

CUMULUS MEDIA INC
Form 10-K
March 19, 2007

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

Form 10-K

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

For the fiscal year ended December 31, 2006

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

For the transition period from to

Commission file number 00-24525

Cumulus Media Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State of Incorporation)

36-4159663

(I.R.S. Employer Identification No.)

14 Piedmont Center

Suite 1400

Atlanta, GA 30305

(404) 949-0700

(Address, including zip code, and telephone number, including area code, of registrant's principal offices)

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

Class A Common Stock, par value \$.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

The aggregate market value of the registrant's outstanding voting and non-voting common stock held by non-affiliates of the registrant as of June 30, 2006, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$463.9 million, based on 43,478,357 shares outstanding and a last reported per share price of Class A Common Stock on the NASDAQ Global Select Market of \$10.67 on that date. As of February 28, 2007, the registrant had outstanding 42,598,889 shares of common stock consisting of (i) 36,114,827 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.

Documents Incorporated by Reference:

Portions of the registrant's Proxy Statement for the 2007 Annual Meeting of Stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, have been incorporated by reference in Part III of this Annual Report on Form 10-K.

CUMULUS MEDIA INC.
ANNUAL REPORT ON FORM 10-K
For the fiscal Year Ended December 31, 2006

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PART 1

Item 1. *Business*

Certain Definitions

In this Form 10-K the terms Company, Cumulus, we, us, and our refer to Cumulus Media Inc. and its consolidated subsidiaries.

We use the term local marketing agreement (LMA) in various places in this report. A typical LMA is an agreement under which a Federal Communications Commission (FCC) licensee of a radio station makes available, for a fee, air time on its station to another party. The other party provides programming to be broadcast during the airtime and collects revenues from advertising it sells for broadcast during that programming. In addition to entering into LMAs, we will from time to time enter into management or consulting agreements that provide us with the ability, as contractually specified, to assist current owners in the management of radio station assets that we have contracted to purchase, subject to FCC approval. In such arrangements, we generally receive a contractually specified management fee or consulting fee in exchange for the services provided.

We also use the term joint services agreement (JSA) in several places in this report. A typical JSA is an agreement that authorizes one party or station to sell another station's advertising time and retain the revenue from the sale of that airtime. A JSA typically includes a periodic payment to the station whose airtime is being sold (which may include a share of the revenue being collected from the sale of airtime).

Unless otherwise indicated:

we obtained total radio industry listener and revenue levels from the Radio Advertising Bureau (the RAB);

we derived historical market revenue statistics and market revenue share percentages from data published by Miller Kaplan, Arase & Co., LLP (Miller Kaplan), a public accounting firm that specializes in serving the broadcasting industry and BIA Financial Network, Inc. (BIA), a media and telecommunications advisory services firm;

we derived all audience share data and audience rankings, including ranking by population, except where otherwise stated to the contrary, from surveys of people ages 12 and over (Adults 12+), listening Monday through Sunday, 6 a.m. to 12 midnight, and based on the Fall 2006 Arbitron Market Report, referred to as Arbitron's Market Report, pertaining to each market; and

all dollar amounts are rounded to the nearest million, unless otherwise indicated.

The term Station Operating Income, is used in various places in this document. Station Operating income consists of operating income before non-cash contract termination costs, gain on assets transferred to affiliate, depreciation and amortization, LMA fees, corporate general and administrative expenses, restructuring credits and impairment charges. Station operating income is not a measure of performance calculated in accordance with accounting principles generally accepted in the United States (GAAP). Station Operating Income isolates the amount of income generated solely by our stations and assists management in evaluating the earnings potential of our station portfolio. In deriving this measure, we exclude non-cash contract termination costs (benefit) as the charge (benefit) will never represent a cash obligation to our station operations. We exclude gain on sale of assets due to the nature of a non-repetitive

transaction not being an actual measure of on-going station performance. We exclude depreciation and amortization due to the insignificant investment in tangible assets required to operate the 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 restructuring charges (credits) and impairment charges from the measure as they do not represent cash payments related to the operation of the stations.

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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. Our management has 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 the 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 extremely 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 the primary measure that our management uses to evaluate the performance and results of our stations. Management uses the measure to assess the performance of our station managers and our Board (the Cumulus Board of Directors) uses it to determine 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 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 management's 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. Management compensates 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 investors should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP.

Company Overview

We own and operate FM and AM radio station clusters serving mid-sized markets throughout the United States. Through our investment in Cumulus Media Partners, LLC (CMP), described below, we also operate radio station clusters serving large-sized markets throughout the United States. We are the second largest radio broadcasting company in the United States based on the number of stations owned or operated. According to Arbitron's Market Report and data published by Miller Kaplan, we have assembled market-leading groups or clusters of radio stations that rank first or second in terms of revenue share or audience share in substantially all of our markets. As of December 31, 2006, we owned and operated 307 radio stations in 59 mid-sized U.S. media markets and operated the 33 radio stations in 8 markets, including San Francisco, Dallas, Houston and Atlanta that are owned by CMP. In addition, we own and operate a multi-market network of 5 radio stations in the English-speaking Caribbean. Under an LMA, we currently provide sales and marketing services for 1 radio station in the U.S. in exchange for a management or consulting fee. In summary, we own and operate, directly or through our investment in CMP, a total of 345 stations in 67 U.S. markets.

Our Mid-Market Focus . . .

Historically, our strategic focus has been on mid-sized markets throughout the United States. Relative to the 50 largest markets in the United States, we believe that the mid-sized markets represent attractive operating environments and generally are characterized by:

a greater use of radio advertising as evidenced by the greater percentage of total media revenues captured by radio than the national average;

rising advertising revenues, as the larger national and regional retailers expand into these markets;

small independent operators, many of whom lack the capital to produce high-quality locally originated programming or to employ more sophisticated research, marketing, management and sales techniques; and

lower overall susceptibility to economic downturns.

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We believe that the attractive operating characteristics of mid-sized markets, together with the relaxation of radio station ownership limits under the Telecommunications Act of 1996 (the Telecom Act) and FCC rules, have created significant opportunities for growth from the formation of groups of radio stations within these markets. We have capitalized on these opportunities to acquire attractive properties at favorable purchase prices, taking advantage of the size and fragmented nature of ownership in these markets and to the greater attention historically given to the larger markets by radio station acquirers. According to the FCC's records, as of December 31, 2006 there were 9,083 FM and 4,754 AM stations in the United States.

... and Our Large-Market Opportunities

Although our historical focus has been on mid-sized radio markets in the United States, we recognize that the large-sized radio markets currently provide an attractive combination of scale, stability and opportunity for future growth. According to BIA, these markets typically have per capita and household income, and expected household after-tax effective buying income growth in excess of the national average, which we believe makes radio broadcasters in these markets attractive to a broad base of radio advertisers and allows a radio broadcaster to reduce its dependence on any one economic sector or specific advertiser. In recognition of this, in October 2005 we announced the formation of CMP, a private partnership created by Cumulus and affiliates of Bain Capital Partners LLC, The Blackstone Group and Thomas H. Lee Partners, L.P., and in May 2006 acquired the radio broadcasting business of Susquehanna Pfaltzgraff Co. (Susquehanna) for approximately \$1.2 billion. Prior to its acquisition by CMP, Susquehanna was the largest privately owned radio broadcasting company in the United States and the 11th largest radio station operator in terms of revenue. The group of stations CMP acquired consists of 33 radio stations in 8 markets: San Francisco, Dallas, Houston, Atlanta, Cincinnati, Kansas City, Indianapolis and York, Pennsylvania. See Investment in Affiliate see Note 8 Cumulus Media Partners, LLC.

* * *

To maximize the advertising revenues and Station Operating Income of our stations, we seek to enhance the quality of radio programs for listeners and the attractiveness of our radio stations to advertisers in a given market. We also seek to increase the amount of locally originated programming content that airs on each station. Within each market, our stations are diversified in terms of format, target audience and geographic location, enabling us to attract larger and broader listener audiences and thereby a wider range of advertisers. This diversification, coupled with our competitive advertising pricing, also has provided us with the ability to compete successfully for advertising revenue against other radio, print and television media competitors.

We believe that we are in a position to generate revenue growth, increase audience and revenue shares within our markets and, by capitalizing on economies of scale and by competing against other media for incremental advertising revenue, increase our Station Operating Income growth rates and margins. Some of our markets are still in the development stage with the potential for substantial growth as we implement our operating strategy. In our more established markets, we believe we have several significant opportunities for growth within our current business model, including growth through maturation of recently reformatted or rebranded stations, and through investment in signal upgrades, which allow for a larger audience reach, for stations that were already strong performers.

We are a Delaware corporation, organized in 2002, and successor by merger to an Illinois corporation with the same name that had been organized in 1997.

Strategy

We are focused on generating internal growth through improvement in Station Operating Income for the portfolio of stations we operate, while enhancing our station portfolio and our business as a whole, through the acquisition of individual stations or clusters that satisfy our acquisition criteria.

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Operating Strategy

Our operating strategy has the following principal components:

achieve cost efficiencies associated with common infrastructure and personnel and increase revenue by offering regional coverage of key demographic groups that were previously unavailable to national and regional advertisers;

develop each station in our portfolio as a unique enterprise, marketed as an individual, local brand with its own identity, programming content, programming personnel, inventory of time slots and sales force;

use audience research and music testing to refine each station's programming content to match the preferences of the station's target demographic audience, in order to enrich our listeners' experiences by increasing both the quality and quantity of local programming; and

position station clusters to compete with print and television advertising by combining favorable advertising pricing with diverse station formats within each market to draw a larger and broader listening audience to attract a wider range of advertisers.

Acquisition Strategy

Our acquisition strategy has the following principal components:

assemble leading radio station clusters in mid-sized markets by taking advantage of their size and fragmented nature of ownership;

acquire leading stations where we believe we can cost-effectively achieve a leading position in terms of signal coverage, revenue or audience share and acquire under-performing stations where there is significant potential to apply our management expertise to improve financial and operating performance; and

reconfigure our existing stations, or acquire new stations, located near large markets, that based on an engineering analysis of signal specifications and the likelihood of receiving FCC approval, can be redirected, or moved-in, to those larger markets.

Acquisitions and Dispositions

Completed Acquisitions

For the year ended December 31, 2006, we completed the acquisitions of WWXQ-FM and WXQW-FM, serving Huntsville, Alabama; and KAYD-FM, serving Beaumont, Texas. The total purchase price associated with these acquisitions was \$5.5 million. We also completed an asset transfer in which we transferred WNCV-FM plus \$1.5 million cash to Star Broadcasting in exchange for WRKN-FM (formerly WPGG-FM), both in the Ft. Walton Beach, Florida market. We acquired these stations primarily because they complemented our existing station portfolio and increased both our state and regional coverage of the United States.

Pending Acquisitions

As of December 31, 2006, we had pending a swap transaction pursuant to which we would exchange one of our Ft. Walton Beach, Florida radio stations, WYZB-FM for another owned by Star Broadcasting, Inc., WTKE-FM. Specifically, the purchase agreement provided for the exchange of WYZB-FM plus \$1.5 million in cash for WTKE-FM. Following the filing of the assignment applications with the FCC, the applications were challenged by Quantum Communications, who has some radio stations in the market and complained to the FCC that the swap would give us an unfair competitive advantage (because the station we would acquire reaches more people than the station we would be giving up). Quantum also initiated litigation in the United States District Court for the Southern District of Florida and secured a court decision that would require the sale of the station to Quantum instead of to us. Although that decision is still subject to appeal, there is a possibility that we will be unable to consummate the exchange we had proposed with the seller.

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FCC FM Frequency Auction

Periodically, the FCC makes FM frequencies available for acquisition through an auction process. On November 3, 2004, the FCC held an auction for approximately 290 frequencies. As of the close of the auction, we were the winning bidder for seven frequencies and were obligated to pay the FCC \$8.6 million. During 2005, the FCC granted the final authorization on and we completed the purchase of six of the seven frequencies won in the November 2004 auction. As of December 31, 2006, we had funded our obligation with the FCC and completed the purchase of the remaining frequency from the November 2004 auction during the first half of 2006.

On January 12, 2006, the FCC held a similar auction for approximately 171 frequencies, located mostly in smaller markets, in which we actively participated. As of the close of the auction, we were the winning bidder for one frequency and were obligated to pay the FCC \$1.6 million. During 2006, the FCC granted the final authorization on and we completed the purchase related to the 2006 auction, including final payment of \$0.9 million. This authorization will enable us to add a station to one of our existing markets once constructed.

Acquisition Shelf Registration Statement

We have registered an aggregate of 20,000,000 shares of our Class A Common Stock, pursuant to registration statements on Form S-4, for issuance from time to time in connection with our acquisition of other businesses, properties or securities in business combination transactions utilizing a shelf registration process. As of February 28, 2007, we had issued 5,666,553 of the 20,000,000 shares registered in connection with various acquisitions.

Industry Overview

The primary source of revenues for radio stations is the sale of advertising time to local, regional and national spot advertisers and national network advertisers. National spot advertisers assist advertisers in placing their advertisements in a specific market. National network advertisers place advertisements on a national network show and such advertisements will air in each market where the network has an affiliate. During the past decade, local advertising revenue as a percentage of total radio advertising revenue in a given market has ranged from approximately 72% to 87% according to the RAB. The growth in total radio advertising revenue tends to be fairly stable. With the exception of 1961, 1991 and 2001, when total radio advertising revenue fell by approximately 0.5%, 2.8% and 7.5%, respectively, advertising revenue has risen each year since 1960, according to the RAB.

Radio is considered an efficient, cost-effective means of reaching specifically identified demographic groups. Stations are typically classified by their on-air format, such as country, rock, adult contemporary, oldies and news/talk. A station's format and style of presentation enables it to target specific segments of listeners sharing certain demographic features. By capturing a specific share of a market's radio listening audience, with particular concentration in a targeted demographic, a station is able to market its broadcasting time to advertisers seeking to reach a specific audience. Advertisers and stations use data published by audience measuring services, such as Arbitron, to estimate how many people within particular geographical markets and demographics listen to specific stations.

The number of advertisements that can be broadcast without jeopardizing listening levels and the resulting ratings are limited in part by the format of a particular station and the local competitive environment. Although the number of advertisements broadcast during a given time period may vary, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year.

A station's local sales staff generates the majority of its local and regional advertising sales through direct solicitations of local advertising agencies and businesses. To generate national advertising sales, a station usually will engage a

firm that specializes in soliciting radio-advertising sales on a national level. National sales representatives obtain advertising principally from advertising agencies located outside the station's market and receive commissions based on the revenue from the advertising they obtain.

