CUMULUS MEDIA INC
Form 10-Q
November 01, 2010

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

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.

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For or the transition period from __________ to __________

Commission file number 000-24525
CUMULUS MEDIA INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**36-4159663**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
3280 Peachtree Road, NW Suite 2300, Atlanta, GA	**30305**
(Address of Principal Executive Offices)	*(ZIP Code)*

(404) 949-0700
(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 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 Website, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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:

Large accelerated filer o	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company þ

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

As of October 26, 2010, the registrant had 42,030,355 outstanding shares of common stock consisting of (i) 35,576,293 shares of Class A Common Stock; (ii) 5,809,191 shares of Class B Common Stock; and (iii) 644,871 shares of Class C Common Stock.

CUMULUS MEDIA INC.
INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except for share data)
(Unaudited)

	September 30, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 12,565	$ 16,224
Restricted cash	604	789
Accounts receivable, less allowance for doubtful accounts of $1,132 and $1,166, in 2010 and 2009, respectively	38,065	37,504
Trade receivable	4,012	5,488
Prepaid expenses and other current assets	5,612	4,709
Total current assets	60,858	64,714
Property and equipment, net	41,730	46,981
Intangible assets, net	161,623	161,380
Goodwill	56,121	56,121
Other assets	3,735	4,868
Total assets	$ 324,067	$ 334,064
Liabilities and Stockholders Deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 16,696	$ 13,635
Trade payable	3,971	5,534
Current portion of derivative instrument	7,294	
Current portion of long-term debt	35,404	49,026
Total current liabilities	63,365	68,195
Long-term debt	568,153	584,482
Other liabilities	18,011	32,598
Deferred income taxes	23,789	21,301
Total liabilities	673,318	706,576
Stockholders Deficit:		
Preferred stock, 20,262,000 shares authorized, par value $0.01 per share, including:		
250,000 shares designated as 13 3/4% Series A Cumulative Exchangeable Redeemable Preferred Stock due 2009, shares designated at stated value $1,000 per share; 0 shares issued and outstanding in both 2010 and 2009 and 12,000 12% Series B Cumulative Preferred Stock, stated value $10,000 per share; 0 shares issued and outstanding in both 2010 and 2009		

Class A common stock, par value $0.01 per share; 200,000,000 shares authorized; 59,572,592 shares issued, 35,576,293 and 35,162,511 shares outstanding in 2010 and 2009, respectively		596		596
Class B common stock, par value $0.01 per share; 20,000,000 shares authorized; 5,809,191 shares issued and outstanding in both 2010 and 2009		58		58
Class C common stock, par value $0.01 per share; 30,000,000 shares authorized; 644,871 shares issued and outstanding in both 2010 and 2009		6		6
Treasury stock, at cost, 24,027,620 and 24,410,081 shares in 2010 and 2009, respectively		(256,632)		(261,382)
Additional paid-in-capital		963,565		966,945
Accumulated deficit		(1,056,844)		(1,078,735)
Total stockholders deficit		(349,251)		(372,512)
Total liabilities and stockholders deficit	$	324,067	$	334,064

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except for share and per share data)
(Unaudited)

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Broadcast revenues	$ 66,434	$ 64,127	$ 190,531	$ 183,443
Management fee from affiliate	1,021	1,000	3,021	3,000
Net revenues	67,455	65,127	193,552	186,443
Operating expenses:				
Station operating expenses (excluding depreciation, amortization and LMA fees)	40,486	40,159	120,829	121,690
Depreciation and amortization	2,222	2,650	7,130	8,365
LMA fees	607	595	1,500	1,792
Corporate general and administrative (including non-cash stock compensation of $556, $850, $1,015, and $2,053 respectively)	4,680	5,676	13,824	15,741
Gain on exchange of assets or stations				(7,204)
Realized loss on derivative instrument	746	3,016	1,810	3,016
Impairment of goodwill and intangible assets		173,085		173,085
Total operating expenses	48,741	225,181	145,093	316,485
Operating income (loss)	18,714	(160,054)	48,459	(130,042)
Non-operating income (loss):				
Interest expense	(7,588)	(11,052)	(23,734)	(25,048)
Interest income	2	3	6	58
Other expense, net	(6)	(121)	(87)	(156)
Total non-operating expense, net	(7,592)	(11,170)	(23,815)	(25,146)
Income (loss) before income taxes	11,122	(171,224)	24,644	(155,188)
Income tax (expense) benefit	(1,391)	27,233	(2,753)	21,976
Net income (loss)	$ 9,731	$ (143,991)	$ 21,891	$ (133,212)
Basic and diluted income per common share:				
Basic income (loss) per common share (See Note 8, Earnings Per Share)	$ 0.23	$ (3.56)	$ 0.52	$ (3.29)
Diluted income (loss) per common share (See Note 8, Earnings Per Share)	$ 0.23	$ (3.56)	$ 0.51	$ (3.29)
	40,371,659	40,405,969	40,322,079	40,431,849

Weighted average basic common shares outstanding (See Note 8, Earnings Per Share)				
Weighted average diluted common shares outstanding (See Note 8, Earnings Per Share)	41,466,480	40,405,969	41,241,895	40,431,849

See accompanying notes to unaudited condensed consolidated financial statements.

4

Table of Contents

CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 2010	Nine Months Ended September 2009
Cash flows from operating activities:		
Net income (loss)	$ 21,891	$ (133,212)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	7,130	8,365
Amortization of debt issuance costs/discounts	919	775
Amortization of derivative gain		(828)
Provision for doubtful accounts	922	1,856
Loss on sale of assets or stations	82	(29)
Gain on exchange of assets or stations		(7,204)
Fair value adjustment of derivative instruments	(6,536)	2,151
Impairment of goodwill and intangible assets		173,085
Deferred income taxes	2,488	(22,351)
Non-cash stock compensation	1,016	2,053
Changes in assets and liabilities:		
Restricted cash	185	(789)
Accounts receivable	(1,449)	2,650
Trade receivable	1,442	187
Prepaid expenses and other current assets	(903)	(3,038)
Accounts payable and accrued expenses	3,023	(1,595)
Trade payable	(1,528)	(8)
Other assets	818	84
Other liabilities	(216)	(938)
Net cash provided by operating activities	29,284	21,214
Cash flows from investing activities:		
Proceeds from sale of assets or radio stations	196	91
Purchase of intangible assets	(230)	
Capital expenditures	(2,127)	(1,872)
Net cash used in investing activities	(2,161)	(1,781)
Cash flows from financing activities:		
Repayments of borrowings from bank credit facility	(30,353)	(49,956)
Tax withholding paid on behalf of employees	(184)	(95)
Payments made to creditors pursuant to debt amendment	(245)	(3,000)
Payments for repurchase of common stock		(193)
Net cash used in financing activities	(30,782)	(53,244)
Decrease in cash and cash equivalents	(3,659)	(33,811)
Cash and cash equivalents at beginning of period	16,224	53,003

Cash and cash equivalents at end of period	$ 12,565	$ 19,192
Supplemental disclosures of cash flow information:		
Interest paid	$ 20,420	$ 17,577
Income taxes paid	259	340
Trade revenue	12,435	8,676
Trade expense	12,259	8,627

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents

CUMULUS MEDIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Interim Financial Data and Basis of Presentation

Interim Financial Data

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of Cumulus Media Inc. (Company) and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary for a fair statement of results of the interim periods have been made and such adjustments were of a normal and recurring nature. The results of operations and cash flows for the nine months ended September 30, 2010 are not necessarily indicative of the results that can be expected for the entire fiscal year ending December 31, 2010.

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to bad debts, intangible assets, derivative financial instruments, income taxes, stock-based compensation, contingencies and litigation. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

Recent Accounting Pronouncements

ASU 2009-17. In December 2009, the Financial Accounting Standards Board (FASB) issued ASU No. 2009-17, *Consolidations (Topic 810) Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* (ASU No. 2009-17) which amends the FASB ASC for the issuance of FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R), issued by the FASB in June 2009. The amendments in this ASU replace the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity (VIE) with an approach primarily focused on identifying which reporting entity has the power to direct the activities of a VIE that most significantly impact the entity s economic performance and (1) the obligation to absorb the losses of the entity or (2) the right to receive the benefits from the entity. ASU No. 2009-17 also requires additional disclosure about a reporting entity s involvement in a VIE, as well as any significant changes in risk exposure due to that involvement. ASU No. 2009-17 is effective for annual and interim periods beginning after November 15, 2009. The adoption of ASU No. 2009-07 required the Company to make additional disclosures but did not have a material impact on the Company s financial position, results of operations and cash flows. See Note 11, Variable Interest Entities , for further discussion.

ASU 2010-06. The FASB issued ASU No. 2010-06 which provides improvements to disclosure requirements related to fair value measurements. New disclosures are required for significant transfers in and out of Level 1 and Level 2 fair value measurements, disaggregation regarding classes of assets and liabilities, valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3. These disclosures are effective for the interim and annual reporting periods beginning after December 15, 2009. Additional new disclosures regarding the purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010 beginning with the first interim period. The Company adopted the portions of this update which became effective January 1, 2010, for its financial statements as of that date. See Note 4, Fair Value Measurements .

2. Acquisitions and Dispositions

2010 Acquisitions

The Company did not complete any material acquisitions or dispositions during the nine months ended September 30, 2010.

Table of Contents

2009 Acquisitions

Green Bay and Cincinnati Asset Exchange

On April 10, 2009, the Company completed an asset exchange with Clear Channel Communications, Inc. (Clear Channel). As part of the asset exchange, the Company acquired two of Clear Channel s radio stations located in Cincinnati, Ohio in exchange for five of the Company s radio stations in the Green Bay, Wisconsin market. The exchange transaction provided the Company with direct entry into the Cincinnati market (notwithstanding the Company s current presence through its investment in CMP (see Note 5, Investment in Affiliate)), which was ranked #28 at that time by Arbitron. The transaction was accounted for as a business combination in accordance with guidance for business combinations. The fair value of the assets acquired in the exchange was $17.6 million (refer to the table below for the purchase price allocation). The Company incurred approximately $0.2 million of acquisition costs related to this transaction and expensed them as incurred through earnings within corporate general and administrative expense. The $0.9 million of goodwill identified in the purchase price allocation below is deductible for tax purposes. During the fourth quarter of 2009 the Company adjusted the purchase price allocation to record an intangible asset of approximately $0.9 million related to certain tower leases which will be amortized over the next four years in accordance with the terms of the leases. The results of operations for the Cincinnati stations acquired have been included in the statements of operations since the acquisition date. The results of the Cincinnati stations were not material. Prior to the asset exchange, the Company and Clear Channel did not have any preexisting relationship with regard to the Green Bay market.

In conjunction with the exchange on April 10, 2009, Clear Channel and the Company entered into an LMA whereby the Company is responsible for operating (i.e. programming, advertising, etc.) the five Green Bay radio stations that were sold to Clear Channel and must pay Clear Channel a monthly fee of approximately $0.2 million over a five year term (expiring December 31, 2013), in exchange for the Company retaining the operating profits for managing the radio stations. In conjunction with the LMA, the Company included the net revenues and station operating expenses associated with operating the Green Bay stations in the Company s consolidated financial statements from the effective date of the LMA (April 10, 2009) through December 31, 2009. Additionally, Clear Channel negotiated a written put option that allows them to require the Company to repurchase the five Green Bay radio stations at any time during the two-month period commencing July 1, 2013 (or earlier if the LMA is terminated prior to that date) for $17.6 million (the fair value of the radio stations as of April 10, 2009). The Company accounted for the put option as a derivative contract and accordingly, the fair value of the put was recorded as a liability at the acquisition date and offset against the gain associated with the asset exchange. Subsequent changes to the fair value of the derivative are recorded through earnings. See Note 3, Derivative Financial Instruments .

In conjunction with the transactions, the Company recorded a net gain of $7.2 million, which is included in the gain on exchange of assets in the statements of operations. This amount represents a gain of approximately $9.6 million recorded on the Green Bay stations sold, net of a loss of approximately $2.4 million representing the fair value of the put option at acquisition date.

