently issued and outstanding (even when unvested). The cost of restricted stock awards, calculated as the fair market value of the shares on the date of grant, net of estimated forfeitures, was expensed ratably over the vesting period. As of September 30, 2010, there was no unearned compensation cost related to restricted stock.

Restricted stock activity for the period from January 1, 2010 to September 30, 2010 is as follows:

	Shares	Weighted Average Grant Date Fair Value
Outstanding January 1, 2010	0.8	$ 1,504
Granted		
Vested	(0.8)	$ 1,504
Forfeited		
Outstanding September 30, 2010		

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Restricted Stock Units

With rare exceptions, RSUs are typically awarded only to directors, not to officers or key employees. Under the 2005 Plan (the only plan under which RSU awards have been issued to date), RSUs previously awarded to our directors vest over 3 years. Directors RSUs vest automatically, in full, upon a change in control or upon their retirement, as defined in the 2005 Plan. RSUs are payable in newly issued shares of our common stock. Recipients of RSUs are entitled to receive dividend equivalents (subject to vesting) when and if we pay a cash dividend on our common stock. Such dividend equivalents are payable, in newly issued shares of common stock, only upon the vesting of the related restricted shares. Unlike restricted stock, RSUs do not have the same voting rights as common stock, and the shares underlying the RSUs are not considered to be issued and outstanding until they vest. In 2010, our Compensation Committee determined that the independent non-employee directors should receive annual awards of RSUs valued in an amount of $35, which awards will vest over 2 years, beginning on the anniversary of the grant date. The awards also will vest automatically upon a change in control (as defined in the 2010 Plan) and will otherwise be governed by the terms of the 2010 Plan. On July 30, 2010, the date of our 2010 annual meeting of stockholders, 15 RSUs in the aggregate with a grant date fair value of $7.00 were granted under the 2010 Plan to our independent non-employee directors. As of September 30, 2010, unearned compensation cost related to RSUs was $96.
RSU activity for the period from January 1, 2010 to September 30, 2010 is as follows:

	Shares	Weighted Average Grant Date Fair Value	
Outstanding January 1, 2010	0.1	$	1,314
Granted	15.0		7
Converted to common stock			
Forfeited			
Outstanding September 30, 2010	15.1	$	22

Compensation expense related to equity-based awards was $790, $2,671, $1,533, $2,385 and $2,110 for the three and nine month periods ended September 30, 2010, the three months ended September 30, 2009, the period from April 24, 2009 to September 30, 2009 and the period from January 1, 2009 to April 23 2009, respectively.

NOTE 10 Comprehensive Income (Loss):

Comprehensive income (loss) reflects the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Our comprehensive net income (loss) represents net income or loss adjusted for unrealized gains or losses on available for sale securities. Comprehensive income (loss) is as follows: