CUMULUS MEDIA INC
Form 10-Q
May 11, 2009

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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 MARCH 31, 2009.

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. (Check one):

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

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 April 30, 2009, the registrant had 41,699,199 outstanding shares of common stock consisting of (i) 35,245,137 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.
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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

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

	March 31, 2009	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 44,877	$ 53,003
Restricted cash	189	
Accounts receivable, less allowance for doubtful accounts of $1,423 and $1,771, in 2009 and 2008, respectively	33,602	44,199
Prepaid expenses and other current assets	3,744	3,287
Total current assets	82,412	100,489
Property and equipment, net	53,028	55,124
Intangible assets, net	325,106	325,134
Goodwill	58,891	58,891
Other assets	4,117	3,881
Total assets	$ 523,554	$ 543,519
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 18,156	$ 20,644
Current portion of long-term debt	7,400	7,400
Total current liabilities	25,556	28,044
Long-term debt	674,844	688,600
Other liabilities	31,336	30,543
Deferred income taxes	43,627	44,479
Total liabilities	775,363	791,666
Stockholders equity:		
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, stated value $1,000 per share, 0 shares issued and outstanding in both 2009 and 2008 and 12,000 shares designated as 12% Series B Cumulative Preferred Stock, stated value $10,000 per share, 0 shares issued and outstanding in both 2009 and 2008, respectively		
Class A common stock, par value $.01 per share; 200,000,000 shares authorized; 59,572,592 and 59,572,592 shares issued, 35,246,650 and	596	596

34,945,290 shares outstanding, in 2009 and 2008, respectively		
Class B common stock, par value $.01 per share; 20,000,000 shares authorized; 5,809,191 shares issued and outstanding in both 2009 and 2008	58	58
Class C common stock, par value $.01 per share; 30,000,000 shares authorized; 644,871 shares issued and outstanding in both 2009 and 2008	6	6
Class A Treasury stock, at cost, 24,325,941 and 24,627,302 shares in 2009 and 2008, respectively	(260,644)	(265,278)
Accumulated other comprehensive income		828
Additional paid-in-capital	963,504	967,676
Accumulated deficit	(955,329)	(952,033)
Total stockholders deficit	(251,809)	(248,147)
Total liabilities and stockholders deficit	$ 523,554	$ 543,519

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Broadcast revenues	$ 54,353	$ 71,900
Management fee from affiliate	1,000	1,000
Net revenues	55,353	72,900
Operating expenses:		
Station operating expenses (excluding depreciation, amortization and LMA fees)	42,298	51,149
Depreciation and amortization	2,898	3,111
LMA fees	469	180
Corporate general and administrative (including non-cash stock compensation of $592, and $2,021, respectively)	6,108	5,461
Cost associated with terminated transaction		140
Total operating expenses	51,773	60,041
Operating income	3,580	12,859
Non-operating income (expense):		
Interest expense	(7,783)	(20,860)
Interest income	46	328
Other income (expense), net	3	18
Total non-operating expense, net	(7,734)	(20,514)
Loss before income taxes and equity in net losses of affiliate	(4,154)	(7,655)
Income tax benefit	858	3,663
Equity in net losses of affiliate		(248)
Net loss	$ (3,296)	$ (4,240)
Basic and diluted loss per common share:		
Basic and diluted loss per common share	$ (0.08)	$ (0.10)
Weighted average basic and diluted common shares outstanding	40,420,814	43,046,722