The table below summarizes the final purchase price allocation (dollars in thousands):

Allocation	Amount
Fixed assets	$ 458
Broadcast licenses	15,353
Goodwill	874
Other intangibles	951
Total purchase price	$ 17,636
Less: Carrying value of Green Bay stations	(7,999)
Gain on asset exchange	$ 9,637
Less: Fair value of Green Bay Option April 10, 2009	(2,433)

Net gain	$ 7,204

3. Derivative Financial Instruments

The Company recognizes all derivatives on the balance sheet at fair value. Changes in fair value are recorded in income for any contracts not classified as qualifying hedging instruments. For derivatives qualifying as cash flow hedge instruments, the effective portion of the change in fair value must be recorded through other comprehensive income, a component of stockholders equity (deficit).

May 2005 Swap

In May 2005, the Company entered into a forward-starting LIBOR-based interest rate swap arrangement (the May 2005 Swap) to manage fluctuations in cash flows resulting from interest rate risk attributable to changes in the benchmark interest rate of LIBOR. The May 2005 Swap became effective as of March 13, 2006, the end of the term of the Company s prior swap. The May 2005 Swap expired on March 13, 2009, in accordance with the terms of the original agreement. Accordingly, for the three and nine months ended September 30, 2010 and the three months ended September 30, 2009, the Company did not record any interest expense related to the May 2005 Swap. For the nine months ended September 30, 2009 the Company reported $3.0 million income in interest expense related to the change in fair value.

The May 2005 Swap changed the variable-rate cash flow exposure on $400.0 million of the Company s long-term bank borrowings to fixed-rate cash flows. Under the May 2005 Swap the Company received LIBOR-based variable interest rate payments and made fixed interest rate payments, thereby creating fixed-rate long-term debt. The May 2005 Swap was previously accounted for as a qualifying cash flow hedge of the future variable rate interest payments. Starting in June 2006, the May 2005 Swap no longer qualified as a cash flow hedging instrument. Accordingly, the changes in its fair value have since been reflected in the statement of operations instead of accumulated other comprehensive income.

The fair value of the May 2005 Swap was determined using observable market based inputs (a Level 2 measurement). The fair value represents an estimate of the net amount that the Company would pay if the agreement was transferred to another party or cancelled as of the date of the valuation.

May 2005 Option

In May 2005, the Company also entered into an interest rate option agreement (the May 2005 Option), that provided Bank of America, N.A. the right to enter into an underlying swap agreement with the Company, on terms substantially identical to the May 2005 Swap, for two years, from March 13, 2009 (the end of the term of the May 2005 Swap) through March 13, 2011.

The May 2005 Option was exercised on March 11, 2009. This instrument has not been highly effective in mitigating the risks in the Company s cash flows, and therefore the Company has deemed it speculative, and has accounted for changes in the May 2005 Option s value as a current element of interest expense. The balance sheets as of September 30, 2010 and December 31, 2009 reflect current liabilities of $7.3 million and other long-term liabilities of $15.6 million, respectively, to include the fair value of the May 2005 Option. The Company reported $3.0 million and $8.3 million in interest expense during the three and nine months ended September 30, 2010, respectively. Additionally, for the three and nine months ended September 30, 2009 the Company reported $0.03 million in interest income and $2.2 million in interest expense, respectively.

In the event of a default under the Credit Agreement, or a default under any derivative contract, the derivative counterparties would have the right, although not the obligation, to require immediate settlement of some or all open derivative contracts at their then-current fair value. The Company does not utilize financial instruments for trading or other speculative purposes.

The Company s financial instrument counterparties are high-quality investments or commercial banks with significant experience with such instruments. The Company manages exposure to counterparty credit risk by requiring specific minimum credit standards and diversification of counterparties. The Company has procedures to monitor the credit exposure amounts. The maximum credit exposure at September 30, 2010 was not significant to the Company.

Green Bay Option

On April 10, 2009, Clear Channel and the Company entered into an LMA whereby the Company is responsible for operating (i.e., programming, advertising, etc.) five Green Bay radio stations and must pay Clear Channel a monthly fee of approximately $0.2 million over a five year term (expiring December 31, 2013), in exchange for the Company retaining the operating profits for managing the radio stations. Clear Channel also has a put option (the Green Bay Option) that allows it to require the Company to repurchase the five Green Bay radio stations at any time during the two-month period commencing July 1, 2013 (or earlier if the LMA is terminated before this date) for $17.6 million (the fair value of the radio stations as of April 10, 2009). The Company accounted for the Green Bay Option as a derivative contract. Accordingly, the fair value of the put was recorded as a liability offsetting the gain at the acquisition date with subsequent changes in the fair value recorded through earnings. The fair value of the Green Bay Option was determined using inputs that are supported by little or no market activity (a Level 3 measurement). The fair value represents an estimate of the net amount that the Company would pay if the option was transferred to another party as of the date of the valuation.

The following table sets forth the location and fair value amounts of derivatives in the consolidated balance sheets:

Information on the Location and Amounts of Derivatives Fair Values in the Unaudited Consolidated Balance Sheets (dollars in thousands)

	Balance Sheet Location	Fair Value September 30, 2010	Fair Value December 31, 2009
Derivative not designated as hedging instruments:			
Green Bay Option	Other long-term liabilities	$ 7,883	$ 6,073
Interest rate swap option	Other current liabilities	7,294	
Interest rate swap option	Other long-term liabilities		15,639
	Total	**$ 15,177**	**$ 21,712**

The location and fair value amounts of derivatives in the condensed consolidated statements of operations are shown in the following table:

Derivative Instruments	Statement of Operations Location	Amount of Income (Expense) Recognized on Derivatives For the Three Months Ended September 30, 2010	For the Nine Months Ended September 30, 2010
Green Bay Option	Realized loss on derivative instrument	$ (746)	$ (1,810)
Interest rate swap option	Interest income	2,979	8,346
	Total	**$ 2,233**	**$ 6,536**

4. Fair Value Measurements

The three levels of the fair value hierarchy to be applied to financial instruments when determining fair value are described below:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access;

Level 2 Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and

Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company s financial assets and liabilities are measured at fair value on a recurring basis.

Table of Contents

Financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 were as follows (dollars in thousands):

		Fair Value Measurements at Reporting Date Using		
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Liabilities:				
Other current liabilities				
Interest rate swap (1)	$ 7,294	$	$ 7,294	$
Other long-term liabilities				
Green Bay option (2)	7,883			7,883
Total liabilities	$ 15,177	$	$ 7,294	$ 7,883

(1) The Company s derivative financial instruments consist solely of an interest rate swap in which the Company pays a fixed rate and receives a variable interest rate. The fair value of the Company s interest rate swap is determined based on the present value of future cash flows using observable inputs, including interest rates and yield

curves. Derivative valuations incorporate adjustments that are necessary to reflect the Company s own credit risk.

(2) The fair value of the Green Bay Option was determined using inputs that are supported by little or no market activity (a Level 3 measurement). The fair value represents an estimate of the net amount that the Company would pay if the option was transferred to another party as of the date of the valuation. The option valuation incorporates a credit risk adjustment to reflect the probability of default by the Company.

To estimate the fair value of the interest rate swap, the Company used an industry standard cash valuation model, which utilizes a discounted cash flow approach. The significant inputs for the valuation model include the following:

Fixed	*Floating*
discount cash flow range of 0.99% - 1.00%;	discount cash flow range of 0.99% - 1.00%;
interest rate of 3.93%; and	interest rate range of 0.26% - 0.32%; and
credit spread of 4.85%.	credit spread of 4.85%.

The Company reported $0.7 million and $1.8 million for the three and nine months ended September 30, 2010, respectively, in realized loss on derivative instruments within the income statement related to the fair value adjustment, representing the change in the fair value of the Green Bay Option.

The reconciliation below contains the components of the change in fair value associated with the Green Bay Option as of September 30, 2010 (dollars in thousands):

Description		Green Bay Option
Fair value balance at December 31, 2009	$	6,073
Add: Mark to market fair value adjustment		1,810
Fair value balance at September 30, 2010	**$**	**7,883**

To estimate the fair value of the Green Bay Option, the Company used a Black-Scholes valuation model. The significant inputs for the valuation model include the following:

- total term of 2.92 years;
- volatility rate of 32.0%;
- dividend annual rate of 0.0%;

Table of Contents

discount rate of 0.65%; and

market value of Green Bay of $8.5 million.

The carrying values of receivables, payables, and accrued expenses approximate fair value due to the short maturity of these instruments.

The following table shows the gross amount and fair value of the Company s term loan:

	September 30, 2010	December 31, 2009
Carrying value of term loan	$ 606,537	$ 636,890
Fair value of term loan	$ 548,420	$ 538,604

To estimate the fair value of the term loan, the Company used an industry standard cash valuation model, which utilizes a discounted cash flow approach. The significant inputs for the valuation model include the following:

discount cash flow rate of 7.76%;

interest rate of 0.26%; and

credit spread of 4.85%.

5. Investment in Affiliate

In connection with the formation of CMP, the Company contributed four radio stations (including related licenses and assets) in the Houston, Texas and Kansas City, Missouri markets with a book value of approximately $71.6 million and approximately $6.2 million in cash in exchange for its membership interests. The Company recognized a gain of $2.5 million from the transfer of assets to CMP. In addition, upon consummation of the acquisition, the Company received a payment of approximately $3.5 million as consideration for advisory services provided in connection with the acquisition. The Company recorded the payment as a reduction in its investment in CMP. The table below presents summarized financial statement data related to CMP (dollars in thousands):

	Nine Months Ended September 30,	
	2010	2009
Income Statement Data:		
Revenues	$ 140,028	$ 129,223
Operating expenses	91,994	296,665
Net income (loss)	20,442	(83,693)
Balance Sheet Data:		
Assets	469,916	487,047
Liabilities	885,800	958,026
Shareholders deficit	(415,884)	(470,979)

The Company s investment in CMP is accounted for under the equity method of accounting. At September 30, 2010, the Company s proportionate share of its affiliate losses exceeded its investment in CMP. In addition, the Company has no contractual obligation to fund the losses of CMP. As a result, the Company has no exposure to loss as a result of its involvement in CMP.

Concurrent with the consummation of the acquisition, the Company entered into a management agreement with a subsidiary of CMP, pursuant to which the Company s personnel will manage the operations of CMP s subsidiaries. The agreement provides for the Company to receive, on a quarterly basis, a management fee that is expected to be approximately 1.0% of the CMP subsidiaries annual EBITDA or $4.0 million, whichever is greater. For the three and nine months ended September 30, 2010 and 2009, the Company recorded as net revenues approximately $1.0 million and $3.0 million, respectively, in management fees from CMP.

Table of Contents

6. Long-Term Debt

The Company s long-term debt consisted of the following at September 30, 2010 and December 31, 2009 (dollars in thousands):

	September 30, 2010	December 31, 2009
Term loan	$ 606,537	$ 637,321
Less: Debt discount	(2,980)	(3,813)
Less: Current portion of long-term debt	(35,404)	(49,026)
	$ 568,153	$ 584,482

Senior Secured Credit Facilities

June 2009 Amendment

On June 29, 2009, the Company entered into the third amendment to the credit agreement (the June 2009 amendment), with Bank of America, N.A., as administrative agent, and the lenders party thereto, governing the Company s senior secured credit facilities (as amended to date, the Credit Agreement).

The Credit Agreement maintains the preexisting term loan facility of $750.0 million, which had an outstanding balance of approximately $647.9 million immediately after closing the June 2009 amendment, and reduced the preexisting revolving credit facility from $100.0 million to $20.0 million. Incremental facilities are no longer permitted as of June 30, 2009 under the Credit Agreement.

The Company s obligations under the Credit Agreement are collateralized by substantially all of its assets in which a security interest may lawfully be granted (including FCC licenses held by its subsidiaries), including, without limitation, intellectual property and all of the capital stock of the Company s direct and indirect subsidiaries, including Broadcast Software International, Inc., which prior to the amendment, was an excluded subsidiary. The Company s obligations under the Credit Agreement continue to be guaranteed by all of its subsidiaries.

The Credit Agreement contains terms and conditions customary for financing arrangements of this nature. The term loan facility will mature on June 11, 2014. The revolving credit facility will mature on June 7, 2012.

Borrowings under the term loan facility and revolving credit facility bore interest, at the Company s option, at a rate equal to LIBOR plus 4.0% or the Alternate Base Rate (currently defined as the higher of the Wall Street Journal s Prime Rate and the Federal Funds rate plus 0.50%) plus 3.0%. In July 2010, the Company s aggregate principal payments made to date in accordance with the Company s obligation to make mandatory prepayments of Excess Cash Flow (as defined in the Credit Agreement), as described below, exceeded $25.0 million which triggered a reduction in the Company s interest rate equal to LIBOR plus 3.75% or the Alternate Base Rate plus 2.75%. Once the Company reduces the term loan facility by an aggregate of $50.0 million through further mandatory prepayments of Excess Cash Flow, as described below, the revolving credit facility will bear interest, at the Company s option, at a rate equal to LIBOR plus 3.25% or the Alternate Base Rate plus 2.25%.

In connection with the June 2009 amendment, the Company made a voluntary prepayment in the amount of $32.5 million. The Company is also required to make quarterly mandatory prepayments of 100% of Excess Cash Flow through December 31, 2010 (while maintaining a minimum balance of $7.5 million of cash on hand), before reverting to annual prepayments of a percentage of Excess Cash Flow, depending on the Company s leverage, beginning in 2011. The Company has included approximately $29.1 million of long term debt, as current, which represents the estimated Excess Cash Flow payments over the next 12 months in accordance with the terms of the Credit Agreement. Certain other mandatory prepayments of the term loan facility would be required upon the occurrence of specified events, including upon the incurrence of certain additional indebtedness and upon the sale of certain assets.

Table of Contents

Covenants

The representations, covenants and events of default in the Credit Agreement are customary for financing transactions of this nature and are substantially the same as those in existence prior to the June 2009 amendment, except as follows:

- the total leverage ratio and fixed charge coverage ratio covenants for the fiscal quarters ending June 30, 2009 through and including December 31, 2010 (the Covenant Suspension Period), were suspended;

- during the Covenant Suspension Period, the Company must: (1) maintain minimum trailing twelve month consolidated EBITDA (as defined in the Credit Agreement) of $60.0 million for fiscal quarters through March 31, 2010, increasing incrementally to $66.0 million for the fiscal quarter ended December 31, 2010, subject to certain adjustments; and (2) maintain minimum cash on hand (defined as unencumbered consolidated cash and cash equivalents) of at least $7.5 million;

- the Company is restricted from incurring additional intercompany debt or making any intercompany investments other than to the parties to the Credit Agreement;

- the Company may not incur additional indebtedness or liens, or make permitted acquisitions or restricted payments (except under certain circumstances, pursuant to the July 2010 amendment to the Credit Agreement, as described below), during the Covenant Suspension Period (after the Covenant Suspension Period, the Credit Agreement will permit indebtedness, liens, permitted acquisitions and restricted payments, subject to certain leverage ratio and liquidity measurements); and

- the Company must provide monthly unaudited financial statements to the lenders within 30 days after each calendar-month end.

Events of default in the Credit Agreement include, among others, (a) the failure to pay when due the obligations owing under the credit facilities; (b) the failure to perform (and not timely remedy, if applicable) certain covenants; (c) cross default and cross acceleration; (d) the occurrence of bankruptcy or insolvency events; (e) certain judgments against the Company or any of the Company s subsidiaries; (f) the loss, revocation or suspension of, or any material impairment in the ability to use of or more of, any of the Company s material FCC licenses; (g) any representation or warranty made, or report, certificate or financial statement delivered, to the lenders subsequently proven to have been incorrect in any material respect; and (h) the occurrence of a Change in Control (as defined in the Credit Agreement). Upon the occurrence of an event of default, the lenders may terminate the loan commitments, accelerate all loans and exercise any of their rights under the Credit Agreement and the ancillary loan documents as a secured property.

As discussed above, the Company s covenants for the fiscal quarter ended September 30, 2010 required the following:

- a minimum trailing twelve month consolidated EBITDA of $64.0 million;

- a $7.5 million minimum cash on hand; and

- a limit on annual capital expenditures of $15.0 million annually.

The trailing twelve month consolidated EBITDA and cash on hand at September 30, 2010 were $81.7 million and $12.6 million, respectively.

If the Company had been unable to secure the June 2009 amendment to the Credit Agreement, so that the total leverage ratio and the fixed charge coverage ratio covenants were still operative, those covenants for the fiscal quarter ended September 30, 2010 would have been as follows:

- a maximum total leverage ratio of 6.50:1; and

- a minimum fixed charge coverage ratio of 1.20:1.

At September 30, 2010, the total leverage ratio was 7.42 and the fixed charge coverage ratio was 1.89. For the fiscal quarter ending March 31, 2011 (the first quarter after the Covenant Suspension Period), the required total leverage ratio covenant will be 6.50:1 and the required fixed charge coverage ratio covenant will be 1.20:1.

As of September 30, 2010, prior to the effect of the May 2005 Swap, the effective interest rate of the outstanding borrowings pursuant to the senior secured credit facilities was approximately 4.0%. As of September 30, 2010, the effective interest rate inclusive of the May 2005 Swap was approximately 6.8%.

July 2010 Amendment

On July 23, 2010, the Company entered into an amendment to the Credit Agreement (the July 2010 amendment). In connection with the July 2010 amendment, Bank of America, N.A. resigned as administrative agent and the lenders appointed General Electric Capital Corporation as successor administrative agent under the Credit Agreement for all purposes.

In addition, the July 2010 amendment grants the Company additional flexibility under the Credit Agreement to, among other things, (i) consummate an asset swap of the Company s radio stations in Canton, Ohio for radio stations in the Ann Arbor, Michigan and Battle Creek, Michigan markets owned by Capstar Radio (and currently operated by the Company pursuant to LMAs); (ii) subject to certain conditions, acquire up to 100% of the equity interests of CMP or two of its subsidiaries, CMP Susquehanna Holdings Corp. or CMP Susquehanna Radio Holdings Corp.; (iii) subject to certain conditions and if necessary in order that certain of CMP s subsidiaries maintain compliance with applicable debt covenants, make further equity investments in CMP, in an aggregate amount not to exceed $1.0 million; and (iv) enter into sale-leaseback transactions with respect to communications towers that have an aggregate fair market value of no more than $20.0 million, so long as the net proceeds of such transaction are used to repay indebtedness under the Company s term loan facility.

In conjunction with the July 2010 amendment the Company capitalized approximately $0.2 million in fees paid directly to the lenders.

Warrants

The Company issued warrants to the lenders in connection with the execution of the June 2009 amendment to the Credit Agreement that allow the warrant holders to acquire up to 1.25 million shares of the Company s Class A Common Stock. Each warrant is exercisable to purchase the Company s underlying Class A Common Stock at an exercise price of $1.17 per share and has an expiration date of June 29, 2019.

Accounting for the Modification of the Credit Agreement

The June 2009 amendment to the Credit Agreement was accounted for as a loan modification and accordingly, the Company did not record a gain or a loss on the transaction. For the revolving credit facility, the Company wrote off approximately $0.2 million of unamortized deferred financing costs, based on the reduction of capacity. With respect to both debt instruments, the Company recorded $3.0 million of fees paid directly to the creditors as a debt discount which are amortized as an adjustment to interest expense over the remaining term of the debt.

At inception, the Company classified $0.8 million of warrants as equity at fair value. The fair value of the warrants was recorded as a debt discount and is amortized as an adjustment to interest expense over the remaining term of the debt using the effective interest method.

7. Stock Based Compensation

During the first quarter of 2010, the Company awarded Mr. L. Dickey 160,000 performance-based restricted shares and 160,000 time-vested restricted shares. The fair value on the date of grant for both of these awards was $1.0 million. In addition, during the first quarter of 2010 the Company awarded 120,000 time-vested restricted shares with a fair value on the date of grant of $0.4 million, or $3.15 per share, to certain officers (other than Mr. L. Dickey) of the Company.

During the second quarter of 2010 the Company issued 6,000 time-vested restricted shares of Class A Common Stock to each of the non-employee directors to the Company from Treasury.

In March 2010, the Compensation Committee of the Board of Directors reviewed the three-year performance criteria established in March 2007 for the 160,000 performance-based shares of restricted stock awarded to Mr. L. Dickey on March 1, 2007. The vesting conditions for those restricted shares required that the Company achieve specified financial performance targets for the three-year period ending December 31, 2009. The specified threshold was not achieved, however, the Compensation Committee determined that in light of the unprecedented adverse developments in the economy in general, and the radio industry in particular, it would be appropriate to modify the performance requirements and extend the vesting period so that Mr. L. Dickey would retain the ability to achieve vesting on those shares of restricted stock if the revised performance criteria is achieved. Effective as of March 1, 2010, the terms of Mr. L. Dickey s 2007 performance-based restricted stock award of 160,000 shares were amended to provide that those shares

14

Table of Contents

would vest in full on March 31, 2013 if the Company achieves specified financial performance targets for the three year period ending December 31, 2012.

During the first quarter of 2010 the Company recorded a credit to non-cash stock compensation of approximately $0.1 million, of which $0.3 million is related to the March 2010 modification of the vesting period associated with the performance-based restricted share award issued in March 2007 to the Company s Chief Executive Officer, Mr. L. Dickey. In connection with evaluating the accounting treatment for the modification of the restricted shares, the Company identified and recorded an additional $0.3 million credit to stock based compensation expense in the first quarter of 2010 to correct errors occurring in 2008 and 2009. The Company determined that this out-of-period adjustment was not material to the condensed consolidated financial statements for the nine months ended September 30, 2010, forecasted annual results for fiscal 2010 or any prior period financial statements.

For the three and nine months ended September 30, 2010, the Company recognized approximately $0.6 million and $1.0 million, respectively, in non-cash stock based compensation expense.

8. Earnings per Share (EPS)

For all periods presented, the Company has disclosed basic and diluted earnings per common share utilizing the two-class method. Basic earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. The Company determined that it is appropriate to allocate undistributed net income between Class A, Class B and Class C Common Stock on an equal basis as the Company s charter provides that the holders of Class A, Class B and Class C Common Stock have equal rights and privileges except with respect to voting on certain matters.

Non-vested restricted shares of Class A common stock awarded contain non-forfeitable dividend rights and are therefore a participating security. The two-class method of computing earnings per share is required for companies with participating securities. Under this method, net income is allocated to common stock and participating securities to the extent that each security may share in earnings, as if all of the earnings for the period had been distributed. The Company has accounted for non-vested restricted stock as a participating security and used the two-class method of computing earnings per share as of January 1, 2009, with retroactive application to all prior periods presented. Because the Company does not pay dividends, earnings are allocated to each participating security and common share equally. The following table sets forth the computation of basic and diluted income (loss) per common share for the three and nine months ended September 30, 2010 and 2009 (in thousands, except per share data).

Table of Contents

	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
Basic Earnings Per Share				
Numerator:				
Undistributed net income (loss)	$ 9,731	$ (143,991)	$ 21,891	$ (133,212)
Participation rights of unvested restricted stock in undistributed earnings	385		822	
Basic undistributed net income (loss) attributable to common shares	$ 9,346	$ (143,991)	$ 21,069	$ (133,212)
Denominator:				
Denominator for basic income (loss) per common share:				
Basic weighted average common shares outstanding	40,372	40,406	40,322	40,432
Basic EPS attributable to common shares	$ 0.23	$ (3.56)	$ 0.52	$ (3.29)
Diluted Earnings Per Share:				
Numerator:				
Undistributed net income (loss)	$ 9,731	$ (143,991)	$ 21,891	$ (133,212)
Participation rights of unvested restricted stock in undistributed earnings	378		806	
Basic undistributed net income (loss) attributable to common shares	$ 9,353	$ (143,991)	$ 21,085	$ (133,212)
Denominator:				
Basic weighted average shares outstanding	40,372	40,406	40,322	40,432
Effect of dilutive options and warrants (1)	658		824	
Diluted weighted average shares outstanding	41,030	40,406	41,146	40,432
Diluted EPS attributable to common shares	$ 0.23	$ (3.56)	$ 0.51	$ (3.29)

(1) For the three and nine months ended September 30, 2009, options to purchase 925,504 shares of common stock were outstanding but

excluded from the EPS calculation because their effect would have been antidilutive. Additionally, for the three and nine months ended September 30, 2009, the Company excluded warrants from the EPS calculations because including the warrants would be antidilutive.

The Company has issued to key executives and employees shares of restricted stock and options to purchase shares of common stock as part of the Company s stock incentive plans. At September 30, 2010, the following restricted stock and stock options to purchase the following classes of common stock were issued and outstanding:

	September 30, 2010
Restricted shares of Class A Common Stock	1,650,833
Options to purchase Class A Common Stock	860,152

9. Commitments and Contingencies

There are two major radio station rating services available to the radio broadcast industry. Prior to November 2008, the Company utilized Arbitron as its primary source of ratings information for its radio markets, and had a five-year agreement with Arbitron under which it received programming rating materials in a majority of its markets. On November 7, 2008, however, the Company entered into an agreement with Nielsen pursuant to which Nielsen would rate certain of the Company s radio markets as coverages for such markets until the Arbitron agreement expired in April 2009. The Company forfeited its rights under the agreement with Arbitron as of December 31, 2008, and Arbitron was paid in accordance with the agreement through April 2009. Nielsen began efforts to implement its rating service for 51 of the Company s radio markets in January 2009, and such implementation was completed in 2009.

The Company engages Katz Media Group, Inc. (Katz) as its national advertising sales agent. The national advertising agency contract with Katz contains termination provisions that, if exercised by the Company during the term of the contract, would obligate the Company to pay a termination fee to Katz, calculated based upon a formula set forth in the contract.

In December 2004, the Company purchased 240 perpetual licenses from iBiquity Digital Corporation, which enable it to convert to and utilize digital broadcasting technology on 240 of its stations. Under the terms of the agreement, the Company committed to convert the 240 stations over a seven year period. The Company negotiated an amendment to the Company s agreement with iBiquity to reduce the number of planned conversions commissions, extend the build-out schedule, and increase the license fees for each converted station. The conversion of original stations to the digital technology will require an investment in certain capital equipment over the next six years. Management estimates its investment will be between $0.1 million and $0.2 million per station converted.

In August 2005, the Company was subpoenaed by the Office of the Attorney General of the State of New York, as were other radio broadcasting companies, in connection with the New York Attorney General s investigation of promotional practices related to record companies dealings with radio stations broadcasting in New York. The Company is cooperating with the Attorney General in this investigation.

In May 2007, the Company received a request for information and documents from the FCC related to the Company s sponsorship of identification policies and sponsorship identification practices at certain of its radio stations as requested by the FCC. The Company cooperated with the FCC in this investigation, producing documents and other information requested by the FCC. On July 12, 2010, the FCC notified the Company that it has closed the investigation and is not planning to take any further action regarding the matter at this time.

On December 11, 2008, Qantum Communications (Qantum) filed a counterclaim in a foreclosure action the Company initiated in the Okaloosa County, Florida Circuit Court. The Company s action was designed to collect a debt owed to the Company by Star Broadcasting, Inc. (Star), which then owned radio station WTKE-FM in Holt, Florida. In its counterclaim, Qantum alleged that the Company tortiously interfered with Qantum s contract to acquire radio station WTKE from Star by entering into an agreement to buy WTKE after Star had represented to the Company that its contract with Qantum had been terminated (and that Star was therefore free to enter into the new agreement with the Company). The counterclaim did not specify the damages Qantum was seeking. The Company did not and does not believe that the counterclaim has merit, and, because there was no specification of damages, the Company did not believe at the time that the counterclaim would have a material adverse effect on the Company s overall financial condition or results of operations even if the court were to determine that the claim did have merit. In June 2009, the court authorized Qantum to seek punitive damages because it had satisfied the minimal threshold for asserting such a claim. In August 2009, Qantum provided the Company with an expert s report that estimated that Qantum had allegedly incurred approximately $8.7 million in compensatory damages. The Company s liability would be increased if Qantum is able to secure punitive damages as well.

The Company continues to believe that Qantum s counterclaim against the Company has no merit; the Company has denied the allegations and is vigorously defending against the counterclaim. However, if the court were to find that the Company did tortiously interfere with Qantum s contract and that Qantum is entitled to the compensatory damages estimated by its expert as well as punitive damages, the result could have a material adverse effect on the Company s overall financial condition or results of operations.

In April 2009, the Company was named in a patent infringement suit brought against the Company as well as twelve other radio companies, including Clear Channel, Citadel Broadcasting, CBS Radio, Entercom Communications, Saga Communications, Cox Radio, Univision Communications, Regent Communications, Gap Broadcasting, and Radio One. The case, captioned Aldav, LLC v. Clear Channel Communications, Inc., et al, Civil Action No. 6:09-cv-170, U.S. District Court for the Eastern District of Texas, Tyler Division (filed April 16, 2009), alleged that the defendants have infringed and continue to infringe plaintiff s patented content replacement technology in the context of radio station streaming over the Internet, and sought a permanent injunction and unspecified damages. The Company settled this suit in March 2010.

On January 21, 2010, Brian Mas, a former employee of Susquehanna Radio Corp., filed a purported class action lawsuit against the Company claiming (i) unlawful failure to pay required overtime wages, (ii) late pay and waiting time penalties, (iii) failure to provide accurate itemized wage statements, (iv) failure to indemnity for necessary expenses and losses, and (v) unfair trade practices under California s Unfair Competition Act. The plaintiff is requesting restitution, penalties and injunctive relief, and seeks to represent other California employees fulfilling the same job during the immediately preceding four year period. The Company is vigorously defending this lawsuit and has not yet determined what effect the lawsuit will have, if any, on its financial position, results of operations or cash flows.

The Company is also a defendant from time to time in various other lawsuits, which are generally incidental to its business. The Company is vigorously contesting such lawsuits and believes that their ultimate resolution will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

Table of Contents

10. Restricted Cash

During 2009, the Company was required to secure the maximum exposure generated by automated clearing house transactions in its operating bank accounts as dictated by the Company s bank s internal policies with cash. This action was triggered by an adverse rating as determined by the Company s bank s rating system. These funds were moved to a segregated bank account that does not zero balance daily. As of September 30, 2010, the Company s balance sheet included approximately $0.6 million in restricted cash related to the automated clearing house transactions.

11. Variable Interest Entities

The Company has an investment in CMP, which the Company accounts for using the equity method and which the Company has determined to be a VIE that is not subject to consolidation because the Company is not deemed to be the primary beneficiary. The Company cannot make unilateral management decisions affecting the long-term operational results of CMP, as all such decisions require approval by the CMP board of director. Additionally, one of the other equity holders has the unilateral right to remove the Company as manager of CMP with 30 days notice. The Company concluded that this ability to unilaterally terminate CMP s management agreement with the Company resulted in a substantive kick out right, thereby precluding the Company from being designated as the primary beneficiary with respect to its variable interest in CMP.

As of September 30, 2010, the Company s proportionate share of its affiliate losses exceeded its investment in CMP. In addition, the Company has no contractual obligation to fund the losses of CMP. As a result, the Company had no exposure to loss as a result of its investment in CMP. The Company has not provided and does not intend to provide any financial support, guarantees or commitments for or on behalf of CMP. Additionally, the Company s balance sheet at September 30, 2010 does not include any assets or liabilities related to its variable interest in CMP. See Note 5, Investment in Affiliate for further discussion.

12. Intangible Assets and Goodwill

The following tables present the changes in goodwill and intangible assets as of September 30, 2010 and December 31, 2009 (in thousands):

	Indefinite Lived	Definite Lived	Total
Intangible Assets:			
Balance as of December 31, 2008	$ 325,131	$ 3	$ 325,134
Acquisition	15,353	841	16,194
Disposition	(7,471)		(7,471)
Amortization		(265)	(265)
Impairment	(172,212)		(172,212)
Balance as of December 31, 2009	$ 160,801	$ 579	$ 161,380
Acquisition	230		230
Amortization		(124)	(124)
Reclassifications	137		137
Balance as of September 30, 2010	$ 161,168	$ 455	$ 161,623

	2010	2009
Balance as of January 1:		
Goodwill	$ 285,820	$ 287,609

Accumulated impairment losses	(229,699)	(228,719)
Subtotal	56,121	58,890
Goodwill acquired during the year		1,600
Goodwill related to sale of business unit		(906)
Impairment losses		(1,757)
Balance as of September 30:		
Goodwill	285,820	288,303
Accumulated impairment losses	(229,699)	(230,476)
Total	$ 56,121	$ 57,827

The Company has significant intangible assets recorded and these intangible assets are comprised primarily of broadcast licenses and goodwill acquired through the acquisition of radio stations. Certain guidance related to goodwill and other intangible assets requires that the carrying value of the Company s goodwill and certain intangible assets be reviewed at least annually for impairment and charged to results of operations in the periods in which the recorded value of those assets is more than their fair market value.

Goodwill

2009 Impairment Testing

The Company performs its annual impairment testing of goodwill during the fourth quarter and more frequently if events or circumstances indicate that goodwill may be impaired. The calculation of the fair value of each reporting unit is prepared using an income approach and discounted cash flow methodology. As part of its overall planning associated with the testing of goodwill, the Company determined that its geographic markets are the appropriate reporting unit.

During the third quarter of 2009, the Company reviewed the events and circumstances detailed in ASC 350-20 to determine if an interim test of impairment of goodwill might be necessary. In July 2009, the Company revised its revenue forecast downward for the last two quarters of 2009 due to the sustained decline in revenues attributable to the current economic conditions. As a result of these conditions, the Company determined it was appropriate and reasonable to conduct an interim impairment analysis.

The assumptions used in estimating the fair values of reporting units were based on currently available data and management s best estimates and, accordingly, a change in market conditions or other factors could have a material effect on the estimated values.

Step 1 Goodwill Test

In performing the Company s interim impairment testing of goodwill, the fair value of each market was calculated using a discounted cash flow analysis, an income approach. The discounted cash flow approach requires the projection of future cash flows and the restatement of these cash flows into their present value equivalent via a discount rate. An approximate eight-year projection period was used to derive operating cash flow projections from a market participant level. Assumptions regarding future audience shares and revenue shares were made in reference to actual historical performance. Future operating expenses were then projected and operating profits derived, which were combined with working capital additions and capital expenditures to determine operating cash flows.

The Company then performed the Step 1 test and compared the fair value of each market to its book net assets as of August 31, 2009. For markets where a Step 1 indicator of impairment exists, the Company then performed Step 2 test in order to determine if goodwill was impaired on any of its markets.

The Company then determined that, based on its Step 1 goodwill test, the fair value of 1 of its 16 markets containing goodwill balances was below its carrying value. For the remaining markets, since no impairment indicators existed, the Company determined that goodwill was appropriately stated as of August 31, 2009.

Step 2 Goodwill Test

As required by the Step 2 test, the Company prepared an allocation of the fair value of the market as if the market was acquired in a business combination. The presumed purchase price utilized in the calculation is the fair value of the market determined in the Step 1 test. The results of the Step 2 test and the calculated impairment charge follows (dollars in thousands):

	Reporting Unit	Implied Goodwill	August 31, 2009	
Market ID	**Fair Value**	**Value**	**Carrying Value**	**Impairment**
Market 37	$ 15,006	$ 9,754	$ 11,511	$ 1,757

Table of Contents

To validate the Company s conclusions and determine the reasonableness of the impairment charge related to goodwill, the Company:

- conducted an overall reasonableness check of the Company s fair value calculations by comparing the aggregate, calculated fair value of the Company s markets to its market capitalization as of August 31, 2009;
- prepared a market fair value calculation using a multiple of Adjusted EBITDA as a comparative data point to validate the fair values calculated using the discounted cash-flow approach;
- reviewed the historical operating performance of each market with impairment;
- reviewed the facts surrounding the acquisition of the impaired market, including original, implied acquisition Station Operating Income multiple; and
- performed a sensitivity analysis on the overall fair value and impairment evaluation.

The discount rate employed in the market fair value calculation ranged between 12.4% and 12.7%. It is believed that the 12.4% to 12.7% discount rate range was appropriate and reasonable for goodwill purposes due to the resulting implied 7.9 times exit multiple (*i.e.* equivalent to the terminal value).

Post 2009, the Company projected a median annual revenue growth of 2.2% and median annual operating expense to increase at a growth rate of 1.7%. The Company derived projected expense growth based primarily on the stations historical financial performance and expected future revenue growth. Based on current market and economic conditions and the Company s historical knowledge of the markets, the Company was comfortable with the eight-year forecast of Station Operating Income by market.

As compared with the market capitalization value of $536.8 million as of August 31, 2009, the aggregate fair value of all markets of approximately $604.0 million was approximately $67.2 million, or 12.5%, higher than the market capitalization value.

Key data points included in the market capitalization calculation were as follows:

- shares outstanding as of August 31, 2009: 41.6 million;
- average closing price of the Company s Class A Common Stock over 30 days: $1.40 per share; and
- debt discounted by 26% (gross $647.9 million, net $479.4 million).