Our stations compete for advertising revenue with other terrestrial-based radio stations in the market (including low power FM radio stations that are required to operate on a noncommercial basis) as well as other media, including newspapers, broadcast television, cable television, magazines, direct mail, coupons and outdoor

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advertising. In addition, the radio broadcasting industry is subject to competition from services that use new media technologies that are being developed or have already been introduced, such as the Internet and satellite-based digital radio services. Such services reach nationwide and regional audiences with multi-channel, multi-format, digital radio services that have a sound quality equivalent to that of compact discs. Competition among terrestrial-based radio stations has also been heightened by the introduction of terrestrial digital audio broadcasting (which is digital audio broadcasting delivered through earth-based equipment rather than satellites). The FCC currently allows terrestrial radio stations like ours to commence the use of digital technology through a hybrid antenna that carries both the pre-existing analog signal and the new digital signal. The FCC is conducting a proceeding that could result in a radio station's use of two antennae: one for the analog signal and one for the digital signal.

We cannot predict how existing or new sources of competition will affect the revenues generated by our stations. The radio broadcasting industry historically has grown despite the introduction of new technologies for the delivery of entertainment and information, such as television broadcasting, cable television, audio tapes and compact discs. A growing population and greater availability of radios, particularly car and portable radios, have contributed to this growth. There can be no assurance, however, that the development or introduction in the future of any new media technology will not have an adverse effect on the radio broadcasting industry in general or our stations in particular.

Advertising Sales

Virtually all of our revenue is generated from the sale of local, regional and national advertising for broadcast on our radio stations. Approximately 88%, 89% and 87% of our net broadcasting revenue was generated from the sale of local and regional advertising in 2006, 2005 and 2004, respectively. Additional broadcasting revenue is generated from the sale of national advertising. The major categories of our advertisers include:

automotive dealers	telecommunications	banking and mortgage
amusement and recreation	food and beverage services	arts and entertainment
healthcare services	food and beverage stores	furniture and home furnishings

Each station's local sales staff solicits advertising either directly from the local advertiser or indirectly through an advertising agency. We employ a tiered commission structure to focus our individual sales staffs on new business development. Consistent with our operating strategy of dedicated sales forces for each of our stations, we have also increased the number of salespeople per station. We believe that we can outperform the traditional growth rates of our markets by (1) expanding our base of advertisers, (2) training newly hired sales people and (3) providing a higher level of service to our existing customer base. This requires larger sales staffs than most of the stations employed at the time we acquired them. We support our strategy of building local direct accounts by employing personnel in each of our markets to produce custom commercials that respond to the needs of our advertisers. In addition, in-house production provides advertisers greater flexibility in changing their commercial messages with minimal lead-time.

Our national sales are made by Katz Communications, Inc., a firm specializing in radio advertising sales on the national level, in exchange for a commission that is based on our net revenue from the advertising obtained. Regional sales, which we define as sales in regions surrounding our markets to buyers that advertise in our markets, are generally made by our local sales staff and market managers. Whereas we seek to grow our local sales through larger and more customer-focused sales staffs, we seek to grow our national and regional sales by offering to key national and regional advertisers groups of stations within specific markets and regions that make our stations more attractive. Many of these large accounts have previously been reluctant to advertise in these markets because of the logistics involved in buying advertising from individual stations. Certain of our stations had no national representation before we acquired them.

The number of advertisements that can be broadcast without jeopardizing listening levels and the resulting ratings are limited in part by the format of a particular station. We estimate the optimal number of advertisements available for sale depending on the programming format of a particular station. Each of our stations has a general target level of on-air inventory that it makes available for advertising. This target level of inventory for sale may be different at different times of the day but tends to remain stable over time. Our stations strive to maximize revenue

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by managing their on-air inventory of advertising time and adjusting prices up or down based on supply and demand. We seek to broaden our base of advertisers in each of our markets by providing a wide array of audience demographic segments across our cluster of stations, thereby providing each of our potential advertisers with an effective means of reaching a targeted demographic group. Our selling and pricing activity is based on demand for our radio stations on-air inventory and, in general, we respond to this demand by varying prices rather than by varying our target inventory level for a particular station. Most changes in revenue are explained by some combination of demand-driven pricing changes and changes in inventory utilization rather than by changes in the available inventory. Advertising rates charged by radio stations, which are generally highest during morning and afternoon commuting hours, are based primarily on:

a station's share of audiences generally, and in the demographic groups targeted by advertisers (as measured by ratings surveys);

the supply of and demand for radio advertising time generally and for time targeted at particular demographic groups; and

certain additional qualitative factors.

A station's listenership is reflected in ratings surveys that estimate the number of listeners tuned to the station and the time they spend listening. Each station's ratings are used by its advertisers and advertising representatives to consider advertising with the station and are used by Cumulus to chart audience growth, set advertising rates and adjust programming. The radio broadcast industry's principal ratings service is Arbitron, which publishes periodic ratings surveys for significant domestic radio markets. These surveys are our primary source of ratings data.

We have an agreement with Arbitron that gives us access to Arbitron's ratings materials in a majority of our markets through April 2009.

Competition

The radio broadcasting industry is very competitive. The success of each of our stations depends largely upon its audience ratings and its share of the overall advertising revenue within its market. Our audience ratings and advertising revenue are subject to change, and any adverse change in a particular market affecting advertising expenditures or any adverse change in the relative market share of the stations located in a particular market could have a material adverse effect on the revenue of our radio stations located in that market. There can be no assurance that any one or all of our stations will be able to maintain or increase current audience ratings or advertising revenue market share.

Our stations compete for listeners and advertising revenues directly with other radio stations within their respective markets, as well as with other advertising media as discussed below. Radio stations compete for listeners primarily on the basis of program content that appeals to a particular demographic group. By building a strong brand identity with a targeted listener base consisting of specific demographic groups in each of our markets, we are able to attract advertisers seeking to reach those listeners. Companies that operate radio stations must be alert to the possibility of another station changing its format to compete directly for listeners and advertisers. Another station's decision to convert to a format similar to that of one of our radio stations in the same geographic area or to launch an aggressive promotional campaign may result in lower ratings and advertising revenue, increased promotion and other expenses and, consequently, lower our Station Operating Income.

Factors that are material to a radio station's competitive position include station brand identity and loyalty, management experience, the station's local audience rank in its market, transmitter power and location, assigned

frequency, audience characteristics, local program acceptance and the number and characteristics of other radio stations and other advertising media in the market area. We attempt to improve our competitive position in each market by extensively researching and improving our stations programming, by implementing advertising campaigns aimed at the demographic groups for which our stations program and by managing our sales efforts to attract a larger share of advertising dollars for each station individually. However, we compete with some organizations that have substantially greater financial or other resources than we do.

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In 1996, changes in federal law and FCC rules dramatically increased the number of radio stations a single party can own and operate in a local market. Our management continues to believe that companies that elect to take advantage of those changes by forming groups of commonly owned stations or joint arrangements such as LMAs in a particular market may, in certain circumstances, have lower operating costs and may be able to offer advertisers in those markets more attractive rates and services. Although we currently operate multiple stations in each of our markets and intend to pursue the creation of additional multiple station groups in particular markets, our competitors in certain markets include other parties who own and operate as many or more stations than we do. We may also compete with those other parties or broadcast groups for the purchase of additional stations in those markets or new markets. Some of those other parties and groups are owned or operated by companies that have substantially greater financial or other resources than we do.

A radio station's competitive position can be enhanced by a variety of factors, including changes in the station's format and an upgrade of the station's authorized power. However, the competitive position of existing radio stations is protected to some extent by certain regulatory barriers to new entrants. The operation of a radio broadcast station requires an FCC license, and the number of radio stations that an entity can operate in a given market is limited. Under FCC rules that became effective in 2004, the number of radio stations that a party can own in a particular market is dictated largely by whether the station is in a defined Arbitron Metro (a designation designed by a private party for use in advertising matters), and, if so, the number of stations included in that Arbitron Metro. In those markets that are not in an Arbitron Metro, the number of stations a party can own in the particular market is dictated by the number of AM and FM signals that together comprise that FCC-defined radio market. For a discussion of FCC regulation (including recent changes), see Federal Regulation of Radio Broadcasting.

Our stations also compete for advertising revenue with other media, including low power FM radio stations (that are required to operate on a noncommercial basis), newspapers, broadcast television, cable and satellite television, magazines, direct mail, coupons and outdoor advertising. In addition, the radio broadcasting industry is subject to competition from companies that use new media technologies that are being developed or have already been introduced, such as the Internet and the delivery of digital audio programming by cable television systems, by satellite radio carriers, and by terrestrial-based radio stations that broadcast digital audio signals. The FCC has authorized two companies to provide a digital audio programming service by satellite to nationwide audiences with a multi-channel, multi-format and with sound quality equivalent to that of compact discs. The FCC has also authorized FM terrestrial stations like ours to use two separate antennae to deliver both the current analog radio signal and a new digital signal. The FCC is also exploring the possibility of allowing AM stations to deliver both analog and digital signals.

We cannot predict how new sources of competition will affect our performance and income. Historically, the radio broadcasting industry has grown despite the introduction of new technologies for the delivery of entertainment and information, such as television broadcasting, cable television, audio tapes and compact discs. A growing population and greater availability of radios, particularly car and portable radios, have contributed to this growth. There can be no assurance, however, that the development or introduction of any new media technology will not have an adverse effect on the radio broadcasting industry in general or our stations in particular.

We cannot predict what other matters might be considered in the future by the FCC or Congress, nor can we assess in advance what impact, if any, the implementation of any of these proposals or changes might have on our business.

Employees

At December 31, 2006, we employed approximately 3,400 people. None of our employees are covered by collective bargaining agreements, and we consider our relations with our employees to be satisfactory.

We employ various on-air personalities with large loyal audiences in their respective markets. On occasion, we enter into employment agreements with these personalities to protect our interests in those relationships that we believe to be valuable. The loss of one or more of these personalities could result in a short-term loss of audience share, but we do not believe that any such loss would have a material adverse effect on our financial condition or results of operations, taken as a whole.

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We generally employ one market manager for each radio market in which we own or operate stations. Each market manager is responsible for all employees of the market and for managing all aspects of the radio operations. On occasion, we enter into employment agreements with market managers to protect our interests in those relationships that we believe to be valuable. The loss of a market manager could result in a short-term loss of performance in a market, but we do not believe that any such loss would have a material adverse effect on our financial condition or results of operations, taken as a whole.

Federal Regulation of Radio Broadcasting

General. The ownership, operation and sale of radio broadcast stations, including those licensed to us, are subject to the jurisdiction of the FCC, which acts under authority derived from the Communications Act of 1934, as amended (the Communications Act). The Telecom Act amended the Communications Act and directed the FCC to change certain of its broadcast rules. Among its other regulatory responsibilities, the FCC issues permits and licenses to construct and operate radio stations; assigns broadcast frequencies; determines whether to approve changes in ownership or control of station licenses; regulates transmission equipment, operating power, and other technical parameters of stations; adopts and implements regulations and policies that directly or indirectly affect the ownership, operation and employment practices of stations; regulates the content of some forms of radio broadcast programming; and has the authority under the Communications Act to impose penalties for violations of its rules.

The following is a brief summary of certain provisions of the Communications Act, the Telecom Act, and related FCC rules and policies (collectively, the Communications Laws). This description does not purport to be comprehensive, and reference should be made to the Communications Laws, public notices, and decisions issued by the FCC for further information concerning the nature and extent of federal regulation of radio broadcast stations. Failure to observe the provisions of the Communications Laws can result in the imposition of various sanctions, including monetary forfeitures and the grant of a short-term (less than the maximum term) license renewal. For particularly egregious violations, the FCC may deny a station's license renewal application, revoke a station's license, or deny applications in which an applicant seeks to acquire additional broadcast properties.

License Grant and Renewal. Radio broadcast licenses are generally granted and renewed for maximum terms of eight years. Licenses are renewed by filing an application with the FCC. Petitions to deny license renewal applications may be filed by interested parties, including members of the public. We are not currently aware of any facts that would prevent the renewal of our licenses to operate our radio stations, although there can be no assurance that each of our licenses will be renewed for a full term without adverse conditions.

Service Areas. The area served by AM stations is determined by a combination of frequency, transmitter power, antenna orientation, and soil conductivity. To determine the effective service area of an AM station, the station's power, operating frequency, antenna patterns and its day/night operating modes are required. The area served by an FM station is determined by a combination of transmitter power and antenna height, with stations divided into classes according to these technical parameters.

Class C FM stations operate with the equivalent of 100 kilowatts of effective radiated power (ERP) at an antenna height of up to 1,968 feet above average terrain. They are the most powerful FM stations, providing service to a large area, typically covering one or more counties within a state. Class B FM stations operate with the equivalent of 50 kilowatts ERP at an antenna height of up to 492 feet above average terrain. Class B stations typically serve large metropolitan areas as well as their associated suburbs. Class A FM stations operate with the equivalent of 6 kilowatts ERP at an antenna height of up to 328 feet above average terrain, and generally serve smaller cities and towns or suburbs of larger cities.

The minimum and maximum facilities requirements for an FM station are determined by its class. FM class designations depend upon the geographic zone in which the transmitter of the FM station is located. In general, commercial FM stations are classified as follows, in order of increasing power and antenna height: Class A, B1, C3, B, C2, C1, C0, and C.

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The following table sets forth the market, call letters, FCC license classification, antenna elevation above average terrain (for FM stations only), power and frequency of all owned stations as of February 28, 2007, all pending station acquisitions operated under an LMA as of February 28, 2007 and all other announced pending station acquisitions as of February 28, 2007.

Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts)	
							Day	Night
Abilene, TX	KCDD FM	Hamlin, TX	103.7	August 1, 2013	C	984	100.0	100.0
	KBCY FM	Tye, TX	99.7	August 1, 2013	C1	745	100.0	100.0
	KTLT FM	Anson, TX	98.1	August 1, 2013	C2	305	50.0	50.0
	KHXS FM	Merkel, TX	102.7	August 1, 2013	C1	745	99.2	99.2
Albany, GA	WNUQ FM	Sylvester, GA	102.1	April 1, 2012	A	259	6.0	6.0
	WEGC FM	Sasser, GA	107.7	April 1, 2012	C3	312	11.5	11.5
	WALG AM	Albany, GA	1590	April 1, 2012	B	N.A.	5.0	1.0
	WJAD FM	Leesburg, GA	103.5	April 1, 2012	C3	463	12.5	12.5
	WKAK FM	Albany, GA	104.5	April 1, 2012	C1	981	100.0	100.0
	WGPC AM	Albany, GA	1450	April 1, 2012	C	N.A.	1.0	1.0
	WQVE FM	Albany, GA	101.7	April 1, 2012	A	299	6.0	6.0
	WZBN FM	Camilla, GA	105.5	April 1, 2012	A	276	6.0	6.0
Amarillo, TX	KZRK FM	Canyon, TX	107.9	August 1, 2013	C1	476	100.0	100.0
	KZRK AM	Canyon, TX	1550	August 1, 2013	B	N.A.	1.0	0.2
	KARX FM	Claude, TX	95.7	August 1, 2013	C1	390	100.0	100.0
	KPUR AM	Amarillo, TX	1440	August 1, 2013	B	N.A.	5.0	1.0
	KPUR FM	Canyon, TX	107.1	August 1, 2013	A	315	6.0	6.0
	KQIZ FM	Amarillo, TX	93.1	August 1, 2013	C1	699	100.0	100.0
Appleton Oshkosh, WI	WWWX FM	Oshkosh, WI	96.9	December 1, 2012	A	328	6.0	6.0
	WVBO FM	Winneconne, WI	103.9	December 1, 2012	C3	328	25.0	25.0
	WNAM AM	Neenah Menasha, WI	1280	December 1, 2012	B	N.A.	5.0	5.0
	WOSH AM	Oshkosh, WI	1490	December 1, 2012	C	N.A.	1.0	1.0
	WPKR FM	Omro, WI	99.5	December 1, 2012	C2	495	25.0	25.0
Bangor, ME	WQCB FM	Brewer, ME	106.5	April 1, 2014	C	1079	100.0	100.0
	WBZN FM	Old Town, ME	107.3	April 1, 2014	C2	436	50.0	50.0
	WWMJ FM	Ellsworth, ME	95.7	April 1, 2014	B	1030	11.5	11.5
	WEZQ FM	Bangor, ME	92.9	April 1, 2014	B	787	20.0	20.0
	WDEA AM	Ellsworth, ME	1370	April 1, 2014	B	N.A.	5.0	5.0
Beaumont-Port Arthur, TX	KSTB FM	Crystal Beach, TX	101.5	(A)	A	184	6.0	6.0
	KQXY FM	Beaumont, TX	94.1	(A)	C1	600	100.0	100.0
	KBED AM	Nederland, TX	1510	August 1, 2013	D	N.A.	5.0	0.0
	KIKR AM	Beaumont, TX	1450	(A)	C	N.A.	1.0	1.0
	KTCX FM	Beaumont, TX	102.5	(A)	C2	492	50.0	50.0

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Bismarck, ND	KAYD FM	Silsbee, TX	101.7	August 1, 2013	C3	503	10.5	10.5
	KBYZ FM	Bismarck, ND	96.5	April 1, 2013	C1	963	100.0	100.0
	KACL FM	Bismarck, ND	98.7	April 1, 2013	C1	837	100.0	100.0
	KKCT FM	Bismarck, ND	97.5	April 1, 2013	C1	837	100.0	100.0
Blacksburg, VA	KLXX AM	Bismarck-Mandan, ND	1270	April 1, 2013	B	N.A.	1.0	0.3
	WBRW FM	Blacksburg, VA	105.3	October 1, 2011	C3	479	12.0	12.0
	WFNR FM	Christiansburg, VA	100.7	October 1, 2011	A	886	0.8	0.8
	WFNR AM	Blacksburg, VA	710	October 1, 2011	D	N.A.	10.0	0.0
	WPSK FM	Pulaski, VA	107.1	October 1, 2011	C3	1207	1.8	1.8
	WRAD AM	Radford, VA	1460	October 1, 2011	B	N.A.	5.0	0.5
	WWBU FM	Radford, VA	101.7	October 1, 2011	A	66	5.8	5.8
Bridgeport, CT	WEBE FM	Westport, CT	107.9	April 1, 2014	B	384	50.0	50.0
	WICC AM	Bridgeport, CT	600	(A)	B	N.A.	1.0	0.5

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Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts)	
							Day	Night
Canton, OH	WRQK FM	Canton, OH	106.9	October 1, 2012	B	341	27.5	27.5
Cedar Rapids, IA	KDAT FM	Cedar Rapids, IA	104.5	February 1, 2013	C1	551	100.0	100.0
	KHAK FM	Cedar Rapids, IA	98.1	February 1, 2013	C1	459	100.0	100.0
	KRNA FM	Iowa City, IA	94.1	February 1, 2013	C1	981	100.0	100.0
Columbia, MO	KBXR FM	Columbia, MO	102.3	February 1, 2013	C3	856	3.5	3.5
	KFRU AM	Columbia, MO	1400	February 1, 2013	C	N.A.	1.0	1.0
	KPLA FM	Columbia, MO	101.5	February 1, 2013	C1	1062	41.0	41.0
	KOQL FM	Ashland, MO	106.1	February 1, 2013	C1	958	69.0	69.0
Columbus-Starkville, MS	WSSO AM	Starkville, MS	1230	June 1, 2012	C	N.A.	1.0	1.0
	WMXU FM	Starkville, MS	106.1	June 1, 2012	C2	502	40.0	40.0
	WSMS FM	Artesia, MS	99.9	June 1, 2012	C2	505	47.0	47.0
	WKOR FM	Columbus, MS	94.9	June 1, 2012	C2	492	50.0	50.0
	WKOR AM	Starkville, MS	980	June 1, 2012	D	N.A.	1.0	0.1
	WJWF AM	Columbus, MS	1400	June 1, 2012	C	N.A.	1.0	1.0
	WMBC FM	Columbus, MS	103.1	June 1, 2012	C2	755	22.0	22.0
Danbury, CT	WRKI FM	Brookfield, CT	95.1	April 1, 2014	B	636	29.5	29.5
	WDBY FM	Patterson, NY	105.5	June 1, 2014	A	610	0.9	0.9
	WINE AM	Brookfield, CT	940	April 1, 2014	D	N.A.	0.7	0.0
	WPUT AM	Brewster, NY	1510	June 1, 2014	D	N.A.	1.0	0.0
	Dubuque, IA	KLYV FM	Dubuque, IA	105.3	February 1, 2013	C2	331	50.0
KXGE FM		Dubuque, IA	102.3	February 1, 2013	A	308	2.0	2.0
WDBQ FM		Galena, IL	107.5	December 1, 2012	A	328	6.0	6.0
WDBQ AM		Dubuque, IA	1490	February 1, 2013	C	N.A.	1.0	1.0
WJOD FM		Asbury, IA	103.3	February 1, 2013	C3	643	6.6	6.6
Eugene-Springfield, OR		KUJZ FM	Creswell, OR	95.3	February 1, 2014	C3	1207	0.6
	KSCR AM	Eugene, OR	1320	February 1, 2014	D	N.A.	1.0	0.0
	KZEL FM	Eugene, OR	96.1	(A)	C	1093	100.0	43.0
	KUGN AM	Eugene, OR	590	February 1, 2014	B	N.A.	5.0	5.0
	KEHK FM	Brownsville, OR	102.3	February 1, 2014	C1	919	100.0	43.0
	KNRQ FM	Eugene, OR	97.9	February 1, 2014	C	1010	100.0	75.0
Faribault-Owatonna, MN	KRFO AM	Owatonna, MN	1390	April 1, 2013	D	N.A.	0.5	0.1
	KRFO FM	Owatonna, MN	104.9	April 1, 2013	A	174	4.7	4.7
	KDHL AM	Faribault, MN	920	April 1, 2013	B	N.A.	5.0	5.0
	KQCL FM	Faribault, MN	95.9	April 1, 2013	A	328	3.0	3.0
	Fayetteville, AR	KQSM FM	Bentonville, AR	98.3	June 1, 2012	C1	617	100.0
KFAY AM		Farmington, AR	1030	June 1, 2012	B	N.A.	10.0	1.0
KKEG FM		Fayetteville, AR	92.1	June 1, 2012	C3	531	7.6	7.6
KAMO FM		Rogers, AR	94.3	June 1, 2012	C2	692	25.0	25.0
KMCK FM		Siloam Springs, AR	105.7	June 1, 2012	C1	476	100.0	100.0
KYNG AM		Springdale, AR	1590	June 1, 2012	D	N.A.	2.5	0.1

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		Prairie Grove,						
	KYNF FM	AR	94.9	June 1, 2012	C2	761	21.0	21.0
Fayetteville, NC	WRCQ FM	Dunn, NC	103.5	December 1, 2011	C2	502	48.0	48.0
	WFNC FM	Lumberton, NC	102.3	December 1, 2011	A	269	6.0	6.0
	WFNC AM	Fayetteville, NC	640	December 1, 2011	B	N.A.	10.0	1.0
	WQSM FM	Fayetteville, NC	98.1	December 1, 2011	C1	830	100.0	100.0
		Southern Pines,						
	WFVL FM	NC	106.9	December 1, 2011	C2	492	50.0	50.0
Flint, MI	WDZZ FM	Flint, MI	92.7	October 1, 2012	A	256	3.0	3.0
	WRSR FM	Owosso, MI	103.9	October 1, 2012	A	482	2.9	2.9
	WWCK FM	Flint, MI	105.5	October 1, 2012	B1	328	25.0	25.0
	WWCK AM	Flint, MI	1570	October 1, 2012	D	N.A.	1.0	0.1

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Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts)	
							Day	Night
Florence, SC	WYNN FM	Florence, SC	106.3	December 1, 2011	A	328	6.0	6.0
	WYNN AM	Florence, SC	540	December 1, 2011	D	N.A.	0.3	0.2
	WYMB AM	Manning, SC	920	December 1, 2011	B	N.A.	2.3	1.0
	WCMG FM	Latta, SC	94.3	December 1, 2011	C3	502	10.5	10.5
	WHSC AM	Hartsville, SC	1450	December 1, 2011	C	N.A.	1.0	1.0
	WBZF FM	Hartsville, SC	98.5	December 1, 2011	A	328	6.0	6.0
	WHLZ FM	Marion, SC	100.5	December 1, 2011	C3	328	21.5	21.5
	WMXT FM	Pamplico, SC	102.1	December 1, 2011	C2	479	50.0	50.0
	WWFN FM	Lake City, SC	100.1	December 1, 2011	A	433	3.3	3.3
Fort Smith, AR	KBBQ FM	Van Buren, AR	102.7	June 1, 2012	C2	574	17.0	17.0
	KOMS FM	Poteau, OK	107.3	June 1, 2013	C	1811	100.0	100.0
	KLSZ FM	Fort Smith, AR	100.7	June 1, 2012	C2	459	50.0	50.0
	KOAI AM	Van Buren, AR	1060	June 1, 2012	D	N.A.	0.5	0.0
Fort Walton Beach, FL		Fort Walton Beach, FL						
	WKSM FM	FL	99.5	February 1, 2012	C2	438	50.0	50.0
	WRKN FM	Niceville, FL	100.3	April 1, 2012	A	440	3.5	3.5
	WYZB FM	Mary Esther, FL Fort Walton Beach, FL	105.5	February 1, 2012	C3	305	25.0	25.0
	WZNS FM	FL Fort Walton Beach, FL	96.5	February 1, 2012	C1	438	100.0	100.0
Grand Junction, CO	WFTW AM	FL	1260	February 1, 2012	D	N.A.	2.5	0.1
	KBKL FM	Grand Junction, CO	107.9	April 1, 2013	C	1460	100.0	100.0
	KEKB FM	Fruita, CO	99.9	April 1, 2013	C	1542	79.0	79.0
	KMXY FM	Grand Junction, CO	104.3	April 1, 2013	C	1460	100.0	100.0
	KKNN FM	Delta, CO	95.1	April 1, 2013	C	1424	100.0	100.0
	KEXO AM	Grand Junction, CO	1230	April 1, 2013	C	N.A.	1.0	1.0
Green Bay, WI	WOGB FM	Kaukauna, WI	103.1	December 1, 2012	C3	879	3.6	3.6
	WJLW FM	Allouez, WI	106.7	December 1, 2012	C3	328	25.0	25.0
	WDUZ FM	Brillion, WI	107.5	December 1, 2012	C3	879	3.6	3.6
	WQLH FM	Green Bay, WI	98.5	December 1, 2012	C1	499	100.0	100.0
	WDUZ AM	Green Bay, WI	1400	December 1, 2012	C	N.A.	1.0	1.0
	WPCK FM	Denmark, WI	104.9	December 1, 2012	C3	515	10.0	10.0
Harrisburg, PA	WNNK FM	Harrisburg, PA	104.1	August 1, 2014	B	699	20.5	20.5
	WTPA FM	Mechanicsburg, PA	93.5	August 1, 2014	A	719	1.3	1.3
	WWKL FM	Palmyra, PA	92.1	August 1, 2014	A	601	1.5	1.5
	WTCY AM	Harrisburg, PA	1400	August 1, 2014	C	N.A.	1.0	1.0
Huntsville, AL	WZYP FM	Athens, AL	104.3	April 1, 2012	C	1,115	100.0	100.0
	WHRP FM	Tullahoma, TN	93.3	August 1, 2012	C1	981	100.0	100.0
	WVNN AM	Athens, AL	770	April 1, 2012	B	N.A.	7.0	0.3
	WUMP AM	Madison, AL	730	April 1, 2012	D	N.A.	1.0	0.1

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	WVNN FM	Trinity, AL	92.5	April 1, 2012	A	423	3.1	3.1
	WXQW FM	Gurley, AL	94.1	April 1, 2012	A	934	0.7	0.7
Jefferson City, MO	KBBM FM	Jefferson City, MO	100.1	February 1, 2013	C2	600	33.0	33.0
	KJMO FM	Linn, MO	97.5	February 1, 2013	A	328	6.0	6.0
	KLIK AM	Jefferson City, MO	1240	February 1, 2013	C	N.A.	1.0	1.0
Kalamazoo, MI	WKFR FM	Battle Creek, MI	103.3	October 1, 2012	B	482	50.0	50.0
	WRKR FM	Portage, MI	107.7	October 1, 2012	B	486	50.0	50.0
	WKMI AM	Kalamazoo, MI	1360	October 1, 2012	B	N.A.	5.0	1.0
Kansas City, MO	KRWP FM	Stockton, MO	107.7	February 1, 2013	C	3479	11.7	11.7

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Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts)	
							Day	Night
Millen-Temple, TX	KLTD FM	Temple, TX	101.7	August 1, 2013	C3	410	16.5	16.5
	KOOC FM	Belton, TX	106.3	August 1, 2013	C3	489	11.5	11.5
	KSSM FM	Copperas Cove, TX	103.1	August 1, 2012	C3	558	8.6	8.6
	KUSJ FM	Harker Heights, TX	105.5	August 1, 2013	C2	600	33.0	33.0
	KTEM AM	Temple, TX	1400	August 1, 2013	C	N.A.	1.0	1.0
Lake Charles, LA	KKGB FM	Sulphur, LA	101.3	June 1, 2012	C3	479	12.0	12.0
	KBIU FM	Lake Charles, LA	103.3	June 1, 2012	C2	479	35.0	35.0
	KYKZ FM	Lake Charles, LA	96.1	June 1, 2012	C1	479	100.0	100.0
	KXZZ AM	Lake Charles, LA	1580	June 1, 2012	B	N.A.	1.0	1.0
	KQLK FM	DeRidder, LA	97.9	June 1, 2012	C2	492	50.0	50.0
	KAOK AM	Lake Charles, LA	1400	June, 1 2012	C	N.A.	1.0	1.0
	WVLK AM	Lexington, KY	590	August 1, 2012	B	N.A.	5.0	1.0
Lexington, KY	WLXX FM	Lexington, KY	92.9	August 1, 2012	C1	850	100.0	100.0
	WLTO FM	Nicholasville, KY	102.5	August 1, 2012	A	373	4.6	4.6
	WLRO FM	Richmond, KY	101.5	August 1, 2012	C3	541	9.0	9.0
	WXZZ FM	Georgetown, KY	103.3	August 1, 2012	A	328	6.0	6.0
	WCYN-FM	Cynthiana, KY	102.3	August 1, 2012	A	400	3.4	3.4
	WPEZ FM	Jeffersonville, GA	93.7	April 1, 2012	C1	679	100.0	100.0
	WDDO AM	Macon, GA	1240	April 1, 2012	C	N.A.	1.0	1.0
Macon, GA	WAYS AM	Macon, GA	1500	April 1, 2012	D	N.A.	1.0	0.0
	WDEN FM	Macon, GA	99.1	April 1, 2012	C1	581	100.0	100.0
	WIFN FM	Macon, GA	105.5	April 1, 2012	C3	659	6.1	6.1
	WMAC AM	Macon, GA	940	April 1, 2012	B	N.A.	50.0	10.0
	WLZN FM	Macon, GA	92.3	April 1, 2012	A	328	3.0	3.0
	WMGB FM	Montezuma, GA	95.1	April 1, 2012	C2	390	46.0	46.0
	WTKR FM	Rockledge, FL	102.7	February 1, 2012	C2	433	50.0	50.0
Melbourne-Titus-Cocoa, FL	WAOA FM	Melbourne, FL	107.1	February 1, 2012	C1	486	100.0	100.0
	WINT AM	Melbourne, FL	1560	February 1, 2012	D	N.A.	5.0	0.0
	WSJZ FM	Sebastian, FL	95.9	February 1, 2012	C3	289	25.0	25.0
	WYOK FM	Atmore, AL	104.1	April 1, 2012	C	1708	100.0	100.0
Mobile, AL	WGOK AM	Mobile, AL	900	April 1, 2012	B	N.A.	1.0	0.4
	WBLX FM	Mobile, AL	92.9	April 1, 2012	C	1708	100.0	100.0
	WDLT FM	Chickasaw, AL	98.3	April 1, 2012	C2	548	40.0	40.0
	WDLT AM	Fairhope, AL	660	April 1, 2012	B	N.A.	10.0	0.9
	WTWR FM	Luna Pier, MI	98.3	October 1, 2012	A	442	3.4	3.4
Monroe, MI Montgomery, AL	WMSP AM	Montgomery, AL	740	April 1, 2012	B	N.A.	10.0	0.2
	WNZZ AM	Montgomery, AL	950	April 1, 2012	D	N.A.	1.0	0.0
	WMXS FM	Montgomery, AL	103.3	April 1, 2012	C	1096	100.0	100.0
	WLWI FM	Montgomery, AL	92.3	April 1, 2012	C	1096	100.0	100.0

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Myrtle Beach, SC	WHHY FM	Montgomery, AL	101.9	April 1, 2012	C0	1096	100.0	100.0
	WLWI AM	Montgomery, AL	1440	April 1, 2012	B	N.A.	5.0	1.0
	WXFX FM	Prattville, AL	95.1	April 1, 2012	C2	476	50.0	50.0
	WSYN FM	Georgetown, SC	106.5	December 1, 2011	C2	492	50.0	50.0
	WDAI FM	Pawley s Island, SC	98.5	December 1, 2011	C3	666	6.1	6.1
	WJXY FM	Conway, SC	93.9	December 1, 2011	A	420	3.7	3.7
	WXJY FM	Georgetown, SC	93.7	December 1, 2011	A	315	6.0	6.0
	WIQB AM	Conway, SC	1050	December 1, 2011	B	N.A.	5.0	0.5
	WSEA FM	Atlantic Beach, SC	100.3	December 1, 2011	C3	476	12.0	12.0
	WYAK FM	Surfside Beach, SC	103.1	December 1, 2011	C3	528	8.0	8.0

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Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Night
Nashville, TN	WQQK FM	Hendersonville, TN	92.1	August 1, 2012	A	463	3.0	3.0
	WNFN FM	Belle Meade, TN	106.7	August 1, 2012	A	774	1.1	1.1
	WRQQ FM	Goodlettsville, TN	97.1	August 1, 2012	C2	518	45.0	45.0
	WSM FM	Nashville, TN	95.5	August 1, 2012	C	1280	100.0	100.0
	WWTN FM	Manchester, TN	99.7	August 1, 2012	C0	1,296	100.0	100.0
Syracuse-Middletown, NY	WALL AM	Middletown, NY	1340	June 1, 2014	C	N.A.	1.0	1.0
	WRRV FM	Middletown, NY	92.7	June 1, 2014	A	269	6.0	6.0
Odessa-Midland, TX	KZBT FM	Midland, TX	93.3	August 1, 2013	C1	440	100.0	100.0
	KODM FM	Odessa, TX	97.9	August 1, 2013	C1	361	100.0	100.0
	KNFM FM	Midland, TX	92.3	August 1, 2013	C	984	100.0	100.0
	KBAT FM	Monahans, TX	99.9	August 1, 2013	C1	574	100.0	100.0
	KMND AM	Midland, TX	1510	August 1, 2013	D	N.A.	2.4	0.0
	KRIL AM	Odessa, TX	1410	August 1, 2013	B	N.A.	1.0	0.0
	KGEE FM	Pecos, TX	97.3	August 1, 2013	C1	413	100.0	100.0
San Bernardino-Ventura, CA	KVEN AM	Ventura, CA	1450	December 1, 2013	C	N.A.	1.0	1.0
	KHAY FM	Ventura, CA	100.7	December 1, 2013	B	1211	39.0	39.0
	KBBY FM	Ventura, CA	95.1	December 1, 2013	B	876	12.5	12.5
Pensacola, FL	WJLQ FM	Pensacola, FL	100.7	February 1, 2012	C	1708	100.0	100.0
	WCOA AM	Pensacola, FL	1370	February 1, 2012	B	N.A.	5.0	5.0
	WRRX FM	Gulf Breeze, FL	106.1	February 1, 2012	A	407	3.9	3.9
Poughkeepsie, NY	WPDH FM	Poughkeepsie, NY	101.5	June 1, 2014	B	1539	4.4	4.4
	WPDA FM	Jeffersonville, NY	106.1	June 1, 2014	A	627	1.6	1.6
	WRRB FM	Arlington, NY	96.9	June 1, 2014	A	1007	0.3	0.3
	WZAD FM	Wurtsboro, NY	97.3	June 1, 2014	A	719	0.6	0.6
	WCZX FM	Hyde Park, NY	97.7	June 1, 2014	A	1030	0.3	0.3
	WEOK AM	Poughkeepsie, NY	1390	June 1, 2014	D	N.A.	5.0	0.0
	WKNY AM	Kingston, NY	1490	June 1, 2014	C	N.A.	1.0	1.0
Des Moines-Cedar Rapids, IA	WKXP FM	Kingston, NY	94.3	June 1, 2014	A	545	2.3	2.3
	KQCS FM	Bettendorf, IA	93.5	February 1, 2013	A	318	6.0	6.0
	KBEA FM	Muscatine, IA	99.7	February 1, 2013	C1	869	100.0	100.0
	KBOB FM	DeWitt, IA	104.9	December 1, 2012	C3	469	12.5	12.5
	KJOC AM	Davenport, IA	1170	February 1, 2013	B	N.A.	1.0	1.0
Rochester, MN	WXLN FM	Moline, IL	96.9	December 1, 2012	B	499	50.0	50.0
	KROC AM	Rochester, MN	1340	April 1, 2013	C	N.A.	1.0	1.0
	KROC FM	Rochester, MN	106.9	April 1, 2013	C0	1109	100.0	100.0
	KYBA FM	Stewartville, MN	105.3	April 1, 2013	C2	492	50.0	50.0
	KFIL FM	Preston, MN	103.1	April 1, 2013	C3	528	3.5	3.5
	KFIL AM	Preston, MN	1060	April 1, 2013	D	N.A.	1.0	0.0
	KVGO FM	Spring Valley, MN	104.3	April 1, 2013	C3	512	10.0	10.0
	KOLM AM	Rochester, MN	1520	April 1, 2013	D	N.A.	10.0	0.0
	KWWK FM	Rochester, MN	96.5	April 1, 2013	C2	528	43.0	43.0

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Rockford, IL	KLCX FM	Saint Charles, MN	107.7	April 1, 2013	A	571	2.0	2.
	WROK AM	Rockford, IL	1440	December 1, 2012	B	N.A.	5.0	0.
	WZOK FM	Rockford, IL	97.5	December 1, 2012	B	430	50.0	50.
	WXXQ FM	Freeport, IL	98.5	December 1, 2012	B1	492	11.0	11.
Santa Barbara, CA	WKGL FM	Loves Park, IL	96.7	December 1, 2012	A	551	2.2	2.
	KRUZ FM	Santa Barbara, CA	97.5	December 1, 2013	B	2920	17.5	17.
	KMGQ FM	Goleta, CA	106.3	December 1, 2013	A	827	0.1	0.
	KVYB FM	Santa Barbara, CA	103.3	December 1, 2013	B	2969	105.0	105.

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Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts)	
							Day	Night
Savannah, GA	WJCL FM	Savannah, GA	96.5	April 1, 2012	C	1161	100.0	100.0
	WIXV FM	Savannah, GA	95.5	April 1, 2012	C1	988	98.0	98.0
	WTYB FM	Tybee Island, GA	103.9	April 1, 2012	C2	344	50.0	50.0
	WBMQ AM	Savannah, GA	630	April 1, 2012	D	N.A.	4.8	0.0
	WEAS FM	Springfield, GA	93.1	April 1, 2012	C1	981	100.0	100.0
	WJLG AM	Savannah, GA	900	April 1, 2012	D	N.A.	4.4	0.2
	WZAT FM	Savannah, GA	102.1	April 1, 2012	C	1496	100.0	100.0
Shreveport, LA	KMJJ FM	Shreveport, LA	99.7	June 1, 2012	C2	463	50.0	50.0
	KRMD FM	Oil City, LA	101.1	June 1, 2012	C0	1134	100.0	100.0
	KRMD AM	Shreveport, LA	1340	June 1, 2012	C	N.A.	1.0	1.0
	KVMA FM	Shreveport, LA	102.9	June 1, 2012	C2	535	42.0	42.0
	KQHN FM	Magnolia, AR	107.9	June 1, 2012	C1	351	100.0	100.0
Sioux Falls, SD	KYBB FM	Canton, SD	102.7	April 1, 2013	C2	486	50.0	50.0
	KIKN FM	Salem, SD	100.5	April 1, 2013	C1	942	100.0	100.0
	KKLS FM	Sioux Falls, SD	104.7	April 1, 2013	C1	981	100.0	100.0
	KMXC FM	Sioux Falls, SD	97.3	April 1, 2013	C1	840	100.0	100.0
	KSOO AM	Sioux Falls, SD	1140	April 1, 2013	B	N.A.	10.0	5.0
	KXRB AM	Sioux Falls, SD	1000	(A)	D	N.A.	10.0	0.1
Tallahassee, FL	WHBX FM	Tallahassee, FL	96.1	(A)	C2	479	37.0	37.0
	WBZE FM	Tallahassee, FL	98.9	February 1, 2012	C1	604	100.0	100.0
	WHBT AM	Tallahassee, FL	1410	February 1, 2012	D	N.A.	5.0	0.0
	WGLF FM	Tallahassee, FL	104.1	February 1, 2012	C	1394	100.0	100.0
	WWLD FM	Cairo, GA	102.3	(A)	C2	604	27.0	27.0
Toledo, OH	WKKO FM	Toledo, OH	99.9	October 1, 2012	B	500	50.0	50.0
		Bowling Green, OH						
	WRQN FM	OH	93.5	October 1, 2012	B1	397	7.0	7.0
	WTOD AM	Toledo, OH	1560	October 1, 2012	D	N.A.	5.0	0.0
	WWWM FM	Sylvania, OH	105.5	October 1, 2012	A	390	4.3	4.3
	WLQR AM	Toledo, OH	1470	October 1, 2012	B	N.A.	1.0	1.0
	WXKR FM	Port Clinton, OH	94.5	October 1, 2012	B	630	30.0	30.0
Topeka, KS	WRWK FM	Delta, OH	106.5	October 1, 2012	A	367	4.8	4.8
	KDVV FM	Topeka, KS	100.3	June 1, 2013	C	984	100.0	100.0
	KMAJ FM	Topeka, KS	107.7	June 1, 2013	C	1214	100.0	100.0
	KMAJ AM	Topeka, KS	1440	June 1, 2013	B	N.A.	5.0	1.0
	KTOP AM	Topeka, KS	1490	June 1, 2013	C	N.A.	1.0	1.0
	KQTP FM	St. Marys, KS	102.9	June 1, 2013	C2	598	30	30
Waterloo-Cedar Falls, IA	KWIC FM	Topeka, KS	99.3	June 1, 2013	C3	538	6.8	6.8
	KOEL FM	Cedar Falls, IA	98.5	February 1, 2013	C3	423	15.0	15.0
	KKHQ FM	Oelwein, IA	92.3	February 1, 2013	C	991	100.0	100.0
	KOEL AM	Oelwein, IA	950	February 1, 2013	B	N.A.	5.0	0.5

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Westchester County, NY	KCRR FM	Grundy Center, IA	97.7	February 1, 2013	C3	407	16.0	16.0
	WFAS AM	White Plains, NY	1230	June 1, 2014	C	N.A.	1.0	1.0
	WFAS FM	White Plains, NY	103.9	June 1, 2014	A	669	0.6	0.6
Wichita Falls, TX	WFAF FM	Mount Kisco, NY	106.3	June 1, 2014	A	443	1.0	1.0
	KLUR FM	Wichita Falls, TX	99.9	August 1, 2013	C1	808	100.0	100.0
	KQXC FM	Wichita Falls, TX	103.9	August 1, 2013	A	807	19	19
	KYYI FM	Burkburnett, TX	104.7	August 1, 2013	C1	285	0.7	0.7
	KOLI FM	Electra, TX	94.9	August 1, 2013	C2	492	50.0	50.0

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Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts)	
							Day	Night
Wilmington, NC	WWQQ FM	Wilmington, NC	101.3	December 1, 2011	C2	545	40.0	40.0
	WGNI FM	Wilmington, NC	102.7	December 1, 2011	C1	981	100.0	100.0
	WMNX FM	Wilmington, NC	97.3	December 1, 2011	C1	883	100.0	100.0
	WKXS FM	Leland, NC	94.5	December 1, 2011	A	416	3.8	3.8
	WAAV AM	Leland, NC	980	December 1, 2011	B	N.A.	5.0	5.0
Youngstown, OH	WBBW AM	Youngstown, OH	1240	October 1, 2012	C	N.A.	1.0	1.0
	WPIC AM	Sharon, PA	790	August 1, 2006	D	N.A.	1.0	0.1
	WYFM FM	Sharon, PA	102.9	August 1, 2006	B	604	33.0	33.0
	WHOT FM	Youngstown, OH	101.1	October 1, 2012	B	705	24.5	24.5
	WLLF FM	Mercer, PA	96.7	August 1, 2006	A	486	1.4	1.4
	WWIZ FM	Mercer, PA	103.9	August 1, 2006	A	295	6.0	6.0
	WQXK FM	Salem, OH	105.1	October 1, 2012	B	446	88.0	88.0
	WSOM AM	Salem, OH	600	October 1, 2012	D	N.A.	1.0	0.0

We also own and operate five radio stations in various locations throughout the English-speaking Eastern Caribbean, including Trinidad, St. Kitts-Nevis, St. Lucia, Montserrat and Antigua-Barbuda, and we have been granted licenses for FM stations covering Barbados and Tortola, British Virgin Islands. These Eastern Caribbean stations are not regulated by the FCC.

Regulatory Approvals. The Communications Laws prohibit the assignment or transfer of control of a broadcast license without the prior approval of the FCC. In determining whether to grant an application for assignment or transfer of control of a broadcast license, the Communications Act requires the FCC to find that the assignment or transfer would serve the public interest. The FCC considers a number of factors in making this determination, including (1) compliance with various rules limiting common ownership of media properties, (2) the financial and character qualifications of the assignee or transferee (including those parties holding an attributable interest in the assignee or transferee), (3) compliance with the Communications Act's foreign ownership restrictions, and (4) compliance with other Communications Laws, including those related to programming and filing requirements.

As discussed in greater detail below, the FCC also reviews the effect of proposed assignments and transfers of broadcast licenses on economic competition and diversity. See Antitrust and Market Concentration Considerations.

Two of our transactions are currently pending at the FCC because of issues raised by third parties. In one transaction, an application is pending before the FCC with respect to our proposed sale of an AM radio station in Muskegon, Michigan. The FCC staff has raised a question concerning a prior owner's proposed retention of a related authorization for that station (which could compromise our ability to consummate the sale of the station). The prior owner, in turn, has argued (among other things) that we have no grounds to object because we should have been aware of its retention of that authorization when we acquired the station. We could have some liability to the proposed buyer if we cannot consummate the sale of that AM radio station. The FCC has not yet issued any decision on the matter.

In another transaction, we have two assignment applications pending before the FCC to exchange one of our FM stations in the Ft. Walton Beach, Florida market for another station in the Ft. Walton Beach, Florida market. Those

applications were challenged by Qantum Communications, who has some radio stations in the market and complained to the FCC that the swap would give us an unfair competitive advantage (because the station we would acquire reaches more people than the station we would be giving up). Qantum also initiated litigation in the United States District Court for the Southern District of Florida and secured a court decision that would require the sale of the station to Qantum instead of us. Although that decision is still subject to appeal, there is a possibility that the Company will be unable to consummate the exchange it had proposed with the seller.

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We cannot predict the final outcome of the foregoing matters, but we do not believe that any adverse decision in either case will have a material adverse impact on our overall operations taken as a whole.

Ownership Matters. The Communications Act restricts us from having more than one-fourth of our capital stock owned or voted by non-U.S. persons, foreign governments or non-U.S. corporations. We are required to take appropriate steps to monitor the citizenship of our stockholders, such as through representative samplings on a periodic basis, to provide a reasonable basis for certifying compliance with the foreign ownership restrictions of the Communications Act.

The Communications Laws also generally restrict (1) the number of radio stations one person or entity may own, operate or control in a local market, (2) the common ownership, operation or control of radio broadcast stations and television broadcast stations serving the same local market, and (3) the common ownership, operation or control of a radio broadcast station and a daily newspaper serving the same local market.

None of these multiple and cross ownership rules requires any change in our current ownership of radio broadcast stations or precludes consummation of our pending acquisitions. The Communications Laws will limit the number of additional stations that we may acquire in the future in our existing markets as well as new markets.

Because of these multiple and cross ownership rules, a purchaser of our voting stock who acquires an attributable interest in us (as discussed below) may violate the Communications Laws if such purchaser also has an attributable interest in other radio or television stations, or in daily newspapers, depending on the number and location of those radio or television stations or daily newspapers. Such a purchaser also may be restricted in the companies in which it may invest to the extent that those investments give rise to an attributable interest. If one of our attributable stockholders violates any of these ownership rules, we may be unable to obtain from the FCC one or more authorizations needed to conduct our radio station business and may be unable to obtain FCC consents for certain future acquisitions.

The FCC generally applies its television/radio/newspaper cross-ownership rules and its broadcast multiple ownership rules by considering the attributable or cognizable interests held by a person or entity. With some exceptions, a person or entity will be deemed to hold an attributable interest in a radio station, television station or daily newspaper if the person or entity serves as an officer, director, partner, stockholder, member, or, in certain cases, a debt holder of a company that owns that station or newspaper. Whether that interest is attributable and thus subject to the FCC's multiple ownership rules is determined by the FCC's attribution rules. If an interest is attributable, the FCC treats the person or entity who holds that interest as the owner of the radio station, television station or daily newspaper in question, and that interest thus counts against the person in determining compliance with the FCC's ownership rules.

With respect to a corporation, officers, directors and persons or entities that directly or indirectly hold 5% or more of the corporation's voting stock (20% or more of such stock in the case of insurance companies, investment companies, bank trust departments and certain other passive investors that hold such stock for investment purposes only) generally they are attributed with ownership of the radio stations, television stations and daily newspapers owned by the corporation. As discussed below, participation in an LMA or a JSA also may result in an attributable interest. See *Local Marketing Agreements* and *Joint Sales Agreements*.

With respect to a partnership (or limited liability company), the interest of a general partner is attributable, as is the interest of any limited partner (or limited liability company member) who is materially involved in the media-related activities of the partnership (or limited liability company). The following interests generally are not attributable: (1) debt instruments, non-voting stock, options and warrants for voting stock, partnership interests, or membership interests that have not yet been exercised; (2) limited partnership or limited liability company interests where (a) the

limited partner or member is not materially involved in the media-related activities of the partnership or limited liability company, and (b) the limited partnership agreement or limited liability company agreement expressly insulates the limited partner or member from such material involvement by inclusion of provisions specified by the FCC; and (3) holders of less than 5% of an entity's voting stock. Non-voting equity and debt interests which, in the aggregate, constitute more than 33% of a station's enterprise value, which consists of the total equity and debt capitalization, are considered attributable in certain circumstances.

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On June 2, 2003, the FCC adopted new rules and policies (the New Rules) which would modify the ownership rules and policies then in effect (the Current Rules). Among other changes, the New Rules would (1) change the methodology to determine the boundaries of radio markets, (2) require that JSAs involving radio stations (but not television stations) be deemed to be an attributable ownership interest under certain circumstances, (3) authorize the common ownership of radio stations and daily newspapers under certain specified circumstances, and (4) eliminate the procedural policy of flagging assignment or transfer of control applications that raised potential anticompetitive concerns (namely, those applications that would permit the buyer to control 50% or more of the radio advertising dollars in the market, or would permit two entities (including the buyer), collectively, to control 70% or more of the radio advertising dollars in the market). Certain private parties challenged the New Rules in court, and the court issued an order which prevented the New Rules from going into effect until the court issued a decision on the challenges. On June 24, 2004, the court issued a decision which upheld some of the FCC's New Rules (for the most part, those that relate to radio) and concluded that other New Rules (for the most part, those that relate to television and newspapers) required further explanation or modification. The court left in place, however, the order which precluded all of the New Rules from going into effect. On September 3, 2004, the court issued a further order which granted the FCC's request to allow certain New Rules relating to radio to go into effect. The New Rules that became effective (1) changed the definition of the radio market for those markets that are rated by Arbitron, (2) modified the Current Rules method for defining a radio market in those markets that are not rated by Arbitron, and (3) made JSAs an attributable ownership interest under certain circumstances.

Programming and Operation. The Communications Act requires broadcasters to serve the public interest. Broadcasters are required to present programming that is responsive to community problems, needs and interests and to maintain certain records demonstrating such responsiveness. Complaints from listeners concerning a station's programming may be filed at any time and will be considered by the FCC both at the time they are filed and in connection with a licensee's renewal application. Stations also must follow various FCC rules that regulate, among other things, political advertising, the broadcast of obscene or indecent programming, sponsorship identification, the broadcast of contests and lotteries, and technical operations (including limits on radio frequency radiation). Failure to observe these or other rules and policies can result in the imposition of various sanctions, including monetary forfeitures, the grant of a short-term (less than the maximum term) license renewal or, for particularly egregious violations, the denial of a license renewal application or the revocation of a station license.

Local Marketing Agreements. A number of radio stations, including certain of our stations, have entered into LMAs. In a typical LMA, the licensee of a station makes available, for a fee, airtime on its station to a party which supplies programming to be broadcast during that airtime, and collects revenues from advertising aired during such programming. LMAs are subject to compliance with the antitrust laws and the Communications Laws, including the requirement that the licensee must maintain independent control over the station and, in particular, its personnel, programming, and finances. The FCC has held that such agreements do not violate the Communications Laws as long as the licensee of the station receiving programming from another station maintains ultimate responsibility for, and control over, station operations and otherwise ensures compliance with the Communications Laws.

A station that brokers more than 15% of the weekly programming hours on another station in its market will be considered to have an attributable ownership interest in the brokered station for purposes of the FCC's ownership rules. As a result, a radio station may not enter into an LMA that allows it to program more than 15% of the weekly programming hours of another station in the same market that it could not own under the FCC's multiple ownership rules.

Joint Sales Agreements. From time to time, radio stations, including one of our stations, enter into JSAs. A typical JSA authorizes one station to sell another station's advertising time and retain the revenue from the sale of that airtime. A JSA typically includes a periodic payment to the station whose airtime is being sold (which may include a share of

the revenue being collected from the sale of airtime). Like LMAs, JSAs are subject to compliance with antitrust laws and the Communications Laws, including the requirement that the licensee must maintain independent control over the station and, in particular, its personnel, programming, and finances. The FCC has held that such agreements do not violate the Communications Laws as long as the licensee of the station whose time is being sold by another station maintains ultimate responsibility for, and control over, station operations and otherwise ensures compliance with the Communications Laws.

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Under the FCC's New Rules, a radio station that sells more than 15% of the weekly advertising time of another radio station in the same market will be attributed with the ownership of that other station. In that situation, a radio station cannot have a JSA with another radio station in the same market if the FCC's ownership rules would otherwise prohibit that common ownership.

New Services. In 1997, the FCC awarded two licenses to separate entities that authorize the licensees to provide satellite-delivered digital audio radio services. Both licensees have launched their respective satellite-delivered digital radio service.

Digital technology also may be used by terrestrial radio broadcast stations on their existing frequencies. In October 2002, the FCC released a Report and Order in which it selected in-band, on channel (IBOC) as the technology that will permit terrestrial radio stations to introduce digital operations. The FCC now will permit operating radio stations to commence digital operation immediately on an interim basis using the IBOC systems developed by iBiquity Digital Corporation (iBiquity), called HD Radio. In March 2004, the FCC (1) approved an FM radio station's use of two separate antennas (as opposed to a single hybrid antenna) to provide both analog and digital signals and (2) released a Public Notice seeking comment on a proposal by the National Association of Broadcasters to allow all AM stations with nighttime service to provide digital service at night. In April 2004, the FCC inaugurated a rule making proceeding to establish technical, service, and licensing rules for digital broadcasting. The inauguration of digital broadcasts by FM and perhaps AM stations requires us to make additional expenditures. On December 21, 2004, we entered into an agreement with iBiquity pursuant to which we committed to implement HD Radio™ systems on 240 of our stations by June, 2012. In exchange for reduced license fees and other consideration, we, along with other broadcasters, purchased perpetual licenses to utilize iBiquity's HD Radio™ technology. We are presently working with equipment manufacturers to roll out such technology within our markets in accordance with our contractual commitments. We cannot predict at this juncture, however, how successful our implementation of HD Radio™ technology within our platform will be, or how that implementation will affect our competitive position.

In January 2000, the FCC released a Report and Order adopting rules for a new low power FM radio service consisting of two classes of stations, one with a maximum power of 100 watts and the other with a maximum power of 10 watts. The FCC has limited ownership and operation of low power FM stations to persons and entities which do not currently have an attributable interest in any FM station and has required that low power FM stations be operated on a non-commercial educational basis. The FCC has granted numerous construction permits for low power FM stations. We cannot predict what impact low power FM radio will have on our operations. Adverse effects of the new low power FM service on our operations could include interference with our stations and competition by low power stations for listeners and revenues.

In addition, from time to time Congress and the FCC have considered, and may in the future consider and adopt, new laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect the operation, ownership and profitability of our radio stations, result in the loss of audience share and advertising revenues for our radio stations, and affect the ability of Cumulus to acquire additional radio stations or finance such acquisitions.

Antitrust and Market Concentration Considerations. Potential future acquisitions, to the extent they meet specified size thresholds, will be subject to applicable waiting periods and possible review under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), by the Department of Justice or the Federal Trade Commission, either of whom can be required to evaluate a transaction to determine whether that transaction should be challenged under the federal antitrust laws. Transactions are subject to the HSR Act only if the acquisition price or fair market value of the stations to be acquired is \$50 million or more. Most of our acquisitions have not met this threshold. Acquisitions that are not required to be reported under the HSR Act may still be investigated by the

Department of Justice or the Federal Trade Commission under the antitrust laws before or after consummation. At any time before or after the consummation of a proposed acquisition, the Department of Justice or the Federal Trade Commission could take such action under the antitrust laws as it deems necessary, including seeking to enjoin the acquisition or seeking divestiture of the business acquired or certain of our other assets. The Department of Justice has reviewed numerous radio station acquisitions where an operator proposes to acquire additional stations in its existing markets or multiple stations in new markets, and has challenged a number of such

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transactions. Some of these challenges have resulted in consent decrees requiring the sale of certain stations, the termination of LMAs or other relief. In general, the Department of Justice has more closely scrutinized radio mergers and acquisitions resulting in local market shares in excess of 35% of local radio advertising revenues, depending on format, signal strength and other factors. There is no precise numerical rule, however, and certain transactions resulting in more than 35% revenue shares have not been challenged, while certain other transactions may be challenged based on other criteria such as audience shares in one or more demographic groups as well as the percentage of revenue share. We estimate that we have more than a 35% share of radio advertising revenues in many of our markets.

We are aware that the Department of Justice commenced, and subsequently discontinued, investigations of several of our prior acquisitions. In addition, it has most recently requested information regarding our proposed acquisition of a radio station in Ft. Walton Beach, Florida. The Department of Justice can be expected to continue to enforce the antitrust laws in this manner, and there can be no assurance that one or more of our pending or future acquisitions are not or will not be the subject of an investigation or enforcement action by the Department of Justice or the Federal Trade Commission. Similarly, there can be no assurance that the Department of Justice, the Federal Trade Commission or the FCC will not prohibit such acquisitions, require that they be restructured, or in appropriate cases, require that we divest stations we already own in a particular market. In addition, private parties may under certain circumstances bring legal action to challenge an acquisition under the antitrust laws.

As part of its review of certain radio station acquisitions, the Department of Justice has stated publicly that it believes that commencement of operations under LMAs, JSAs and other similar agreements customarily entered into in connection with radio station ownership transfers prior to the expiration of the waiting period under the HSR Act could violate the HSR Act. In connection with acquisitions subject to the waiting period under the HSR Act, we will not commence operation of any affected station to be acquired under an LMA, a JSA, or similar agreement until the waiting period has expired or been terminated.

Executive Officers of the Company

The following table sets forth certain information with respect to our executive officers as of February 28, 2007:

Name	Age	Position(s)
Lewis W. Dickey, Jr.	45	Chairman, President and Chief Executive Officer
John G. Pinch	58	Executive Vice President, Chief Operating Officer
Martin R. Gausvik	50	Executive Vice President, Chief Financial Officer and Treasurer
John W. Dickey	40	Executive Vice President

Lewis W. Dickey, Jr. has served as our Chairman, President and Chief Executive Officer since December 2000, and as a Director since March 1998. Mr. Dickey was one of our founders and initial investors, and served as our Executive Vice Chairman from March 1998 to December 2000. Mr. Dickey is a nationally regarded consultant on radio strategy and the author of *The Franchise Building Radio Brands*, published by the National Association of Broadcasters, one of the industry's leading texts on competition and strategy. Mr. Dickey also serves as a member of the National Association of Broadcasters Radio Board of Directors. He holds Bachelor of Arts and Master of Arts degrees from Stanford University and a Master of Business Administration degree from Harvard University. Mr. Dickey is the brother of John W. Dickey.

John G. Pinch has served as our Executive Vice President and Chief Operating Officer since December 2000. Mr. Pinch joined us effective December 1, 2000, after serving as the President of Clear Channel International Radio (CCU International) (NYSE:CCU). At rapidly growing CCU International, Mr. Pinch was responsible for the management of all CCU radio operations outside of the United States, which included over 300 properties in 9 countries. Mr. Pinch is a 30 year broadcast veteran and has previously served as Owner/President of WTVK-TV Ft. Myers-Naples Florida, General Manager of WMTX-FM/WHBO-AM Tampa Florida, General Manager/Owner of WKLH-FM Milwaukee, and General Manager of WXJY Milwaukee.

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Martin R. Gausvik is our Executive Vice President, Chief Financial Officer and Treasurer. Mr. Gausvik joined us effective May 29, 2000 and is a 20-year veteran of the radio industry, having served in various capacities including Vice President Finance for Jacor Communications from 1996 until the merger of Jacor's 250 radio station group with Clear Channel Communications in May 1999. More recently, he was Executive Vice President and Chief Financial Officer of Latin Communications Group, the operator of 17 radio stations serving major markets in the western United States. Prior to joining Jacor, from 1984 to 1996, Mr. Gausvik held various accounting and financial positions with Taft Broadcasting, including Controller of Taft's successor company, Citicasters.

John W. Dickey is our Executive Vice President and directs our programming, marketing, promotion and engineering. Mr. Dickey joined us in 1998 and, prior to that, served as the Director of Programming for Midwestern Broadcasting from 1990 to 1998. Mr. Dickey holds a Bachelor of Arts degree from Stanford University. Mr. Dickey is the brother of Lewis W. Dickey, Jr.

Available Information

Our Internet site address is www.cumulus.com. On our site, we have made available, free of charge, our most recent annual report on Form 10-K and our proxy statement. We also provide a link to an independent third-party Internet site, which makes available, free of charge, our other filings with the SEC, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Item 1A. Risk Factors

Many statements contained in this report are forward-looking in nature. These statements are based on our current plans, intentions or expectations, and actual results could differ materially as we cannot guarantee that we will achieve these plans, intentions or expectations. See Cautionary Statement Regarding Forward-Looking Statements. Forward-looking statements are subject to numerous risks and uncertainties, including those specifically identified below.

Risks Related to Our Business

We operate in a very competitive business environment.

The radio broadcasting industry is very competitive. Our stations compete for listeners and advertising revenues directly with other radio stations within their respective markets, and some of the owners of those competing stations may have greater financial resources than we do. Our stations also compete with other media, such as newspapers, magazines, cable and broadcast television, outdoor advertising, satellite radio, the Internet and direct mail. In addition, many of our stations compete with groups of two or more radio stations operated by a single operator in the same market.

Audience ratings and market shares fluctuate, and any adverse change in a particular market could have a material adverse effect on the revenue of stations located in that market. While we already compete with other stations with comparable programming formats in many of our markets, any one of our stations could suffer a reduction in ratings or revenue and could require increased promotion and other expenses, and, consequently, could have a lower Station Operating Income, if:

another radio station in the market was to convert its programming format to a format similar to our station or launch aggressive promotional campaigns;

a new station were to adopt a competitive format; or

an existing competitor was to strengthen its operations.

The Telecom Act allows for the consolidation of ownership of radio broadcasting stations in the markets in which we operate or may operate in the future. Some competing consolidated owners may be larger and have substantially more financial and other resources than we do. In addition, increased consolidation in our target markets may result in greater competition for acquisition properties and a corresponding increase in purchase prices we pay for these properties.

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A decrease in our market ratings or market share can adversely affect our revenues.

The success of each of our radio stations, or station clusters, is primarily dependent upon its share of the overall advertising revenue within its market. Although we believe that each of our stations or clusters can compete effectively in its market, we cannot be sure that any of our stations can maintain or increase its current audience ratings or market share. In addition to competition from other radio stations and other media, shifts in population, demographics, audience tastes and other factors beyond our control could cause us to lose our audience ratings or market share. Our advertising revenue may suffer if any of our stations cannot maintain its audience ratings or market share.

We must respond to the rapid changes in technology, services and standards that characterize our industry in order to remain competitive.

The radio broadcasting industry is subject to technological change, evolving industry standards and the emergence of new media technologies and services. In some cases, our ability to compete will be dependent on our acquisition of new technologies and our provision of new services, and we cannot assure you that we will have the resources to acquire those new technologies or provide those new services; in other cases, the introduction of new technologies and services could increase competition and have an adverse effect on our revenue. Recent new media technologies and services include the following:

audio programming by cable television systems, direct broadcast satellite systems, Internet content providers (both landline and wireless), Internet-based audio radio services, satellite delivered digital audio radio service and other digital audio broadcast formats;

HD Radio[™] digital radio, which could provide multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM radio services; and

low power FM radio, which could result in additional FM radio broadcast stations in markets where we have stations.

We also cannot assure you that we will continue to have the resources to acquire other new technologies or to introduce new services that could compete with other new technologies. We cannot predict the effect, if any, that competition arising from new technologies may have on the radio broadcasting industry or on our business.

We face many unpredictable business risks that could have a material adverse effect on our future operations.

Our operations are subject to many business risks, including certain risks that specifically influence the radio broadcasting industry. These include:

changing economic conditions, both generally and relative to the radio broadcasting industry in particular;

shifts in population, listenership, demographics or audience tastes;

the level of competition from existing or future technologies for advertising revenues, including, but not limited to, other radio stations, satellite radio, television stations, newspapers, the Internet, and other entertainment and communications media; and

changes in laws as well as changes in governmental regulations and policies and actions of federal regulatory bodies, including the U.S. Department of Justice, the Federal Trade Commission and the FCC.

Given the inherent unpredictability of these variables, we cannot with any degree of certainty predict what effect, if any, these risks will have on our future operations. Any one or more of these variables may have a material adverse effect on our future operations.

There are risks associated with our acquisition strategy.

We intend to continue to grow through internal expansion and by acquiring radio station clusters and individual radio stations primarily in mid-size markets. We cannot predict whether we will be successful in pursuing these

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acquisitions or what the consequences of these acquisitions will be. Consummation of our pending acquisitions and any acquisitions in the future are subject to various conditions, such as compliance with FCC and antitrust regulatory requirements. The FCC requirements include:

approval of license assignments and transfers;

limits on the number of stations a broadcaster may own in a given local market; and

other rules or policies, such as the ownership attribution rules, that could limit our ability to acquire stations in certain markets where one or more of our stockholders has other media interests.

The antitrust regulatory requirements include:

filing with the U.S. Department of Justice and the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, referred to as the HSR Act, where applicable;

expiration or termination of the waiting period under the HSR Act; and

possible review by the U.S. Department of Justice or the Federal Trade Commission of antitrust issues under the HSR Act or otherwise.

We cannot be certain that any of these conditions will be satisfied. In addition, the FCC has asserted the authority to review levels of local radio market concentration as part of its acquisition approval process, even where proposed assignments would comply with the numerical limits on local radio station ownership in the FCC's rules and the Communications Act of 1934, referred to as the Communications Act.

Our acquisition strategy involves numerous other risks, including risks associated with:

identifying acquisition candidates and negotiating definitive purchase agreements on satisfactory terms;

integrating operations and systems and managing a large and geographically diverse group of stations;

diverting our management's attention from other business concerns;

potentially losing key employees at acquired stations; and

the diminishing number of properties available for sale in mid-size markets.

We cannot be certain that we will be able to successfully integrate our acquisitions or manage the resulting business effectively, or that any acquisition will achieve the benefits that we anticipate. In addition, we are not certain that we will be able to acquire properties at valuations as favorable as those of previous acquisitions. Depending upon the nature, size and timing of potential future acquisitions, we may be required to raise additional financing in order to consummate additional acquisitions. We cannot assure you that our debt agreements will permit the necessary additional financing or that additional financing will be available to us or, if available, that financing would be on terms acceptable to our management.

We may be restricted in pursuing certain strategic acquisitions because of our agreement with CMP.

Under an agreement that we entered into with CMP and the other investors in CMP in connection with the formation of CMP, we have agreed to allow CMP the right to pursue first any business opportunity primarily involving the top-50 radio markets in the United States. We are allowed to pursue such business opportunities only after CMP has declined to pursue them. As a result, we may be limited in our ability to pursue strategic acquisitions or alternatives primarily involving large-sized markets (including opportunities that primarily involve large-sized markets but also involve mid-sized markets) that may present attractive opportunities for us in the future.

We have written off, and could in the future be required to write off, a significant portion of the fair market value of our FCC broadcast licenses and goodwill, which may adversely affect our financial condition and results of operations.

As of December 31, 2006, our FCC licenses and goodwill comprised 83% of our assets. Each year, we are required by SFAS No. 142, *Goodwill and Other Intangible Assets*, to assess the fair market value of our FCC

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broadcast licenses and goodwill to determine whether the fair market value of those assets is impaired. In 2006, we recorded impairment charges of approximately \$63.4 million in order to reduce the carrying value of certain broadcast licenses and goodwill to their respective fair market values. Our future impairment reviews could result in additional impairment charges. Such additional impairment charges would reduce our reported earnings for the periods in which they are recorded.

Our results of operations could be adversely affected by a downturn in the U.S. economy or in the economies of the markets in which we operate.

Revenue generated by our radio stations depends primarily upon the sale of advertising. Advertising expenditures, which we believe to be largely a discretionary business expense, generally tend to decline during an economic recession or downturn. Furthermore, because a substantial portion of our revenue is derived from local advertisers, our ability to generate advertising revenue in specific markets is directly affected by local or regional economic conditions. Consequently, a recession or downturn in the national economy or the economy of an individual geographic market in which we own or operate stations could adversely affect our advertising revenue and, therefore, our results of operations. Our broadcasting revenues could be materially adversely affected by recessions, which may be triggered by economic forces such as the business cycle or by cataclysmic human events. Future acts of war and terrorism against the United States, and the country's response thereto, could cause our advertising revenues to decline due to advertising cancellations, delays or defaults in payment for advertising time, and the adverse impact on the general economic activity in the United States.

Even in the absence of a general recession or downturn in the economy, an individual business sector that tends to spend more on advertising than other sectors might be forced to reduce its advertising expenditures if that sector experiences a downturn. If that sector's spending represents a significant portion of our advertising revenues, any reduction in its expenditures may affect our revenue.

We are dependent on key personnel.

Our business is managed by a small number of key management and operating personnel, and our loss of one or more of these individuals could have a material adverse effect on our business. We believe that our future success will depend in large part on our ability to attract and retain highly skilled and qualified personnel and to expand, train and manage our employee base. We have entered into employment agreements with some of our key management personnel that include provisions restricting their ability to compete with us under specified circumstances.

We also employ several on-air personalities with large loyal audiences in their individual markets. On occasion, we enter into employment agreements with these personalities to protect our interests in those relationships that we believe to be valuable. The loss of one or more of these personalities could result in a short-term loss of audience share in that particular market.

The broadcasting industry is subject to extensive and changing Federal regulation.

The radio broadcasting industry is subject to extensive regulation by the FCC under the Communications Act. We are required to obtain licenses from the FCC to operate our stations. Licenses are normally granted for a term of eight years and are renewable. Although the vast majority of FCC radio station licenses are routinely renewed, we cannot assure you that the FCC will grant our existing or future renewal applications or that the renewals will not include conditions out of the ordinary course. The non-renewal or renewal with conditions, of one or more of our licenses could have a material adverse effect on us.

We must also comply with the extensive FCC regulations and policies in the ownership and operation of our radio stations. FCC regulations limit the number of radio stations that a licensee can own in a market, which could restrict our ability to acquire radio stations that would be material to our financial performance in a particular market or overall.

The FCC also requires radio stations to comply with certain technical requirements to limit interference between two or more radio stations. Despite those limitations, a dispute could arise whether another station is

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improperly interfering with the operation of one of our stations or another radio licensee could complain to the FCC that one of our stations is improperly interfering with that licensee's station. There can be no assurance as to how the FCC might resolve that dispute. These FCC regulations and others may change over time, and we cannot assure you that those changes would not have a material adverse effect on us.

In recent years, the FCC has engaged in more vigorous enforcement of its indecency rules against the broadcast industry, which could have a material adverse effect on our business.

FCC regulations prohibit the broadcast of obscene material at any time, and indecent material between the hours of 6:00 a.m. and 10:00 p.m. The FCC has recently increased its enforcement efforts with respect to these regulations. Further, Congress has introduced legislation that would substantially increase the penalties for broadcasting indecent programming and potentially subject broadcasters to license revocation, renewal or qualification proceedings in the event that they broadcast indecent material. We may in the future become subject to inquiries or proceedings related to our stations' broadcast of allegedly indecent or obscene material. To the extent that such an inquiry or proceeding results in the imposition of fines, a settlement with the FCC, revocation of any of our station licenses or denials of license renewal applications, our results of operation and business could be materially adversely affected.