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended March 31, 2009	Three Months Ended March 31, 2008
Cash flows from operating activities:		
Net loss	$ (3,296)	$ (4,240)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,898	3,111
Amortization of debt issuance costs	109	104
Amortization of derivative gain	(828)	(993)
Provision for doubtful accounts	657	738
Gain on sale of assets or stations	(3)	(6)
Adjustment of the fair value of derivative instruments	1,001	11,285
Deferred income taxes	(852)	(3,557)
Non-cash stock compensation	592	2,021
Equity loss on investment in unconsolidated affiliate		248
Changes in assets and liabilities:		
Restricted cash	(189)	
Accounts receivable	9,889	4,884
Prepaid expenses and other current assets	(406)	83
Accounts payable and accrued expenses	(2,585)	(2,096)
Other assets	(307)	(698)
Other liabilities	(48)	(159)
Net cash provided by operating activities	6,632	10,725
Cash flows from investing activities:		
Proceeds from the sale of assets	6	
Purchase of intangible assets	(38)	(34)
Capital expenditures	(777)	(2,811)
Net cash used in investing activities	(809)	(2,845)
Cash flows from financing activities:		
Repayments of borrowings from bank credit facility	(13,756)	(7,940)
Tax withholding paid on behalf of employees		(2,242)
Proceeds from issuance of common stock		53
Payments for repurchase of common stock	(193)	
Net cash used in financing activities	(13,949)	(10,129)
Decrease in cash and cash equivalents	(8,126)	(2,249)
Cash and cash equivalents at beginning of period	53,003	32,286
Cash and cash equivalents at end of period	$ 44,877	$ 30,037

Supplemental disclosures:		
Trade revenue	$ 2,306	$ 3,232
Trade expense	$ 2,302	$ 3,152
Interest paid	$ 6,958	$ 11,444

See accompanying notes to condensed consolidated financial statements.

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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, 2008. 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 three months ended March 31, 2009 are not necessarily indicative of the results that can be expected for the entire fiscal year ending December 31, 2009.

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 and 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.

Liquidity Considerations

The current economic crisis has reduced demand for advertising in general, including advertising on the Company s radio stations. In consideration of current and projected market conditions, overall advertising is expected to continue to decline. Therefore, in conjunction with the development of the 2009 business plan, management continues to assess the impact of recent market developments on a variety of areas, including the Company s forecasted advertising revenues and liquidity. In response to these conditions, management refined the 2009 business plan to incorporate a reduction in forecasted 2009 revenues and cost reductions implemented in the fourth quarter 2008 and the first quarter 2009 to mitigate the impact of the Company s anticipated decline in 2009 revenue.

Based upon actions the Company has already taken, including employee reductions and continued scrutiny of all operating expenses, as well as a new sales initiative implemented during the first quarter of 2009, the goal of which is to increase advertising revenues by re-engineering the Company s sales techniques through enhanced training of its sales force, and a mandatory one-week furlough to be implemented during the second quarter of 2009, management believes that the Company will continue to be in compliance with all of its debt covenants through March 31, 2010 (which become more restrictive beginning with the quarter ending September 30, 2009). The Company will continue to monitor its revenues and cost structure closely and, especially if the Company s revenues decline greater than the forecasted decline from 2008 or if the Company exceeds planned spending, the Company may take further actions as needed, including additional employee furloughs or further employee reductions, in order to maintain compliance with its debt covenants, including the total leverage ratio under the Credit Agreement (see Note 4). Despite such efforts, the Company may not be able to meet these restrictive financial covenants. In that event, the Company would need to seek waivers of, an amendment to, or a refinancing of, the senior secured credit facilities.

There can be no assurance that the Company can obtain any waiver or amendment to, or refinancing of, the senior secured credit facilities and, even if so, it is likely that such relief would only last for a specified period, potentially necessitating additional waivers, amendments or refinancings in the future. In the event the Company does not maintain compliance with the covenants under the Credit Agreement, the lenders could declare an event of default, subject to applicable notice and cure provisions. Failure to comply with the financial covenants or other terms of the Credit Agreement and failure to negotiate relief from the Company s lenders could result in the acceleration of the

maturity of all outstanding debt. Under these circumstances, the acceleration of the Company s debt could have a material adverse effect on its business.

If the Company were unable to repay those amounts, the lenders under the credit facilities could proceed against the collateral granted to them to secure that indebtedness. The Company has pledged substantially all of its assets as collateral under the Credit Agreement. If the lenders accelerate the repayment of borrowings, the Company may be forced to liquidate certain assets to repay all or part of the senior secured credit facilities, and the Company cannot be assured that sufficient assets will remain after it has paid all of the borrowings under the senior secured credit facilities. 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. See further discussion of the Company s long term debt in Note 4.

At March 31, 2009, the Company s market capitalization had decreased approximately 40% as compared to the Company s market capitalization at December 31, 2008, to approximately 40% below the Company s implied equity.

Recent Accounting Pronouncements

SFAS No. 141(R). Statement of Financial Accounting Standards No. 141(R), *Business Combinations* (SFAS 141(R)), was issued in December 2007. SFAS 141(R) requires that upon initially obtaining control, an acquirer should recognize 100% of the fair values of acquired assets, including goodwill and assumed liabilities, with only limited exceptions, even if the acquirer has not acquired 100% of its target. Additionally, contingent consideration arrangements will be fair valued at the acquisition date and included on that basis in the purchase price consideration and transaction costs will be expensed as incurred. SFAS 141(R) also modifies the recognition for pre-acquisition contingencies, such as environmental or legal issues, restructuring plans and acquired research and development value in purchase accounting. SFAS 141(R) amends SFAS No. 109, to require the acquirer to recognize changes in the amount of its deferred tax benefits that are recognizable because of a business combination either in income from continuing operations in the period of the combination or directly in contributed capital, depending on the circumstances. SFAS 141(R) is effective for fiscal years beginning after December 15, 2008. The Company adopted SFAS 141(R) on January 1, 2009 and it did not have a material impact on the Company s consolidated results of operations, cash flows or financial condition.

SFAS 160. In December 2007, the Financial Accounting Standards Board (the FASB) issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51,* which is effective for fiscal years beginning after December 15, 2008. Early adoption is prohibited. SFAS 160 will require companies to present minority interest separately within the equity section of the balance sheet. The Company adopted SFAS 160 as of January 1, 2009 and it did not have an impact on the Company s consolidated results of operations, cash flows or financial condition.

SFAS 161. In March 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS No. 161). The Statement changes the disclosure requirements for derivative instruments and hedging activities. SFAS No. 161 will require entities to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS No. 133), and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS No. 161 became effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company adopted SFAS No. 161 as of January 1, 2009; see Note 3, Derivative Financial Instruments.

FSP No. 142-3. In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, *Determination of the Useful Lives of Intangible Assets* , which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of an intangible asset. This interpretation is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those years. The Company adopted this FSP on January 1, 2009, and it did not have a material impact on the Company s consolidated results of operations, cash flows or financial condition, and did not require additional disclosures related to existing intangible assets.

FSP FAS 140-4 and FIN 46R-8. The FASB issued this FSP in December 2008 and it is effective for the first reporting period ending after December 15, 2008. This FSP requires additional disclosures related to variable interest entities in accordance with SFAS 140 and FIN 46R. These disclosures include significant judgments and assumptions,

restrictions on assets, risks and the affects on financial position, financial performance and cash flows. The Company adopted these FSPs as of January 1, 2009, and neither one had a material impact on the Company s consolidated results of operations, cash flows or financial condition, and did not require additional disclosures.

FSP 157-2. On February 12, 2008, the FASB issued FSP FAS 157-2, Effective Date of FASB Statement No. 157 (FSP 157-2), which delays the effective date of SFAS 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. The

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Company adopted FSP 157-2 on January 1, 2009 and it did not have a material impact on the Company s consolidated results of operations, cash flows or financial condition, and did not require additional disclosures.

FSP 157-4, FSP115-2 and FSP124-2, and FSP FAS 107-1and APB 28-1. On April 2, 2009, the FASB issued three FSPs to address concerns about measuring the fair value of financial instruments when the markets become inactive and quoted prices may reflect distressed transactions, recording impairment charges on investments in debt instruments, and requiring the disclosure of fair value of certain financial instruments in interim financial statements. The first Staff Position, FSP FAS 157-4, Determining Whether a Market is Not Active and a Transaction is Not Distressed, provides additional guidance to highlight and expand on the factors that should be considered in estimating fair value when there has been a significant decrease in market activity for a financial asset. The second Staff Position, FSP FAS 115-2 and FAS 124-2, Recognition and Presentation of Other-Than-Temporary Impairments, changes the method for determining whether an other-than-temporary impairment exists for debt securities and the amount of an impairment charge to be recorded in earnings. The third Staff Position, FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments increases the frequency of fair value disclosures from annual only to quarterly. All three FSPs are effective for interim periods ending after June 15, 2009, with the option to early adopt for interim periods ending after March 15, 2009. The Company did not choose to early adopt and is still evaluating the impact the FSPs will have its financial statements.

FSP EITF 03-6-1. In June 2008, the FASB issued FSP EITF 03-6-1. Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1). FSP EITF 03-6-1 clarifies that unvested share-based payment awards that entitle holders to receive nonforfeitable dividends or dividend equivalents (whether paid or unpaid) are considered participating securities and should be included in the computation of EPS pursuant to the two-class method. The two-class method of computing EPS is an earning allocation formula that determines EPS for each class of common stock and participating security according to dividends declared (or accumulated) and participation rights in undistributed earnings. FSP EITF 03-6-1 requires retrospective application and is effective for fiscal year beginning after December 15, 2008, and interim periods within those years. FSP EITF 03-6-1 was adopted by the Company on January 1, 2009. The unvested restricted shares of Class A Common Stock awarded by the Company pursuant to its equity incentive plans contain rights to receive nonforfeitable dividends, and thus are participating securities requiring the two-class method of computing EPS. See Note 7, Earnings Per Share for the Company s disclosure of EPS.

2. Stock Based Compensation

For the three months ended March 31, 2009, the Company recognized approximately $0.6 million in non-cash stock-based compensation expense.

During the three months ended March 31, 2009, the Company awarded Mr. L. Dickey 160,000 restricted performance based shares and 160,000 restricted time vested shares. The fair value on the date of grant for both of these awards was $0.5 million. In addition, during the three months ended March 31, 2009 the Company awarded 140,000 time vested restricted shares with a fair value on the date of grant of $0.2 million, or $1.71 per share to certain officers (other than Mr. L. Dickey) of the Company.

3. Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with SFAS No. 133. This Statement requires the Company to recognize all derivatives on the balance sheet at fair value. Derivative value changes 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 derivative fair value change must be recorded through other comprehensive income, a component of stockholders equity.

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.

The May 2005 Swap changed the variable-rate cash flow exposure on $400 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 in accordance with SFAS No. 133. 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 (AOCI). Interest for the three months ended March 31, 2009 and 2008 includes income of $3.0 million and charges of $6.4 million, respectively, related to the change in fair value.

The fair value of the May 2005 Swap was determined under the provisions of SFAS 157 using observable market based inputs (a level two 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. The balance sheets as of March 31, 2009 and December 31, 2008 include other long-term liabilities of $0.0 million and $3.0 million, respectively, to reflect the fair value of the May 2005 Swap.

May 2005 Option

In May 2005, the Company also entered into an interest rate option agreement (the May 2005 Option), which provides for Bank of America to unilaterally extend the period of the May 2005 Swap for two additional years, from March 13, 2009 through March 13, 2011. This option was exercised on March 11, 2009 by Bank of America. This instrument was not highly effective in mitigating the risks in cash flows, and therefore it was deemed speculative and its changes in value were accounted for as a current element of interest expense. The balance sheets as of March 31, 2009 and December 31, 2008 reflects other long-term liabilities of $19.5 million and $15.5 million, respectively, to include the fair value of the May 2005 Option. During the three months periods ended March 31, 2009 and 2008, the Company reported $4.0 million and $4.9 million of interest expense, respectively, representing the change in fair value of the May 2005 option.