Based on these calculations, the Company concluded that the markets are receiving a control premium over the calculated enterprise value.

Utilizing the above analysis and data points, the Company concluded the fair values of its markets, as calculated, are appropriate and reasonable.

Indefinite Lived Intangibles (FCC Licenses)

2009 Impairment Testing

The Company performs its annual impairment testing of indefinite lived intangibles (its FCC licenses) during the fourth quarter and more frequently if events or circumstances indicate that the asset may be impaired. Consistent with the guidance set forth in ASC 350-30, the Company has combined all of its broadcast licenses within a single geographic market cluster into a single unit of accounting for impairment testing purposes. As part of the overall planning associated with the indefinite lived intangibles test, the Company determined that its geographic markets are the appropriate unit of accounting for the broadcast license impairment testing.

In August 2009, the Company reviewed the impairment indicators detailed in ASC 350-20 for potential issues or circumstances which might require the Company to test its FCC licenses assets for impairment on an interim basis. In July 2009, the Company revised its revenue forecast downward from December 31, 2008 due to the sustained decline in revenues for 2009 attributable to the current economic conditions. As a result of these conditions, the Company determined it was appropriate and reasonable to conduct an interim impairment analysis.

Table of Contents

For the nine months ended September 30, 2009, the Company determined that the carrying value of certain reporting units FCC licenses exceeded their fair values. Accordingly, the Company recorded an impairment charge of $171.3 million, as reflected in the Unaudited Condensed Consolidated Statements of Operations, to reduce the carrying value of these assets.

The Company notes that the following considerations, as cited by the EITF task force, continue to apply to the FCC licenses:

In each market, the broadcast licenses were purchased to be used as one combined asset.

The combined group of licenses in a market represents the highest and best use of the assets.

Each market s strategy provides evidence that the licenses are complementary.

For the interim impairment test the Company utilized the three most widely accepted approaches in conducting its appraisals: (1) the cost approach, (2) the market approach, and (3) the income approach. In conducting the appraisals, the Company conducted a thorough review of all aspects of the assets being valued.

The cost approach measures value by determining the current cost of an asset and deducting for all elements of depreciation (*i.e.*, physical deterioration as well as functional and economic obsolescence). In its simplest form, the cost approach is calculated by subtracting all depreciation from current replacement cost. The market approach measures value based on recent sales and offering prices of similar properties and analyzes the data to arrive at an indication of the most probable sales price of the subject property. The income approach measures value based on income generated by the subject property, which is then analyzed and projected over a specified time and capitalized at an appropriate market rate to arrive at the estimated value.

The Company relied on both the income and market approaches for the valuation of the FCC licenses, with the exception of certain AM and FM stations that have been valued using the cost approach. The Company estimated this replacement value based on estimated legal, consulting, engineering, and internal charges to be $25,000 for each FM station. For each AM station the replacement cost was estimated at $25,000 for a station licensed to operate with a one-tower array and an additional charge of $10,000 for each additional tower in the station s tower array.

The estimated fair values of the FCC licenses represent the amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties (*i.e.* other than in a forced or liquidation sale).

A basic assumption in the Company s valuation of these FCC licenses was that these radio stations were new radio stations, signing on-the-air as of the date of the valuation. The Company assumed the competitive situation that existed in those markets as of that date, except that these stations were just beginning operations. In doing so, the Company bifurcated the value of going concern and any other assets acquired, and strictly valued the FCC licenses.

The Company estimated the values of the AM and FM licenses, combined, through a discounted cash flow analysis, which is an income valuation approach. In addition to the income approach, the Company also reviewed recent similar radio station sales in similarly sized markets.

In estimating the value of the AM and FM licenses using a discounted cash flow analysis, in order to make the net free cash flow (to invested capital) projections, the Company began with market revenue projections. The Company made assumptions about the stations future audience shares and revenue shares in order to project the stations future revenues. The Company then projected future operating expenses and operating profits derived. By combining these operating profits with depreciation, taxes, additions to working capital, and capital expenditures, the Company projected net free cash flows.

The Company discounted the net free cash flows using an appropriate after-tax average weighted cost of capital ranging between approximately 12.7% and 13.0% and then calculated the total discounted net free cash flows. For net free cash flows beyond the projection period, the Company estimated a perpetuity value, and then discounted to present values, as of the valuation date.

The Company performed one discounted cash flow analysis for each market. For each market valued, the Company analyzed the competing stations, including revenue and listening shares for the past several years. In addition, for each market the Company analyzed the discounted cash flow valuations of its assets within the market. Finally, the

Company considered sales of comparable stations.

Table of Contents

The first discounted cash flow analysis examined historical and projected gross radio revenues for each market.

In order to estimate what listening audience share and revenue share would be expected for each station by market, the Company analyzed the Arbitron audience estimates over the past two years to determine the average local commercial share garnered by similar AM and FM stations competing in those radio markets. Often the Company made adjustments to the listening share and revenue share based on its stations signal coverage of the market and the surrounding area s population as compared to the other stations in the market. Based on management s knowledge of the industry and familiarity with similar markets, the Company determined that approximately three years would be required for the stations to reach maturity. The Company also incorporated the following additional assumptions into the discounted cash flow valuation model:

- the stations gross revenues through 2017;
- the projected operating expenses and profits over the same period of time (the Company considered operating expenses, except for sales expenses, to be fixed, and assumed sales expenses to be a fixed percentage of revenues);
- calculations of yearly net free cash flows to invested capital;
- depreciation on start-up construction costs and capital expenditures (the Company calculated depreciation using accelerated double declining balance guidelines over five years for the value of the tangible assets necessary for a radio station to go on-the-air); and
- amortization of the intangible asset the FCC License (the Company calculated amortization on a straight line basis over 15 years).

Impact of Economic Environment on the 2009 Impairment Analysis

The economic crisis of 2009 reduced demand for advertising in general, including advertising on the Company s radio stations. As such, revenue projections for the industry were down, which impacted the Company s calculation by virtue of reducing the Company s future cash flows, resulting in a proportionate reduction in the Company s discounted cash-flow valuation. Likewise, the combination of a decline in current revenues and future projected revenues coupled with frozen capital markets contributed significantly to a decline in deals to acquire or sell companies within the industry, the result of which was a compression in the multiples on the radio station transactions that were completed in the prior year. In the aggregate, the economic developments resulted in significant downward pressures on valuations across the radio industry as a whole. Therefore, as a company that has experienced significant synthetic growth at historically greater multiples than those currently utilized in the Company s valuation model, the Company experienced relatively large write-downs in 2009 associated with its impairment calculation.

13. Related Party

During the third quarter of 2010, the Company entered into a management agreement with DM Luxury, LLC, the country s largest city magazine publisher which publishes 26 titles in twelve major U.S. markets. The Company will provide back office shared services, such as finance, accounting, treasury, internal audit, use of corporate headquarters, legal, human resources, risk management and information technology for an annual management fee of $0.5 million. The Company determined that DM Luxury, LLC was a related party as a result of the Company s Chairman and Chief Executive Officer s ownership interest in Dickey Publishing, Inc. and Dickey Media Investments, LLC, which together own 50.0% of DM Luxury, LLC, with Macquarie Capital (USA), Inc. owning the remaining 50.0% of DM Luxury, LLC. The Company does not have an equity interest in DM Luxury, LLC and recorded $0.0 million of revenues during the three and nine months ended September 30, 2010.

Item 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

General

The following discussion of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes thereto included elsewhere in this quarterly report. This discussion, as well as various other sections of this quarterly report, contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements relate to the intent, belief or current expectations of our officers primarily with respect to our future operating performance. Any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties. Actual results may differ from those in the forward-looking statements as a result of various factors, including but not limited to, risks and uncertainties relating to the need for additional funds, FCC and government approval of pending acquisitions, our inability to renew one or more of our broadcast licenses, changes in interest rates, consummation of our pending acquisitions, integration of acquisitions, our ability to eliminate certain costs, the management of rapid growth, the popularity of radio as a broadcasting and advertising medium, changing consumer tastes, the impact of general economic conditions in the United States or in specific markets in which we currently do business, industry conditions, including existing competition and future competitive technologies and cancellation, disruptions or postponements of advertising schedules in response to national or world events. Many of these risks and uncertainties are beyond our control. This discussion identifies important factors that could cause such differences. The unexpected occurrence of any such factors would significantly alter the results set forth in these statements.

Overview

We engage in the acquisition, operation, and development of commercial radio stations in mid-size radio markets in the United States. In addition, we, along with three private equity firms, formed CMP, which acquired the radio broadcasting business of Susquehanna in May 2006. As a result of our investment in CMP and the acquisition of Susquehanna s radio operations, we are the second largest radio broadcasting company in the United States based on number of stations and believe we are the fourth largest radio broadcasting company based on net revenues. As of September 30, 2010, directly and through our investment in CMP, we owned or operated 343 stations in 68 United States markets and provided sales and marketing services under local marketing, management and consulting agreements to twelve additional stations. The following discussion of our financial condition and results of operations includes the results of acquisitions and local marketing, management, and consulting agreements.

Liquidity Considerations

While preparing our 2010 business plan, we assessed future covenant compliance under the Credit Agreement, including consideration of market uncertainties, as well as the incremental cost that would be required to potentially amend the terms of the Credit Agreement. We believe we will continue to be in compliance with all of our debt covenants through at least September 30, 2011, based upon actions we have already taken, which included the June 2009 amendment to the Credit Agreement, the purpose of which was to provide certain covenant relief in 2009 and 2010, and continued scrutiny of all operating expenses associated with our cost containment initiative. We will continue to monitor our revenues and cost structure closely and if revenues do not meet or exceed forecasted growth or if we exceed our planned spending, we may take further actions as needed in an attempt to maintain compliance with our debt covenants under the Credit Agreement. The actions may include the implementation of additional operational efficiencies, further renegotiation of major vendor contracts, deferral of capital expenditures, and sales of non-strategic assets.

As of September 30, 2010, the effective interest rate on the borrowings under our senior secured credit facilities was approximately 4.0%. As of September 30, 2010, our average cost of debt, including the effects of our derivative positions, was 6.8%. We remain committed to maintaining manageable debt levels, which will continue to improve our ability to generate cash flow from operations.

Advertising Revenue and Station Operating Income

Our primary source of revenues is the sale of advertising time on our radio stations. Our sales of advertising time are primarily affected by the demand for advertising time from local, regional and national advertisers and the advertising rates charged by our radio stations. Advertising demand and rates are based primarily on a station s ability to attract audiences in the demographic groups targeted by its advertisers, as measured principally by various ratings agencies on a periodic basis, generally two or four times per year. Because audience ratings in local markets are crucial to a station s financial success, we endeavor to develop strong listener loyalty. We believe that the diversification of formats on our stations helps to insulate them from the effects of changes in the musical tastes of the public with respect to any particular format.

Table of Contents

The number of advertisements that can be broadcast without jeopardizing listening levels and the resulting ratings is limited in part by the format of a particular station. Our stations strive to maximize revenue by managing their on-air inventory of advertising time and adjusting prices based upon local market conditions. In the broadcasting industry, radio stations sometimes utilize trade or barter agreements that exchange advertising time for goods or services such as travel or lodging, instead of for cash. Our advertising contracts are generally short-term. We generate most of our revenue from local and regional advertising, which is sold primarily by a station s sales staff. Local advertising represented approximately 83.0% and 87.9% of our total revenues during the nine months ended September 30, 2010 and 2009, respectively.

Our revenues vary throughout the year. As is typical in the radio broadcasting industry, our first calendar quarter produced the lowest revenues during the last twelve month period as advertising generally declines following the winter holidays. The second and fourth calendar quarters will likely produce the highest revenues for the year. Our operating results in any period may be affected by the incurrence of advertising and promotion expenses that typically do not have an effect on revenue generation until future periods, if at all.

Our most significant station operating expenses are employee salaries and commissions, programming expenses, advertising and promotional expenditures, technical expenses, and general and administrative expenses. We strive to control these expenses by working closely with local market management. The performance of radio station groups, such as ours, is customarily measured by the ability to generate Station Operating Income. See the quantitative reconciliation of Station Operating Income to the most directly comparable financial measure calculated and presented in accordance with GAAP, which follows in this section.

Cumulus Radio Investors, L.P. (CRI)

On April 7, 2010, the Company and Crestview Partners, a $4.0 billion private equity firm with a strong media focus, announced the formation of a strategic investment partnership that intends to invest in radio broadcasting companies that present attractive opportunities for significant long-term capital appreciation.