We are required to obtain prior FCC approval for each radio station acquisition.

The acquisition of a radio station requires the prior approval of the FCC. To obtain that approval, we would have to file a transfer of control or assignment application with the FCC. The Communications Act and FCC rules allow members of the public and other interested parties to file petitions to deny or other objections to the FCC grant of any transfer or assignment application. The FCC could rely on those objections or its own initiative to deny a transfer or assignment application or to require changes in the transaction as a condition to having the application granted. The FCC could also change its existing rules and policies to reduce the number of stations that we would be permitted to acquire in some markets. For these and other reasons, there can be no assurance that the FCC will approve potential future acquisitions that we deem material to our business.

Risks Related to Our Indebtedness

We have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business, remain in compliance with debt covenants and make payments on our indebtedness.

As of December 31, 2006, our long-term debt, including the current portion, was \$751.3 million, representing approximately 223% of our stockholders' equity. Our credit facilities have interest and principal repayment obligations that are substantial in amount.

Our substantial indebtedness could have important consequences, including:

requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;

exposing us to the risk of increased interest rates as certain of our borrowings are at variable rates of interest;

increasing our vulnerability to general economic downturns and adverse industry conditions;

limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;

limiting our ability to adjust to changing market conditions and placing us at a disadvantage compared to our competitors who have less debt: and

restricting us from making strategic acquisitions or causing us to make non-strategic divestitures.

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We and our restricted subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our credit facilities. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

The credit agreement governing our credit facility imposes significant restrictions on us.

Our credit agreement limits or restricts, among other things, our ability to:

incur additional indebtedness or grant additional liens or security interests in our assets;

pay dividends, make payments on certain types of indebtedness or make other restricted payments;

make particular types of investments or enter into speculative hedging agreements;

enter into some types of transactions with affiliates;

merge or consolidate with any other person or make changes to our organizational documents or other material agreement to which we are a party;

sell, assign, transfer, lease, convey or otherwise dispose of our assets (except within certain limits) or enter into sale-leaseback transactions; or

make capital expenditures.

Our credit agreement also requires us to maintain specified financial ratios and to satisfy certain financial condition tests. Our ability to meet those financial ratios and financial condition tests can be affected by events beyond our control, and we cannot be sure that we will maintain those ratios or meet those tests. A breach of any of these restrictions could result in a default under our debt agreements. Our lenders have taken security interests in substantially all of our consolidated assets, and we have pledged the stock of our subsidiaries to secure the debt under our credit facility. If an event of default under our credit agreement occurs, our lenders could declare all amounts outstanding, including accrued interest, immediately due and payable. If we could not repay those amounts, those lenders could proceed against the collateral pledged to them to secure that indebtedness. If our credit facility indebtedness were accelerated, our assets may not be sufficient to repay in full that indebtedness. Our ability to comply with the covenants in our credit agreement will depend upon our future performance and various other factors, such as business, competitive, technological, legislative and regulatory factors, some of which are beyond our control. If we fail to comply with the covenants in our credit agreement, our lenders could declare all amounts owed to them immediately due and payable.

Risks Related to Our Class A Common Stock

The public market for our Class A Common Stock may be volatile.

We cannot assure you that the market price of our Class A Common Stock will not decline, and the market price could be subject to wide fluctuations in response to such factors as:

conditions and trends in the radio broadcasting industry;

actual or anticipated variations in our quarterly operating results, including audience share ratings and financial results;

changes in financial estimates by securities analysts;

technological innovations;

competitive developments;

adoption of new accounting standards affecting companies in general or affecting companies in the radio broadcasting industry in particular; and

general market conditions and other factors.

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Further, the stock markets, and in particular the NASDAQ Global Select Market, on which our Class A Common Stock is listed, from time to time have experienced extreme price and volume fluctuations that were not necessarily related or proportionate to the operating performance of the affected companies. In addition, general economic, political and market conditions such as recessions, interest rate movements or international currency fluctuations, may adversely affect the market price of our Class A Common Stock.

Certain stockholders control or have the ability to exert significant influence over the voting power of our capital stock.

As of March 1, 2007, and after giving effect to the exercise of all of their options exercisable within 60 days of that date, Lewis W. Dickey, Jr., our Chairman, President, Chief Executive Officer and a director, and his brother, John W. Dickey, our Executive Vice President, collectively beneficially own 5,963,757 shares, or approximately 15.2%, of our outstanding Class A Common Stock, and 2,145,561 shares, or 100%, of our outstanding Class C Common Stock, which collectively represents approximately 45.2% of the outstanding voting power of our common stock. Consequently, they have the ability to exert significant influence over our policies and management. The interests of these stockholders may differ from the interests of our other stockholders.

As of March 1, 2007, BA Capital Company, L.P., referred to as BA Capital, and its affiliate, Banc of America SBIC, L.P., referred to as BACI, together own 1,661,818 shares, or approximately 4.5%, of our Class A Common Stock and 5,809,191 shares, or 100%, of our Class B Common Stock, which is convertible into shares of Class A Common Stock. BA Capital also holds options exercisable within 60 days of March 1, 2007 to purchase 105,000 shares of our Class A Common Stock and Robert H. Sheridan, III, one of our directors and a senior vice president and managing director with an economic interest in the general partners of both BA Capital and BACI, holds options exercisable within 60 days of March 1, 2007 to purchase 135,000 shares of our Class A Common Stock. Assuming that those options were exercised for shares of our Class A Common Stock, and giving effect to the conversion into shares of our Class A Common Stock of all shares of Class B Common Stock held by BA Capital and BACI, BA Capital and BACI would hold approximately 20.9% of the total voting power of our common stock. BA Capital and BACI are both affiliates of Bank of America Corporation. BA Capital has the right to designate one member of our Board and Mr. Sheridan currently serves on our Board as BA Capital's designee. As a result, BA Capital, BACI and Mr. Sheridan have the ability to exert significant influence over our policies and management, and their interests may differ from the interests of our other stockholders.

Cautionary Statement Regarding Forward-Looking Statements

In various places in this annual report on Form 10-K, we use statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our future plans, objectives, expectations and intentions. Although we believe that, in making any of these statements, our expectations are based on reasonable assumptions, these statements may be influenced by factors that could cause actual outcomes and results to be materially different from these projected. When used in this document, words such as anticipates, believes, expects, intends, and similar expressions, as they relate to us or our management, are intended to identify these forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including those referred above to under Risk Factors and as otherwise described in our periodic filings with the SEC from time to time.

Important facts that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond our control, include:

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;

the popularity of radio as a broadcasting and advertising medium;

cancellations, disruptions or postponements of advertising schedules in response to national or world events;

our capital expenditure requirements;

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legislative or regulatory requirements;

risks and uncertainties relating to our leverage;

interest rates;

our continued ability to identify suitable acquisition targets;

consummation and integration of pending or future acquisitions;

access to capital markets; and

fluctuations in exchange rates and currency values.

Our actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements. Accordingly, we cannot be certain that any of the events anticipated by the forward-looking statements will occur or, if any of them do occur, what impact they will have on us. We assume no obligation to update any forward-looking statements as a result of new information or future events or developments, except as required under federal securities laws. We caution you not to place undue reliance on any forward-looking statements, which speak only as of the date of this annual report on Form 10-K.

Item 1B. *Unresolved Staff Comments*

Not applicable.

Item 2. *Properties*

The types of properties required to support each of our radio stations include offices, studios, transmitter sites and antenna sites. A station's studios are generally housed with its offices in business districts of the station's community of license or largest nearby community. The transmitter sites and antenna sites are generally located so as to provide maximum market coverage.

At December 31, 2006, we owned studio facilities in 43 of our 58 markets and we owned transmitter and antenna sites in 6 of our 58 markets. We lease additional studio and office facilities in 42 markets and additional transmitter and antenna sites in 52 markets. In addition, we lease corporate office space in Atlanta, Georgia. We do not anticipate any difficulties in renewing any facility leases or in leasing alternative or additional space, if required. We own or lease substantially all of our other equipment, consisting principally of transmitting antennae, transmitters, studio equipment and general office equipment.

No single property is material to our operations. We believe that our properties are generally in good condition and suitable for our operations; however, we continually look for opportunities to upgrade our properties and intend to upgrade studios, office space and transmission facilities in certain markets.

Item 3. *Legal Proceedings*

We from time to time 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 of such proceedings would have a material adverse

effect on our overall financial condition or results of operations.

We have been 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. We are cooperating with the Attorney General in this investigation.

Item 4. *Submission of Matters To a Vote of Security Holders*

During the fourth quarter, October 1, 2006 through December 31, 2006, there were no matters submitted to a vote of security holders.

Table of Contents**PART II****Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*****Market Information For Common Stock**

Shares of our Class A Common Stock, par value \$.01 per share have been quoted on the NASDAQ Global Select Market (or its predecessor, the NASDAQ National Market) under the symbol CMLS since the consummation of the initial public offering of our Class A Common Stock on July 1, 1998. There is no established public trading market for our Class B Common Stock or our Class C Common Stock. The following table sets forth, for the calendar quarters indicated, the high and low closing sales prices of the Class A Common Stock on the NASDAQ Global Select Market, as reported in published financial sources.

Year	High	Low
2005		
First Quarter	\$ 15.00	\$ 13.63
Second Quarter	\$ 14.55	\$ 11.50
Third Quarter	\$ 13.05	\$ 11.66
Fourth Quarter	\$ 13.11	\$ 10.85
2006		
First Quarter	\$ 13.51	\$ 11.16
Second Quarter	\$ 12.06	\$ 10.04
Third Quarter	\$ 10.88	\$ 8.79
Fourth Quarter	\$ 11.55	\$ 9.36
2007		
First Quarter (through February 28, 2007)	\$ 10.66	\$ 9.83

 Holders

As of February 28, 2007, there were approximately 1,158 holders of record of our Class A Common Stock, 2 holders of record of our Class B Common Stock and 1 holder of record of our Class C Common Stock. The figure for our Class A Common Stock does not include an estimate of the number of beneficial holders whose shares may be held of record by brokerage firms or clearing agencies.

 Dividends

We have not declared or paid any cash dividends on our common stock since our inception and do not currently anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain future earnings for use in our business. We are currently subject to restrictions under the terms of the credit agreement governing our credit facility that limit the amount of cash dividends that we may pay on our Class A Common Stock. We may pay cash dividends on our Class A Common Stock in the future only if we meet certain financial tests set forth in the credit agreement.

Table of Contents**Securities Authorized For Issuance Under Equity Incentive Plans**

The following table sets forth, as of December 31, 2006, the number of securities outstanding under our equity compensation plans, the weighted average exercise price of such securities and the number of securities available for grant under these plans:

Plan Category	Number of Shares		Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Column (a))(c)
	to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(a)		
Equity Compensation Plans Approved by Stockholders	7,456,402	\$	15.04	2,482,504
Equity Compensation Plans Not Approved by Stockholders	1,518,032	\$	15.34	454,217
Total	8,974,434			2,936,721

The only existing equity compensation plan not approved by our stockholders is the 2002 Stock Incentive Plan. Our Board adopted the 2002 Stock Incentive Plan on March 1, 2002, and stockholder approval of that plan was not required. For a description of all equity compensation plans, please refer to Note 11 in the accompanying notes to the consolidated financial statements.

On September 28, 2004, our Board authorized the purchase, from time to time, of up to \$100.0 million of our Class A Common Stock, subject to the terms of our credit agreement. Subsequently, on December 7, 2005, our Board of Directors authorized the purchase of a second \$100.0 million of our Class A Common Stock.

In June 2006, as part of a separate \$200.0 million Board-approved recapitalization, we completed a modified Dutch Auction tender offer and purchased 11.5 million shares of our outstanding Class A Common Stock at a price per share of \$11.50, or approximately \$132.3 million. The shares purchased represented approximately 24.1% our outstanding Class A Common Stock at the time. We also purchased 5.0 million shares of Class B Common Stock at a purchase price of \$11.50 per share or approximately \$57.5 million. The shares purchased represented approximately 43.0% of our outstanding Class B Common Stock. These Class B Common shares were subsequently retired. During the three months ended September 30, 2006, we purchased an additional 749,500 shares of our outstanding Class A Common Stock at an average price per share of \$9.25, or approximately \$6.9 million. Under these programs, we have cumulatively repurchased the following shares, which are being held in treasury:

Period	Total Number of Shares Purchased	Average Price Per Share
2004	1,004,429	\$ 14.56

2005	7,766,223	\$	12.31
2006	14,261,000	\$	11.56
Total	23,031,652	\$	11.94

We had no purchases of Class A common stock during the three months ended December 31, 2006. As of December 31, 2006, we had authority to repurchase an additional \$57.0 million of our Class A Common Stock, although the current terms of our credit agreement would limit us to \$2.0 million in additional purchases.

During the three months ended December 31, 2006 we purchased 500,000 Class A restricted shares from Lewis Dickey, Jr. per his amended employment agreement dated December 20, 2006. See footnote 11 to financial statements for further discussion.

Table of Contents**Performance Graph**

The following graph compares the total stockholder return on our Class A Common Stock for the year ended December 31, 2006 with that of (1) the Standard & Poors 500 Stock Index (S&P 500): (2) the Nasdaq Stock Market Index the (Nasdaq Composite): and (3) an index comprised of radio broadcast and media companies. See note (1) below. The total return calculation set forth below assume \$100 invested on December 31, 2001 with reinvestment or dividends into additional shares of the same class of securities at the frequency with which dividends were paid on such securities through December 31, 2006. The stock price performance shown in the graph below should be considered indicative of future stock price performance.

CUMULATIVE TOTAL RETURN

	December 31,					
	2001	2002	2003	2004	2005	2006
Cumulus	100.00%	91.66%	135.97%	93.20%	76.70%	64.22%
S & P 500	100.00%	76.63%	96.85%	105.56%	108.73%	123.54%
NASDAQ	100.00%	68.47%	102.72%	111.54%	113.07%	123.84%
Radio Index	100.00%	121.33%	88.06%	74.18%	66.76%	66.76%

Table of Contents**Item 6. Selected Consolidated Financial Data**

The selected consolidated historical financial data presented below has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2006, 2005, 2004, 2003 and 2002. Our consolidated historical financial data are not comparable from year to year because of our acquisition and disposition of various radio stations during the periods covered. This data should be read in conjunction with our audited consolidated financial statements and the related notes thereto, as set forth in Part II, Item 8 and with Management's Discussion and Analysis of Financial Conditions and Results of Operations set forth in Part II, Item 7 herein (dollars in thousands, except per share data).