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 investment 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 March 31, 2009 was not significant to the Company.

The location and fair value amounts of derivatives in the Consolidated Statement of Financial Position are shown in the following table:

Information on the Location and Amounts of Derivative Fair Values in the Condensed Consolidated Balance Sheet (in Thousands)
Liability Derivative

	Balance Sheet Location	March 31, 2009 Fair Value
Derivative not designated as hedging instruments under Statement 133:		
	Other long-term liabilities	$ 19,509
	Total	**$ 19,509**

The location and effect of derivatives in the Consolidated Statement of Operations are shown in the following table:

Information on the Location and Effect of Derivatives in the Condensed Consolidated Statement of Operations (in Thousands)
Liability Derivative

Derivatives not designated as hedging instrument under Statement 133	Location of Loss Recognized in Income on Derivative	Amount of Loss Recognized in Income on Derivatives for the Three Months Ended March 31 2009
Interest rate contracts	Interest expense	$ 1,000
	Total	**$ 1,000**

4. Long Term Debt
The Company s long-term debt consisted of the following at March 31, 2009 and December 31, 2008 (dollars in thousands):

	March 31, 2009	December 31, 2008
Term loan	$682,244	$696,000
Less: Current portion of long-term debt	7,400	7,400
	$674,844	$688,600

Senior Secured Credit Facilities
On June 11, 2007, the Company entered into an amendment to its existing credit agreement governing its senior secured credit facilities, dated June 7, 2006, by and among the Company, Bank of America, N.A., as administrative agent, and the lenders party thereto. The credit agreement, as amended, is referred to herein as the Credit Agreement. The Credit Agreement provides for a replacement term loan facility, in the original aggregate principal amount of $750.0 million, to replace the prior term loan facility, which had an outstanding balance of approximately $713.9 million, and maintains the pre-existing $100.0 million revolving credit facility. The proceeds of the replacement term loan facility, fully funded on June 11, 2007, were used to repay the outstanding balances under the prior term loan facility and under the revolving credit facility.
The Company s obligations under the Credit Agreement are collateralized by substantially all of its assets to the extent 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 domestic subsidiaries (except for Broadcast Software International, Inc.). In addition, the Company s obligations under the Credit Agreement are guaranteed by certain of its subsidiaries.
The Credit Agreement contains terms and conditions customary for financing arrangements of this nature. The replacement term loan facility will mature on June 11, 2014 and has been decreasing in equal quarterly installments since September 30, 2007, with 0.25% of the then current aggregate principal payable each quarter during the first six years of the term, and 23.5% due in each quarter during the seventh year. The revolving credit facility will mature on June 7, 2012 and, except at the option of the Company, the commitment will remain unchanged up to that date.
Borrowings under the term facility bear interest, at the Company s option, at a rate equal to LIBOR plus 1.75% or the Alternate Base Rate (defined as the higher of the Bank of America Prime Rate and the Federal Funds rate plus 0.50%)

plus 0.75%. Borrowings under the revolving credit facility bear interest, at the Company s option, at a rate equal to LIBOR plus a margin ranging between 0.675% and 2.0% or the Alternate Base Rate plus a margin ranging between 0.0% and 1.0% (in either case dependent upon the Company s leverage ratio).

As of March 31, 2009, prior to the effect of the May 2005 Swap, the effective interest rate of the outstanding borrowings pursuant to the credit facility was approximately 2.275 %. As of March 31, 2009, the effective interest rate inclusive of the May 2005 Swap was approximately 4.146%. Certain mandatory prepayments of the term loan facility will be required upon the occurrence of specified events, including upon the incurrence of certain additional indebtedness (other than under any incremental credit facilities under the Credit Agreement) and upon the sale of certain assets.

The representations, covenants and events of default in the Credit Agreement are customary for financing transactions of this nature. 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 its subsidiaries; (f) the loss, revocation or suspension of, or any material impairment in the ability to use 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; (h) the occurrence of a Change in Control (as defined in the Credit Agreement); and (i) violation of certain financial covenants. 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, the Company s covenants include certain customary financial covenants, such as:

- a maximum leverage ratio;
- a minimum fixed charges ratio; and
- a limit on annual capital expenditures.

Our covenant requirements and actual ratios as of March 31, 2009 and December 31, 2008, are as follows:

	As of March 31, 2009		As of December 31, 2008	
	Covenant Requirement	Actual Ratio	Covenant Requirement	Actual Ratio
Total leverage ratio:	<8.50:1	8.14	<8.50:1	7.40
Fixed charges ratio:	>1.1:1	1.83	>1.1:1	1.86

The maximum leverage ratio in the Credit Agreement becomes more restrictive over the term of the agreement. For the quarterly periods ended March 31, 2009 and June 30, 2009, the Company s maximum leverage ratio requirement is 8.50:1. Beginning with the quarterly period ending September 30, 2009 and through December 31, 2009, the maximum leverage ratio requirement is 8.00:1. For the quarterly periods ending March 31, 2010 and June 30, 2010, the total leverage ratio is 7.50:1. The ratio drops to 7.00:1 for the quarterly periods ending September 30, 2010 and December 31, 2010. For the quarterly period ending March 31, 2011 and thereafter, the ratio drops to 6.50:1.

Management believes the Company will continue to be in compliance with all of its debt covenants through at least March 31, 2010 based upon actions taken as discussed in Note 1, as well as through additional paydowns of debt estimated to be approximately $59.3 million that the Company expects to make through March 31, 2010, based upon management s updated covenant forecasts from existing cash balances and cash flow generated from operations. Based upon management s 2009 business plan and the Company s outstanding borrowings as of March 31, 2009, the Company will be required to make additional payments of principal indebtedness no later than the third quarter of 2009 in order to remain in compliance with the maximum leverage ratio.

The current economic crisis has reduced demand for advertising in general, including advertising on our radio stations. If the Company s revenues were to be significantly less than planned due to difficult market conditions or for other reasons, the Company s ability to maintain compliance with the financial covenants in its credit agreements would become increasingly difficult without remedial measures, such as the implementation of further cost abatement

initiatives. If the Company s remedial measures were not successful in maintaining covenant compliance, then the Company would expect to negotiate with its lenders for relief, which relief could result in higher interest expense. Failure to comply with the financial covenants or other terms of the credit agreements and failure to negotiate relief from the Company s lenders could result in the acceleration of the maturity of all outstanding debt. Under these circumstances, the acceleration of the Company s debt could have a material adverse effect on its business.

5. Fair Value Measurements

The Company adopted the provisions of SFAS No. 157 on January 1, 2008 as they relate to certain items, including those within the scope of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, and financial and nonfinancial derivatives within the scope of SFAS No. 133. SFAS No. 157 requires, among other things, enhanced disclosures about investments that are measured and reported at fair value and establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. The three levels of the fair value hierarchy under SFAS No. 157 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.

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 are measured at fair value on a recurring basis.

Financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2009 were as follows (dollars in thousands):

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash equivalents:				
Money market funds	$ 34,391	$4,376	$ 30,015	$
Total assets	$ 34,391	$4,376	$ 30,015	$
Financial Liabilities:				
Other long-term, liabilities				
Interest rate swap	$(19,509)	$	$(19,509)	$
Total liabilities	$(19,509)	$	$(19,509)	$

Cash Equivalents. A majority of the Company s cash equivalents are invested in an institutional money market fund. The Company s Level 1 cash equivalents are valued using quoted prices in active markets for identical investments. The Company s Level 2 cash equivalents are not publicly traded, but valuation is based on quoted prices for similar assets. We determined that the value of the cash invested in an RMA (Resource Management Account) government portfolio is based on observable prices for similar assets and thus warrants classification as a Level 2 asset.