Under the partnership arrangement, Crestview will lead an investor group that would invest up to $500.0 million in equity in the partnership, to be called Cumulus Radio Investors, L.P. (CRI). Together with debt financing expected to be available through the capital markets, CRI could target acquisitions totaling in excess of $1.0 billion. The Company would provide all management, financial, operational and corporate services to the partnership and its operations pursuant to a management services agreement. The Company would be compensated through management fees as well as incentive compensation based on investment returns. This had no impact on the three or nine months ended September 30, 2010.

Results of Operations

Analysis of the Condensed Consolidated Statements of Operations. The following analysis of selected data from our unaudited condensed consolidated statements of operations and other supplementary data should be referred to while reading the results of operations discussion that follows (dollars in thousands):

	For the Three Months Ended September 30,		2010 vs 2009	
	2010	2009	$ Change	% Change
STATEMENT OF OPERATIONS DATA:				
Net revenues	$ 67,455	$ 65,127	$ 2,328	3.6%
Station operating expenses (excluding depreciation, amortization and LMA fees)	40,486	40,159	327	0.8%
Depreciation and amortization	2,222	2,650	(428)	-16.2%
LMA fees	607	595	12	2.0%
Corporate general and administrative (including non-cash stock compensation expense)	4,680	5,676	(996)	-17.5%
Realized loss on derivative instrument	746	3,016	(2,270)	-75.3%
Impairment of goodwill and intangible assets		173,085	(173,085)	-100.0%
Operating income (loss)	18,714	(160,054)	178,768	-111.7%
Interest expense, net	(7,586)	(11,049)	3,463	-31.3%
Other expense, net	(6)	(121)	115	-95.0%
Income tax (expense) benefit	(1,391)	27,233	(28,624)	-105.1%
Net income (loss)	$ 9,731	$ (143,991)	$ 153,722	-106.8%
OTHER DATA:				
Station operating income (1)	$ 26,969	$ 24,968	$ 2,001	8.0%
Station operating income margin (2)	40.0%	38.3%	**	**

	For the Nine Months Ended September 30,		2010 vs 2009	
	2010	2009	$ Change	% Change
STATEMENT OF OPERATIONS DATA:				
Net revenues	$ 193,552	$ 186,443	$ 7,109	3.8%
Station operating expenses (excluding depreciation, amortization and LMA fees)	120,829	121,690	(861)	-0.7%
Depreciation and amortization	7,130	8,365	(1,235)	-14.8%
LMA fees	1,500	1,792	(292)	-16.3%
Corporate general and administrative (including non-cash stock compensation expense)	13,824	15,741	(1,917)	-12.2%
Gain on exchange of assets or stations		(7,204)	7,204	-100.0%
Realized loss on derivative instrument	1,810	3,016	(1,206)	-40.0%
Impairment of goodwill and intangible assets		173,085	(173,085)	-100.0%
Operating income (loss)	48,459	(130,042)	178,501	-137.3%
Interest expense, net	(23,728)	(24,990)	1,262	-5.1%

Other expense, net	(87)	(156)	69	-44.2%
Income tax (expense) benefit	(2,753)	21,976	(24,729)	-112.5%
Net income (loss)	$ 21,891	$ (133,212)	$ 155,103	-116.4%
OTHER DATA:				
Station operating income (1)	$ 72,723	$ 64,753	$ 7,970	12.3%
Station operating income margin (2)	37.6%	34.7%	**	**
Cash flows related to:				
Operating activities	$ 29,284	$ 21,214	$ 8,070	38.0%
Investing activities	(2,161)	(1,781)	(380)	21.3%
Financing activities	(30,782)	(53,244)	22,462	-42.2%
Capital expenditures	(2,127)	(1,872)	(255)	13.6%

** Calculation is not meaningful.

(1) Station Operating Income consists of operating income before depreciation and amortization, LMA fees, non-cash stock compensation corporate general and administrative expenses, gain on exchange of assets or stations, realized loss on derivative instruments and impairment of goodwill and intangible assets. Station Operating Income is not a measure of performance calculated in accordance with GAAP. Station Operating Income should not be considered in isolation or as a substitute for net income, operating income, cash flows from operating activities or any other measure for determining our operating performance or liquidity that is

calculated in accordance with GAAP. See management s explanation of this measure and the reasons for its use and presentation, along with a quantitative reconciliation of Station Operating Income to its most directly comparable financial measure calculated and presented in accordance with GAAP, below under *Station Operating Income* .

(2) Station Operating Income margin is defined as Station Operating Income as a percentage of net revenues.

Three Months Ended September 30, 2010 versus the Three Months Ended September 30, 2009

Net Revenues. Net revenues for the three months ended September 30, 2010 increased $2.3 million, or 3.6%, to $67.4 million compared to $65.1 million for the three months ended September 30, 2009, primarily due to an increase in revenue from national accounts, political revenue generated by mid-term elections, and increases in internet related revenues. We believe that continued incremental growth in advertising revenue throughout the fourth quarter of 2010 will be driven primarily by increases in national revenue and cyclical political spending.

Station Operating Expenses, Excluding Depreciation, Amortization and LMA Fees. Station operating expenses for the three months ended September 30, 2010 remained relatively flat increasing only $0.3 million, or 0.8%, to $40.5 million, compared to $40.2 million for the three months ended September 30, 2009.

Depreciation and Amortization. Depreciation and amortization for the three months ended September 30, 2010 decreased $0.4 million, or 16.2%, to $2.2 million, compared to $2.6 million for the three months ended September 30, 2009, resulting from a decrease in our asset base due to assets becoming fully depreciated.

LMA Fees. LMA fees totaled $0.6 million for the three months ended September 30, 2010 and 2009, respectively. LMA fees in the current year were comprised primarily of fees associated with stations operated under LMAs in Cedar Rapids, Iowa, Ann Arbor, Michigan, Green Bay, Wisconsin, and Battle Creek, Michigan.

Corporate, General and Administrative Expenses Including Non-cash Stock Compensation. Corporate expenses, including non-cash stock compensation expense for the third quarter of 2010 decreased $1.0 million, or 17.5%, to $4.7 million compared to $5.7 million in 2009. This change is primarily attributable to a $0.7 million decrease in legal and professional fees and a $0.3 million decrease in non cash stock compensation expense.

Realized Loss on Derivative Instrument. During the three months ended September 30, 2010 and 2009, we recorded a charge of $0.7 million and $3.0 million, respectively, related to our recording of the fair market value of the Green Bay Option. The Green Bay Option liability increased primarily due to the continued decline in associated market operating results.

Impairment of Goodwill and Intangible Assets. We did not have any impairment during the three months ended September 30, 2010. During the three months ended September 30, 2009 we recorded approximately $173.1 million of charges related to the impairment of goodwill and intangible assets. The impairment loss in connection with our review of broadcasting licenses and goodwill during the third quarter of 2009 was primarily due to a decrease in advertising revenue growth projections for the broadcasting industry.

Interest Expense, net. Interest expense, net of interest income, for the three months ended September 30, 2010 decreased $3.5 million, or 31.3%, to $7.6 million compared to $11.1 million for the three months ended September 30, 2009. Interest expense associated with outstanding debt decreased by $0.7 million to $6.4 million as compared to $7.1 million in the prior year s period, primarily due to an increase in interest rates, partially offset by a decrease in the borrowing base due to the repayment of approximately $39.5 million of debt compared to the same period in the prior year. The remaining decrease is primarily attributable to a $2.9 million change in fair value of our interest rate option agreement. The following summary details the components of our interest expense, net of interest income (dollars in thousands):

	For the Three Months Ended September 30,		**2010 vs 2009**	
	2010	**2009**	**$ Change**	**% Change**
Bank Borrowings term loan and revolving credit facilities	$ 6,433	$ 7,088	$ (655)	-9.2%
Bank Borrowings yield adjustment interest rate swap	3,647	3,675	(28)	-0.8%
Change in fair value of interest rate option agreement	(2,979)	(30)	(2,949)	9830.0%
Other interest expense	487	319	168	52.7%
Interest income	(2)	(3)	1	-33.3%
Interest expense, net	$ 7,586	$ 11,049	$ (3,463)	-31.3%

Table of Contents

Income Taxes. We recorded income tax expense of $1.4 million for the three months ended September 30, 2010, compared to an income tax benefit of $27.2 million for the three months ended September 30, 2009. The change is primarily due to the impairments of intangibles recorded during the third quarter of 2009 which decreased our deferred tax liabilities resulting in a corresponding decrease in our quarterly tax provision. There was no impairment during the three months ended September 30, 2010.

Station Operating Income. As a result of the factors described above, Station Operating Income for the three months ended September 30, 2010 increased $2.0 million, or 8.0%, to $27.0 million compared to $25.0 million for the three months ended September 30, 2009.

Station Operating Income consists of operating income before depreciation and amortization, LMA fees, non-cash stock compensation, corporate general and administrative expenses, the realized loss on derivative instrument, and impairment of intangible assets and goodwill. Station Operating Income should not be considered in isolation or as a substitute for net income, operating income (loss), cash flows from operating activities or any other measure for determining our operating performance or liquidity that is calculated in accordance with GAAP. We exclude depreciation and amortization due to the insignificant investment in tangible assets required to operate our stations and the relatively insignificant amount of intangible assets subject to amortization. We exclude LMA fees from this measure, even though it requires a cash commitment, due to the insignificance and temporary nature of such fees. Corporate expenses, despite representing an additional significant cash commitment, are excluded in an effort to present the operating performance of our stations exclusive of the corporate resources employed. We believe this is important to our investors because it highlights the gross margin generated by our station portfolio. Finally, we exclude non-cash stock compensation, the gain on exchange of assets or stations and the realized loss on derivative instrument, and impairment of goodwill and intangible assets from the measure as they do not represent cash payments for activities related to the operation of the stations.

We believe that Station Operating Income is the most frequently used financial measure in determining the market value of a radio station or group of stations. We have observed that Station Operating Income is commonly employed by firms that provide appraisal services to the broadcasting industry in valuing radio stations. Further, in each of the more than 140 radio station acquisitions we have completed since our inception, we have used Station Operating Income as our primary metric to evaluate and negotiate the purchase price to be paid. Given its relevance to the estimated value of a radio station, we believe, and our experience indicates, that investors consider the measure to be useful in order to determine the value of our portfolio of stations. We believe that Station Operating Income is the most commonly used financial measure employed by the investment community to compare the performance of radio station operators. Finally, Station Operating Income is one of the measures that our management uses to evaluate the performance and results of our stations. Our management uses the measure to assess the performance of our station managers and our Board of Directors uses it as part of its assessment of the relative performance of our executive management. As a result, in disclosing Station Operating Income, we are providing our investors with an analysis of our performance that is consistent with that which is utilized by our management and our Board.

Station Operating Income is not a recognized term under GAAP and does not purport to be an alternative to operating income from continuing operations as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, Station Operating Income is not intended to be a measure of free cash flow available for dividends, reinvestment in our business or other Company discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Station Operating Income should be viewed as a supplement to, and not a substitute for, results of operations presented on the basis of GAAP. We compensate for the limitations of using Station Operating Income by using it only to supplement our GAAP results to provide a more complete understanding of the factors and trends affecting our business than GAAP results alone. Station Operating Income has its limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Moreover, because not all companies use identical calculations, these presentations of Station Operating Income may not be comparable to other similarly titled measures of other companies.

Reconciliation of Non-GAAP Financial Measure. The following table reconciles Station Operating Income to operating income as presented in the accompanying condensed consolidated statements of operations (the most directly comparable financial measure calculated and presented in accordance with GAAP, dollars in thousands):

	For the Three Months Ended September 30, 2010		2010 vs 2009	
	2010	**2009**	**$ Change**	**% Change**
Operating income (loss)	$ 18,714	$ (160,054)	$ 178,768	-111.7%
Depreciation and amortization	2,222	2,650	(428)	-16.2%
LMA fees	607	595	12	2.0%
Non-cash stock compensation	556	611	(55)	-9.0%
Corporate general and administrative	4,124	5,065	(941)	-18.6%
Realized loss on derivative instrument	746	3,016	(2,270)	-75.3%
Impairment of goodwill and intangible assets		173,085	(173,085)	-100.0%
Station Operating Income	$ 26,969	$ 24,968	$ 2,001	8.0%

Nine Months Ended September 30, 2010 versus the Nine Months Ended September 30, 2009

Net Revenues. Net revenues for the nine months ended September 30, 2010 increased $7.2 million, or 3.8%, to $193.6 million compared to $186.4 million for the nine months ended September 30, 2009, primarily due to an increase in revenue from national accounts, political revenue generated by mid-term elections, and increases in internet related revenues. We believe that continued incremental growth in advertising revenue throughout the fourth quarter of 2010 will be driven primarily by increases in national revenue and cyclical political spending.

Station Operating Expenses, Excluding Depreciation, Amortization and LMA Fees. Station operating expenses for the nine months ended September 30, 2010 decreased $0.9 million, or 0.7%, to $120.8 million, compared to $121.7 million for the nine months ended September 30, 2009 as the result of a $1.7 million decrease in salary related expenses as well as a $2.8 million decrease in other general expenses resulting from our ongoing efforts to contain operating costs. These cost savings were partially offset by a $3.6 million increase in trade expenses. We will continue to monitor all our operating costs and to the extent we are able to identify any additional cost saving measures, we will implement them in an attempt to remain in compliance with current and future debt covenant requirements.

Depreciation and Amortization. Depreciation and amortization for the nine months ended September 30, 2010 decreased $1.3 million, or 14.8%, to $7.1 million, compared to $8.4 million for the nine months ended September 30, 2009, resulting from a decrease in our asset base due to assets becoming fully depreciated.

LMA Fees. LMA fees totaled $1.5 million and $1.8 million for the nine months ended September 30, 2010 and 2009, respectively. LMA fees in the current year were comprised primarily of fees associated with stations operated under LMAs in Cedar Rapids, Iowa, Ann Arbor, Michigan, Green Bay, Wisconsin, and Battle Creek, Michigan.

Corporate, General and Administrative Expenses Including Non-cash Stock Compensation. Corporate expenses, including non-cash stock compensation expense for the nine months ended September 30, 2010 decreased $1.9 million, or 12.2%, to $13.8 million compared to $15.7 million in 2009. This decrease is primarily due to a $0.6 million decrease in corporate expenses associated with our cost containment initiatives, including a $0.8 million decrease in professional fees and a $0.5 million reduction in salary expense attributable to the severance we paid to our former Chief Financial Officer.

Gain on Exchange of Assets or Stations. During the second quarter of 2009 we completed an asset exchange with Clear Channel Communications to exchange five of our radio stations in the Green Bay, Wisconsin market for two of Clear Channel s radio stations located in Cincinnati, Ohio. In connection with the exchange, we recorded a gain of approximately $7.2 million during the second quarter of 2009. We did not complete any similar transactions during the first nine months of the current year.

Realized Loss on Derivative Instrument. During the nine months ended September 30, 2010 and 2009 we recorded a charge of $1.8 million and $3.0 million, respectively, related to marking the Green Bay Option (Green Bay Option or the Option) to market.

Table of Contents

We entered into the Option in conjunction with the asset exchange in the second quarter of 2009. The Option declined in value primarily due to the continued decline in the market s operating results.

Impairment of Goodwill and Intangible Assets. We did not have any impairment during the nine months ended September 30, 2010. During the nine months ended September 30, 2009 we recorded approximately $173.1 million of charges related to the impairment of goodwill and intangible assets. The impairment loss in connection with our review of broadcasting licenses and goodwill during the third quarter of 2009 was primarily due to an increase in the discount rate used, a decrease in station transaction multiples, and a decrease in advertising revenue growth projections for the broadcasting industry. There was no impairment during the nine months ended September 30, 2010.

Interest Expense, net. Interest expense, net of interest income, for the nine months ended September 30, 2010 decreased $1.3 million, or 5.1%, to $23.7 million compared to $25.0 million for the nine months ended September 30, 2009. While overall interest expense decreased, the interest expense associated with outstanding debt increased by $4.9 million to $19.9 million as compared to $15.0 million in the prior year s period. This increase was primarily due to an increase in interest rates, partially offset by a decrease in the borrowing base due to the pay-down of approximately $39.5 million of debt compared to the same period in the prior year. Additionally, interest expense increased by $1.4 million related to the yield adjustment on the interest rate swap. These increases were offset by a $7.5 million decrease in the fair value of the interest rate swap/option agreement. The following summary details the components of our interest expense, net of interest income (dollars in thousands):

	For the Nine Months Ended September 30,		2010 vs 2009	
	2010	2009	$ Change	% Change
Bank Borrowings term loan and revolving credit facilities	$ 19,866	$ 15,008	$ 4,858	32.4%
Bank Borrowings yield adjustment interest rate swap	11,081	9,667	1,414	14.6%
Change in fair value of interest rate swap agreement		(3,043)	3,043	-100.0%
Change in fair value of interest rate option agreement	(8,346)	2,178	(10,524)	-483.2%
Other interest expense	1,133	1,238	(105)	-8.5%
Interest income	(6)	(58)	52	-89.7%
Interest expense, net	$ 23,728	$ 24,990	$ (1,262)	-5.1%

Income Taxes. We recorded income tax expense of $2.8 million for the nine months ended September 30, 2010, compared to a benefit of $22.0 million for the nine months ended September 30, 2009. The change in the effective tax rate during 2010 as compared to 2009 is primarily due to the impact of prior year impairments of intangibles on deferred tax assets and liabilities, the impact of the Green Bay Option and the forecasted net income for the current year versus the prior year.

Station Operating Income. As a result of the factors described above, Station Operating Income for the nine months ended September 30, 2010 increased $7.9 million, or 12.3%, to $72.7 million compared to $64.8 million for the nine months ended September 30, 2009.

Reconciliation of Non-GAAP Financial Measure. The following table reconciles Station Operating Income to operating income as presented in the accompanying condensed consolidated statements of operations (the most directly comparable financial measure calculated and presented in accordance with GAAP, dollars in thousands):

	For the Nine Months Ended September 30,		2010 vs 2009
	2010	2009	$ Change

				% Change
Operating income (loss)	$ 48,459	$ (130,042)	178,501	-137.3%
Depreciation and amortization	7,130	8,365	(1,235)	-14.8%
LMA fees	1,500	1,792	(292)	-16.3%
Non-cash stock compensation	1,015	2,053	(1,038)	-50.6%
Corporate general and administrative	12,809	13,688	(879)	-6.4%
Gain on exchange of assets or stations		(7,204)	7,204	-100.0%
Realized loss on derivative instrument	1,810	3,016	(1,206)	-40.0%
Impairment of goodwill and intangible assets		173,085	(173,085)	-100.0%
Station Operating Income	$ 72,723	$ 64,753	$ 7,970	12.3%

Table of Contents

Liquidity and Capital Resources

Liquidity Considerations

While preparing our 2010 business plan, we assessed future covenant compliance under the Credit Agreement, including consideration of market uncertainties, as well as the incremental cost that would be required to potentially amend the terms of the Credit Agreement. We believe we will continue to be in compliance with all of our debt covenants through at least September 30, 2011 based upon actions we have already taken, as well as through additional paydowns of debt we will be required to make during 2010 and in the first quarter of 2011 from existing cash balances and cash flow generated from operations. Further discussion of our debt covenant compliance considerations is included below.

If our revenues were to be significantly less than planned due to difficult market conditions or for other reasons, our ability to maintain compliance with the financial covenants in the Credit Agreement would become increasingly difficult without remedial measures, such as the implementation of further cost abatement initiatives. If our remedial measures were not successful in maintaining covenant compliance, then we would need to negotiate with our lenders for relief, which relief could result in higher interest expense or other fees or costs. Failure to comply with our financial covenants or other terms of our credit agreements and failure to negotiate relief from our lenders could result in the acceleration of the maturity of all outstanding debt. Under these circumstances, the acceleration of our debt could have a material adverse effect on our business.

Historically, our principal need for funds has been to fund the acquisition of radio stations, expenses associated with our station and corporate operations, capital expenditures, repurchases of our Class A Common Stock, and interest and debt service payments. Funding needs on a long-term basis will include capital expenditures associated with maintaining our station and corporate operations, implementing HD Radio^{tm} technology and potential future acquisitions. In December 2004, we purchased 240 perpetual licenses from iBiquity, which enable us to convert to and utilize iBiquity s HD Radio^{tm} technology on up to 240 of our stations. Under the terms of our original agreement with iBiquity, we agreed to convert certain of our stations over a seven-year period. On March 5, 2009, we entered into an amendment to our agreement with iBiquity to reduce the number of planned conversions, extend the build-out schedule, and increase the license fees to be paid for each converted station. We anticipate that the average cost to convert each station will be between $0.1 million and $0.2 million.

Our principal sources of funds for these requirements have been cash flow from operations and borrowings under our senior secured credit facilities. Our cash flow from operations is subject to such factors as shifts in population, station listenership, demographics, or audience tastes, and fluctuations in preferred advertising media. In addition, customers may not be able to pay, or may delay payment of accounts receivable that are owed to us. Management has taken steps to mitigate this risk through heightened collection efforts and enhancements to our credit approval process. As discussed further below, borrowings under our senior secured credit facilities are subject to financial covenants that can restrict our financial flexibility. Further, our ability to obtain additional equity or debt financing is also subject to market conditions and operating performance. In addition, pursuant to the June 2009 amendment to the Credit Agreement, we are required to repay 100% of Excess Cash Flow (as defined in the Credit Agreement) on a quarterly basis beginning September 30, 2009 through December 31, 2010, while maintaining a minimum balance of $7.5 million of cash on hand. We have assessed the implications of these factors on our current business and determined, based on our financial condition as of September 30, 2010, that cash on hand and cash expected to be generated from operating activities and, if necessary, further financing activities, will be sufficient to satisfy our anticipated financing needs for working capital, capital expenditures, interest and debt service payments and potential acquisitions and repurchases of securities and other debt obligations through September 30, 2011. However, given the uncertainty of our markets cash flows, pending litigation and the impact of the current economic environment, there can be no assurance that cash generated from operations will be sufficient or financing will be available at terms, and on the timetable, that may be necessary to meet our future capital needs.

Cash Flows provided by Operating Activities

For the nine months ended September 30, 2010, net cash provided by operating activities increased $8.1 million to $29.3 million from net cash provided by operating activities of $21.2 million for the nine months ended September 30, 2009. The increase is primarily attributable to a $4.6 million increase in accounts payable and accrued expenses related to the timing of certain payments. For the nine months ended September 30, 2010 and 2009, our working capital was $(12.5) million and $8.4 million, respectively. We have assessed the implications of the working capital deficiency on our current business and determined, based on our financial condition as of September 30, 2010, that cash on hand and cash expected to be generated from operating activities and, if necessary, further financing activities, will be sufficient to satisfy our anticipated working capital needs including short-term debt service payments.

Cash Flows used in Investing Activities

For the nine months ended September 30, 2010, net cash used in investing activities increased $0.4 million to $2.2 million from net cash used in investing activities of $1.8 million for the nine months ended September 30, 2009. This increase was primarily attributable to a $0.2 million increase in the purchase of intangible assets and a $0.3 million increase in capital expenditures, offset by $0.1 million received in proceeds from the sale of assets.

Cash Flows used in Financing Activities

For the nine months ended September 30, 2010, net cash used in financing activities decreased $22.4 million to $30.8 million compared to net cash used in financing activities of $53.2 million during the nine months ended September 30, 2009. The decrease is primarily due to repayments of borrowings outstanding under our credit facilities.

Credit Agreement and the June 2009 Amendment

We experienced revenue declines in late 2008 and throughout 2009 in line with macro industry trends and consistent with our radio peer group, particularly when compared to groups with similar market sizes and portfolio composition. In anticipation of significant revenue declines and in an attempt to mitigate the effect of these declines on profitability, in early 2009 we engaged in an aggressive cost cutting campaign across all of our stations and at corporate headquarters, as well. However, even with these cost containment initiatives in place, our rapidly deteriorating revenue outlook left uncertainty as to whether we would be able to maintain compliance with the covenants in the then-existing Credit Agreement. As an additional measure, in June 2009 we obtained an amendment to the Credit Agreement that, among other things, temporarily suspended certain financial covenants, as further described below.

The Credit Agreement maintains the preexisting term loan facility of $750.0 million, which had an outstanding balance of approximately $647.9 million immediately after closing the amendment, and reduced the preexisting revolving credit facility from $100.0 million to $20.0 million. Incremental facilities are no longer permitted as of June 30, 2009 under the Credit Agreement.