Derivative Instruments. The Company s derivative financial instruments consist solely of an interest rate cash flow hedges in which the Company pays a fixed rate and receives a variable interest rate that is observable based upon a forward interest rate curve and is therefore considered a Level 2 input.

The fair value of our derivatives are determined based on the present value of future cash flows using observable inputs, including interest rates, yield curves, and option volatility. In accordance with the requirements of FAS 157, derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by the Company.

6. Share Repurchase

On May 21, 2008, the Company s Board of Directors authorized the purchase, from time to time, of up to $75 million of its shares of Class A Common Stock. Purchases may be made in the open market or through block trades, in compliance with Securities and

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Exchange Commission guidelines, subject to market conditions, applicable legal requirements and various other factors, including the requirements of the Credit Agreement. The Company has no obligation to purchase shares under the purchase program, and the timing, actual number and value of shares to be purchased depends on the performance of Company s stock price, general market conditions, and various other factors within the discretion of management. During the three months ended March 31, 2009, the Company purchased 99,737 shares of Class A Common Stock for approximately $0.2 million in cash in open market transactions under the board-approved purchase plan.

7. Earnings per Share

For all periods presented, basic and diluted earnings per common share is presented in accordance with SFAS 128, Earnings per Share, as clarified by EITF Issue No. 03-6, Participating Securities and the Two Class Method under FASB Statement No. 128, Earnings per Share (EITF 03-6) as clarified by FSP EITF 03-6-1. 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.

Non-vested restricted stock carries non-forfeitable dividend rights and is therefore a participating security, in accordance with FSP EITF 03-6-1 (See Note 1 Recent Accounting Pronouncements). The two-class method of computing earnings per share is required for companies with participating shares. 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. For the period ended March 31, 2009 and 2008 the Company was in a net loss position and therefore did not allocate any loss to participating securities. The following table sets forth the computation of basic and diluted income per share for the three months ended March 31, 2009 and 2008 (in thousands, except per share data).

	Three Months Ended March 31,	
	2009	**2008**
Basic Earning Per Share		
Numerator:		
Undistributed net loss	$ (3,296)	$ (4,240)
Participation rights of unvested restricted stock in undistributed earnings (a)		
Basic undistributed net loss attributable to common shares	$ (3,296)	$ (4,240)
Denominator:		
Denominator for basic loss per common share:		
Basic weighted average common shares outstanding	40,421	43,047
Basic EPS attributable to common shares	$ (0.08)	$ (0.10)
Diluted Earnings Per Share:		
Numerator:		
Undistributed net loss	$ (3,296)	$ (4,240)
Participation rights of unvested restricted stock in undistributed earnings (a)		
Undistributed net loss attributable to common shares	$ (3,296)	$ (4,240)
Denominator:		

Weighted average shares outstanding		40,421		43,047
Effect of dilutive options (b)				
Diluted weighted average shares outstanding		40,421		43,047
Diluted EPS attributable to common shares	$	(0.08)	$	(0.10)

(a) Unvested restricted stock has no contractual obligation to absorb losses of the Company. Therefore, for the three months ended March 31, 2009 and 2008, 1,532,910 shares and 850,313 shares of restricted stock were outstanding but excluded from the EPS calculations because their effect would have been antidilutive.

(b) For the three months ended March 31, 2009 and 2008, options to purchase 2,274,895 and 8,596,776 shares of common stock, respectively, were outstanding but excluded from the EPS calculations because their

effect would have been antidilutive. Options outstanding have decreased from March 31, 2008 due to the effect of the Company s option exchange program which concluded on December 30, 2008.

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 March 31, 2009, the following restricted stock and stock options to purchase the following classes of common stock were issued and outstanding:

	March 31, 2009
Restricted shares of Class A Common Stock	1,532,910
Options to purchase Class A Common Stock	