Our obligations under the Credit Agreement are collateralized by substantially all of our assets in which a security interest may lawfully be granted (including FCC licenses held by its subsidiaries), including, without limitation, intellectual property and all of the capital stock of our direct and indirect subsidiaries, including Broadcast Software International, Inc., which prior to the amendment, was an excluded subsidiary. Our obligations under the Credit Agreement continue to be guaranteed by all of our subsidiaries.

The Credit Agreement contains terms and conditions customary for financing arrangements of this nature. The term loan facility will mature on June 11, 2014. The revolving credit facility will mature on June 7, 2012.

Borrowings under the term loan facility and revolving credit facility bore interest, at our option, at a rate equal to LIBOR plus 4.0% or the Alternate Base Rate (currently defined as the higher of the Wall Street Journal s Prime Rate and the Federal Funds rate plus 0.50%) plus 3.0%. In July 2010, our aggregate principal payments made to date in accordance with our obligation to make mandatory prepayments of Excess Cash Flow (as defined in the Credit

Agreement), as described below, exceeded $25.0 million, which triggered a reduction in our interest rate equal to LIBOR plus 3.75% or the Alternate Base Rate plus 2.75%. Once we reduce the term loan

Table of Contents

facility by an aggregate of $50.0 million through further mandatory prepayments of Excess Cash Flow, as described below, the revolving credit facility will bear interest, at our option, at a rate equal to LIBOR plus 3.25% or the Alternate Base Rate plus 2.25%.

In connection with the closing of the Credit Agreement, we made a voluntary prepayment in the amount of $32.5 million. We also are required to make quarterly mandatory prepayments of 100% of Excess Cash Flow through December 31, 2010, before reverting to annual prepayments of a percentage of Excess Cash Flow, depending on our leverage, beginning in 2011. Certain other mandatory prepayments of the term loan facility will be required upon the occurrence of specified events, including upon the incurrence of certain additional indebtedness and upon the sale of certain assets.

Covenants

The representations, covenants and events of default in the Credit Agreement are customary for financing transactions of this nature and are substantially the same as those in existence prior to the June 2009 amendment, except as follows:

- the total leverage ratio and fixed charge coverage ratio covenants for the fiscal quarters ending June 30, 2009 through and including December 31, 2010 (the Covenant Suspension Period) have been suspended;

- during the Covenant Suspension Period, we must: (1) maintain minimum trailing twelve month consolidated EBITDA (as defined in the Credit Agreement) of $60.0 million for fiscal quarters through March 31, 2010, increasing incrementally to $66.0 million for fiscal quarter ended December 31, 2010, subject to certain adjustments; and (2) maintain minimum cash on hand (defined as unencumbered consolidated cash and cash equivalents) of at least $7.5 million;

- we are restricted from incurring additional intercompany debt or making any intercompany investments other than to the parties to the Credit Agreement;

- we may not incur additional indebtedness or liens, or make permitted acquisitions or restricted payments (except under certain circumstances, pursuant to the July 2010 amendment to the Credit Agreement, described under the caption July 2010 Amendment), during the Covenant Suspension Period (after the Covenant Suspension Period, the Credit Agreement will permit indebtedness, liens, permitted acquisitions and restricted payments, subject to certain leverage ratio and liquidity measurements); and

- we must provide monthly unaudited financial statements to the lenders within 30 days after each calendar-month end.

Events of default in the Credit Agreement include, among others, (a) the failure to pay when due the obligations owing under the credit facilities; (b) the failure to perform (and not timely remedy, if applicable) certain covenants; (c) cross default and cross acceleration; (d) the occurrence of bankruptcy or insolvency events; (e) certain judgments against us or any of our subsidiaries; (f) the loss, revocation or suspension of, or any material impairment in the ability to use of or more of, any of our material FCC licenses; (g) any representation or warranty made, or report, certificate or financial statement delivered, to the lenders subsequently proven to have been incorrect in any material respect; and (h) the occurrence of a Change in Control (as defined in the Credit Agreement). Upon the occurrence of an event of default, the lenders may terminate the loan commitments, accelerate all loans and exercise any of their rights under the Credit Agreement and the ancillary loan documents as a secured party.

As discussed above, our covenants for the fiscal quarter ended September 30, 2010, required the following:

- a minimum trailing twelve month consolidated EBITDA of $64.0 million;

- a $7.5 million minimum cash on hand; and

- a limit on annual capital expenditures of $15.0 million annually.

The trailing twelve month consolidated EBITDA and cash on hand for the fiscal quarter ended September 30, 2010, were $81.7 million and $12.6 million, respectively.

If we had been unable to obtain the June 2009 amendments to the Credit Agreement, such that the original total leverage ratio and the fixed charge coverage ratio covenants were still operative, those covenants at September 30, 2010, would have been as follows:

- a maximum total leverage ratio of 6.5:1; and
- a minimum fixed charge coverage ratio of 1.20:1.

At September 30, 2010, the total leverage ratio was 7.42 and the fixed charge coverage ratio was 1.89. For the fiscal quarter ending March 31, 2011 (the first quarter after the Covenant Suspension Period), the total leverage ratio covenant will be 6.50:1 and the fixed charge coverage ratio covenant will be 1.20:1.

If we are unable to comply with our debt covenants, we would need to seek a waiver or amendment to the Credit Agreement and no assurances can be given that we will be able to do so. If we were unable to obtain a waiver or an amendment to the Credit Agreement in the event of a debt covenant violation, we would be in default under the Credit Agreement, which could have a material adverse impact on our financial position.

If we were unable to repay our debts when due, including upon an event of default, the lenders under the credit facilities could proceed against the collateral granted to them to secure that indebtedness. We have pledged substantially all of our assets as collateral under the Credit Agreement. If the lenders accelerate the maturity of outstanding debt, we may be forced to liquidate certain assets to repay all or part of the senior secured credit facilities, and we cannot be assured that sufficient assets will remain after we have paid all of the debt. The ability to liquidate assets is affected by the regulatory restrictions associated with radio stations, including FCC licensing, which may make the market for these assets less liquid and increase the chances that these assets will be liquidated at a significant loss.

As of September 30, 2010, prior to the effect of the forward-starting LIBOR based interest rate swap arrangement entered into in May 2005 (May 2005 Option), the effective interest rate of the outstanding borrowings pursuant to the senior secured credit facilities was approximately 4.0%. As of September 30, 2010, the effective interest rate inclusive of the May 2005 Option was approximately 6.8%.

July 2010 Amendment

On July 23, 2010, we entered into the July 2010 Amendment to the Credit Agreement. In connection with the amendment, Bank of America, N.A. resigned as administrative agent and the lenders appointed General Electric Capital Corporation as successor administrative agent under the Credit Agreement for all purposes.

In addition, the July 2010 amendment grants us additional flexibility under the Credit Agreement to, among other things, (i) consummate an asset swap of our radio stations in Canton, Ohio for radio stations in the Ann Arbor, Michigan and Battle Creek, Michigan markets owned by Capstar Radio (and currently operated by us pursuant to LMAs); (ii) subject to certain conditions, acquire up to 100% of the equity interests of CMP or two of its subsidiaries, CMP Susquehanna Holdings Corp. or CMP Susquehanna Radio Holdings Corp.; (iii) subject to certain conditions and if necessary in order that certain of CMP s subsidiaries maintain compliance with applicable debt covenants, make further equity investments in CMP, in an aggregate amount not to exceed $1.0 million; and (iv) enter into sale-leaseback transactions with respect to communications towers that have an aggregate fair market value of no more than $20.0 million, so long as the net proceeds of such transaction are used to repay indebtedness under our term loan facility.

In conjunction with the July 2010 amendment the Company capitalized approximately $0.2 million in fees paid directly to the lenders.

Warrants

We issued warrants to the lenders in connection with the execution of the June 2009 amendment to the Credit Agreement which allow the holders to acquire up to 1.25 million shares of our Class A Common Stock. Each warrant is exercisable to purchase our underlying Class A Common Stock at an exercise price of $1.17 per share and has an expiration date of June 29, 2019.

Accounting for the Modification of the Credit Agreement

The June 2009 amendment to the Credit Agreement was accounted for as a loan modification and accordingly, we did not record a gain or a loss on the transaction. For the revolving credit facility, we wrote off approximately $0.2 million of unamortized deferred financing costs, based on the reduction of capacity. With respect to both debt instruments, we recorded $3.0 million of fees paid directly to the lenders as a debt discount which are amortized as an adjustment to interest expense over the remaining term of the debt.

Table of Contents

We classified the warrants as equity at $0.8 million at fair value at inception. The fair value of the warrants was recorded as a debt discount and is amortized as an adjustment to interest expense over the remaining term of the debt using the effective interest method.

Item 3. ***Quantitative and Qualitative Disclosures about Market Risk***

At September 30, 2010, 34.1% of our long-term debt bears interest at variable rates. Accordingly, our earnings and after-tax cash flow are affected by changes in interest rates. Assuming the current level of borrowings at variable rates and assuming a one percentage point change in the average interest rate under these borrowings, it is estimated that our interest expense and net income would have changed by $3.0 million for the nine months ended September 30, 2010. As part of our efforts to mitigate interest rate risk, in May 2005, we entered into a forward-starting (effective March 2006) LIBOR-based interest rate swap agreement that effectively fixed the interest rate, based on LIBOR, on $400.0 million of our current floating rate bank borrowings for a three-year period. In May 2005, we also entered into an interest rate option agreement (the May 2005 Option) that provided Bank of America, N.A. the right to enter into an underlying swap agreement with us, on terms substantially identical to the May 2005 Swap, for two years, from March 13, 2009 (the end of the term of the May 2005 Swap) through March 13, 2011. The May 2005 Option was exercised on March 11, 2009. This instrument is intended to reduce our exposure to interest rate fluctuations and was not entered into for speculative purposes. Segregating the $206.5 million of borrowings outstanding at September 30, 2010 that are not subject to the interest rate swap and assuming a one percentage point change in the average interest rate under these borrowings, it is estimated that our interest expense and net income would have changed by $1.0 million for the nine months ended September 30, 2010.

In the event of an adverse change in interest rates, our management would likely take actions, in addition to the interest rate swap agreement discussed above, to mitigate our exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, additional analysis is not possible at this time. Further, such analysis would not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

Item 4. ***Controls and Procedures***

We maintain a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934, as amended, the Exchange Act) designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Such disclosure controls and procedures are designed to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chairman, President and Chief Executive Officer (CEO) and Senior Vice President and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure. At the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded our disclosure controls and procedures were effective as of September 30, 2010.

There were no changes to our internal control over financial reporting during the fiscal quarter ended September 30, 2010 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

From time to time we are involved in various legal proceedings that are handled and defended in the ordinary course of business. While we are unable to predict the outcome of these matters, our management does not believe, based upon currently available facts, that the ultimate resolution of any such proceedings would have a material adverse effect on our overall financial condition or results of operations.

Item 1A. ***Risk Factors***

Please refer to Part I, Item 1A, Risk Factors , in our annual report on Form 10-K for the year ended December 31, 2009, for information regarding factors that could affect our results of operations, financial condition and liquidity.

Table of Contents

Item 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

On May 21, 2008, our Board of Directors authorized the purchase, from time to time, of up to $75.0 million of our Class A Common Stock, subject to the terms of the Credit Agreement and compliance with other applicable legal requirements. During the three months ended September 30, 2010, we did not purchase any shares of our Class A Common Stock. As of September 30, 2010, we had authority to repurchase an additional $68.3 million of our Class A Common Stock.

Item 3. ***Defaults upon Senior Securities***

Not applicable.

Item 5. ***Other Information***

Not applicable.

Item 6. ***Exhibits***

10.1	Amendment No. 4 to Credit Agreement, dated as of July 23, 2010, among the Company, Bank of America, N.A., as the existing administrative agent, General Electric Capital Corporation, as administrative agent, and the other Lenders signature thereto.
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Table of Contents

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.

	CUMULUS MEDIA INC.
Date: November 1, 2010	By: /s/ Joseph P. Hannan Joseph P. Hannan Senior Vice President, Treasurer and Chief Financial Officer

36

Table of Contents

EXHIBIT INDEX

10.1	Amendment No. 4 to Credit Agreement, dated as of July 23, 2010, among the Company, Bank of America, N.A., as the existing administrative agent, General Electric Capital Corporation, as administrative agent, and the other Lenders signature thereto.
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.