	Year Ended December 31,				
	2006	2005	2004	2003	2002
Net revenues	\$ 334,321	\$ 327,402	\$ 320,132	\$ 281,971	\$ 252,597
Station operating expenses excluding depreciation, amortization and LMA fees	214,089	227,413	202,441	179,536	159,766
Depreciation and amortization	17,420	21,223	21,168	19,445	16,865
Gain on assets contributed to affiliate	(2,548)				
LMA fees	963	981	3,002	1,591	1,368
Corporate general and administrative expenses (including non-cash stock compensation)	41,012	19,189	15,260	13,864	13,881
Restructuring charges (credits)		(215)	(108)	(334)	(971)
Impairment charge	63,424	264,099			
Operating income (loss)	(39)	(205,288)	78,369	67,869	61,688
Net interest expense	(42,767)	(22,715)	(19,197)	(21,983)	(29,226)
Losses on early extinguishment of debt	(2,284)	(1,192)	(2,557)	(15,243)	(9,115)
Other income (expense), net	(98)	(239)	(699)	(924)	1,957
Income tax (expense) benefit	5,800	17,100	(25,547)	(24,678)	(76,357)
Equity losses in affiliate	(5,200)				
Income (loss) before cumulative effect of a change in accounting principle	(44,588)	(212,334)	30,369	5,041	(51,053)
Cumulative effect of a change in accounting principle, net of tax					(41,700)
Net income (loss)	(44,588)	(212,334)	30,369	5,041	(92,753)
Preferred stock dividends, deemed dividends, accretion of discount and redemption premium				1,908	27,314
Net income (loss) attributable to common stockholders	\$ (44,588)	\$ (212,334)	\$ 30,369	\$ 3,133	\$ (120,067)

Basic income (loss) per common share:

Income (loss) per common share before the cumulative effect of a change in accounting principle	\$	(.88)	\$	(3.17)	\$	0.44	\$	0.05	\$	(1.44)
Cumulative effect of a change in accounting principle										(0.76)

Basic income (loss) per common share

\$	(.88)	\$	(3.17)	\$	0.44	\$	0.05	\$	(2.20)
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Diluted income (loss) per common share:

Income (loss) per common share before the cumulative effect of a change in accounting principle	\$	(.88)	\$	(3.17)	\$	0.43	\$	0.05	\$	(1.44)
Cumulative effect of a change in accounting principle										(0.76)

Diluted income (loss) per common share

\$	(.88)	\$	(3.17)	\$	0.43	\$	0.05	\$	(2.20)
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OTHER FINANCIAL DATA:

Station Operating Income(1)	\$	120,232	\$	99,989	\$	117,691	\$	102,435	\$	92,831
Net cash provided by operating activities		64,918		78,396		75,013		45,877		42,463
Net cash used in investing activities		(19,217)		(92,763)		(28,757)		(146,669)		(138,734)
Net cash provided by/(used in) financing activities		(48,430)		(12,472)		(21,016)		47,132		151,343

BALANCE SHEET DATA:

Total assets	\$	1,333,147	\$	1,405,600	\$	1,616,397	\$	1,477,630	\$	1,355,514
Long-term debt (including current portion)		751,250		569,000		482,102		487,344		420,262
Preferred stock subject to mandatory redemption										14,168
Total stockholders equity		337,007		587,043		884,964		792,934		729,471

(1) See Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations for a quantitative reconciliation of Station Operating Income to its most directly comparable financial measure calculated and presented in accordance with GAAP.

(2) The Company recorded certain immaterial adjustments to the 2005 consolidated financial data. See footnote 1 to the Company's 2006 Consolidated Financial Statements appearing elsewhere in the document.

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Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

The following Management's Discussion and Analysis is intended to provide the reader with an overall understanding of our financial condition, changes in financial condition, results of operations, cash flows, sources and uses of cash, contractual obligations and financial position. This section also includes general information about our business and a discussion of our management's analysis of certain trends, risks and opportunities in our industry. We also provide a discussion of accounting policies that require critical judgments and estimates as well as a description of certain risks and uncertainties that could cause our actual results to differ materially from our historical results. You should read the following information in conjunction with our consolidated financial statements and notes to our consolidated financial statements beginning on page F-1 in this Annual Report on Form 10-K as well as the information set forth in Item 1A. Risk Factors.

Overview of 2006

The advertising environment for 2006 was slightly ahead of 2005. The RAB has reported that radio revenue growth for 2006 was up approximately 1% from the prior year due to growth in both local and national markets. Nevertheless, for 2006, our revenue performance outpaced the industry with total pro forma net revenues increasing 4.2% (see the explanation of how we calculated our pro forma results and a reconciliation of pro forma results to our historical results under Results of Operations).

Our local and other revenue stream has remained consistently strong, with 2006 pro forma local net revenue growing 3.6%. We attribute this strength to our previous investments in our local sales forces and the strong ratings and revenue share positions we enjoy in most of our markets.

The consistent success on the local revenue side of our business, was mirrored in 2006 by growth in national revenue. For 2006, our pro forma net national revenues were up 8.0% versus the prior year.

In May 2005, we switched national sales representation firms to Katz Media Group. Since the switch, we have already seen improvements in our national revenue stream, attributable to the systems and resources employed by Katz. We believe that as our relationship with Katz continues, we will be able to achieve greater improvement in our national revenue stream.

Our management team remains focused on our strategy of pursuing growth through acquisition. However, acquisitions are closely evaluated to ensure that they will generate stockholder value and our management is committed to completing only those acquisitions that we believe will increase our share price. The compression of publicly traded radio broadcast company multiples in 2005, combined with a market for privately held radio stations that did not see a corresponding multiples compression, translated to minimal acquisition activity for us in 2006.

Given the lack of suitable acquisition opportunities, in 2004 and 2005, our Board authorized us to purchase an aggregate of \$200 million in shares of our Class A Common Stock, within the limits set forth under our credit agreement and over a time frame that will mitigate any factors that would otherwise increase our leverage levels. In addition, in 2006 we completed a Board-approved recapitalization that included a modified Dutch auction tender offer for 11.5 million shares of our outstanding Class A Common Stock and a related purchase of 5.0 million shares of our outstanding Class B Common Stock.

In June 2006, we secured a new \$850 million credit facility that increased our borrowing capacity, lowered our effective interest rate and increased our overall flexibility with respect to potential acquisitions or share repurchases.

As of December 31, 2006, our average cost of debt, including the effects of our derivative positions, was 6.76%. We remain committed to maintaining manageable debt levels, which will continue to improve our ability to generate cash flow from operations.

Our Business

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 Cumulus Media Partners, LLC (CMP), which acquired the radio broadcasting business of Susquehanna Pfaltzgraff Co. (Susquehanna) in May 2006. The acquisition included 33 radio stations in 8 markets. As a result of our investment in

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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 third largest radio broadcasting company based on net revenues. As of December 31, 2006, directly and through our investment in CMP, we owned or operated 345 stations in 67 U.S. markets and provided sales and marketing services under local marketing, management and consulting agreements (pending FCC approval of acquisition) to one additional station. The following discussion of our financial condition and results of operations includes the results of acquisitions and local marketing, management and consulting agreements.

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 Arbitron 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.

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. Trade revenue totaled \$19.0 million in 2006, \$18.2 million in 2005, and \$18.7 million in 2004. Our use of trade agreements resulted in immaterial operating income (expense) during the years ended December 31, 2006, 2005 and 2004 of \$(.003) million, \$(0.1) million and \$0.4 million, respectively. We continually seek to minimize our use of trade agreements.

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. During the years ended December 31, 2006, 2005 and 2004 approximately 88%, 89% and 87%, respectively, of our revenues were from local advertising.

Our revenues vary throughout the year. As is typical in the radio broadcasting industry, we expect our first calendar quarter will produce the lowest revenues for the year, and the second and fourth calendar quarters will generally produce the highest revenues for the year, with the exception of certain of our stations, such as those in Myrtle Beach, South Carolina, where the stations generally earn higher revenues in the second and third quarters of the year because of the higher seasonal population in those communities. 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, that follows in this section.

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Analysis of Consolidated Statements of Operations. The following analysis of selected data from our consolidated statements of operations should be referred to while reading the results of operations discussion that follows:

	Year Ended December 31,			Percent Change	
	2006	2005	2004	2006 vs. 2005	2005 vs. 2004
Net revenues	\$ 334,321	\$ 327,402	\$ 320,132	2.1%	2.3%
Station operating expenses excluding depreciation, amortization and LMA fees	214,089	227,413	202,441	(5.9)%	12.3%
Depreciation and amortization	17,420	21,223	21,168	(17.9)%	0.3%
Gain on assets contributed to affiliate	(2,548)			**	**
LMA fees	963	981	3,002	(1.8)%	(67.3)%
Corporate general and administrative expenses (includes non-cash stock compensation)	41,012	19,189	15,260	113.7%	25.7%
Restructuring charges (credits)		(215)	(108)	**	99.1%
Impairment charge	63,424	264,099		(76.0)%	**
Operating income (loss)	(39)	(205,288)	78,369	(100.0)%	(362.0)%
Net interest expense	(42,767)	(22,715)	(19,197)	88.3%	18.3%
Losses on early extinguishment of debt	(2,284)	(1,192)	(2,557)	91.6%	(53.4)%
Other income (expense), net	(98)	(239)	(699)	(65.8)%	(65.8)%
Total nonoperating expense, net	(45,149)	(24,146)	(22,453)	87.0%	7.5%
Income tax benefit (expense)	5,800	17,100	(25,547)	(66.1)%	(166.9)%
Equity loss in affiliate	(5,200)			**	**
Net income (loss)	(44,588)	(212,334)	30,369	**	**
Net income (loss) attributable to common stockholders	\$ (44,588)	\$ (212,334)	\$ 30,369	**	**

** Calculation is not meaningful.

(1) The Company recorded certain immaterial adjustments to the 2005 consolidated financial data. See footnote 1 to the Company's 2006 Consolidated Financial Statements appearing elsewhere in the document.

Our management's discussion and analysis of results of operations for the years ended December 31, 2006, 2005 and 2004 have been presented on a historical basis. Additionally, for net revenue, operating expenses, and Station Operating Income, we have included our management's discussion and analysis of results of operations on a pro forma

basis.

Year Ended December 31, 2006 versus Year Ended December 31, 2005

Net Revenues. Net revenues for the twelve months ended December 31, 2006 increased \$6.9 million to \$334.3 million, a 2.1% increase from the same period in 2005, primarily as a result of organic growth over our existing station platform, partially offset by the contribution of our Houston and Kansas City stations to CMP on May 3, 2006.

In addition, on a same station basis, which excludes the results of the stations contributed to CMP, for the period May through December 31, 2005, net revenues for the twelve months ended December 31, 2006 increased \$13.5 million to \$334.3 million, an increase of 4.2% from the same period in 2005, due to organic growth across the station platform. Pro forma station operating income increased 6.0% from the same period in 2005.

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Station Operating Expenses, excluding Depreciation, Amortization, LMA Fees and Non-cash Contract Termination Costs. Station operating expenses increased \$.3 million to \$214.1 million, an increase of 0.1% over the same period in 2005. This increase is attributable to general expense increases across our station platform, partially offset by the contribution of our Houston and Kansas City stations to CMP.

In addition, on a same station basis, for the 307 stations in 58 markets operated for at least a full year, station operating expenses excluding depreciation, amortization, LMA fees and non-cash contract termination costs increased \$.2 million, or 0.1%, to \$ 214.1 million for the year ended December 31, 2006 compared to \$213.8 million for the year ended December 31, 2005. The increase in same station operating expenses primarily attributable to general increases across our station platform.

Corporate, General and Administrative Expenses. Corporate operating expenses for the twelve months ended December 31, 2006 have increased over the comparative period in 2005 due primarily to increased personnel costs associated with the management of CMP partially offset by a decline in professional fees. In addition non-cash stock compensation increased \$21.3 million.

Depreciation and Amortization. Depreciation and amortization decreased \$3.8 million, or 17.9%, to \$17.4 million for the year ended December 31, 2006 compared to \$21.2 million for the year ended December 31, 2005.

LMA Fees. LMA fees totaled \$1.0 million and \$1.0 million for the years ended December 31, 2006 and 2005, respectively. LMA fees in the current year were comprised primarily of fees associated with LMAs in Beaumont, Texas and Vinton, Iowa, and a station operated under a joint services agreement in Nashville, Tennessee.

Impairment Charge. SFAS No. 142 requires us to review the recorded values of our FCC broadcast licenses and goodwill for impairment on an annual basis. We completed our annual evaluation during the fourth quarter of 2006 and recorded an impairment charge of \$63.4 million in order to reduce the carrying value of certain broadcast licenses and goodwill.

The fair market values of our broadcast licenses and reporting units were determined primarily by using a discounted cash flows approach. We also utilized a market value approach, which included applying current acquisition multiples to broadcast cashflows, in order to validate our results. Several factors and variables contributed to the decrease in the fair market value of certain of our intangible assets, including long-term overall compression in acquisition multiples across the industry.

Other Expense (Income). Interest expense, net of interest income, increased by \$20.1 million, or 88.3%, to \$42.8 million for the year ended December 31, 2006 compared to \$22.7 million for the year ended December 31, 2005. This increase was primarily due to a higher average cost of bank debt and increased levels of bank debt outstanding during the current year, principally the result of the stock repurchase program. The following summary details the components of our interest expense, net of interest (income) (dollars in thousands).

	Year Ended		
	December 31,	2005	Increase/ (Decrease)
	2006		
Bank Borrowings term loan and revolving credit facilities	\$ 47,124	\$ 26,728	\$ 20,396
Bank borrowings yield adjustment interest rate swap	(5,594)	(3,880)	(1,714)
Change in the fair value of interest rate option agreement	(1,107)	(31)	(1,076)

Other interest expense	3,069	999	2,070
Interest income	(725)	(1,101)	376
Interest expense, net	\$ 42,767	\$ 22,715	\$ 20,052

Losses on Early Extinguishment of Debt. Losses on early extinguishments of debt totaled \$2.3 million for the year ended December 31, 2006 as compared with \$1.2 million for the year ended December 31, 2005. Losses in the current year are comprised of previously capitalized loan origination expenses. In connection with the new credit facility, we capitalized approximately \$1.6 million of debt issuance costs, which will be amortized to interest expense over the life of the debt.

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Income Tax Expense. We recorded a tax benefit of \$5.8 million as compared with a \$17.1 million benefit during the prior year. The income tax benefit in both periods is primarily due to the impairment charge on intangible assets.

Station Operating Income. As a result of the factors described above, Station Operating Income increased \$6.7 million to \$120.2 million, an increase of 5.8% from the same period in 2005.

The following table reconciles Station Operating Income to Operating income (loss) as presented in the accompanying consolidated statements of operations (the most directly comparable financial measure calculated and presented in accordance with GAAP) (dollars in thousands):

	Year Ended December 31,	
	2006	2005
Operating income (loss)	\$ (39)	\$ (205,288)
Gain on assets transferred to CMP	(2,548)	
Non cash stock compensation	24,447	3,121
Restructuring charges (credits)		(215)
LMA fees	963	981
Depreciation and amortization	17,420	21,223
Corporate general and administrative	16,565	16,068
Non cash contract termination costs		13,571
Impairment charge	63,424	264,099
Station Operating Income	\$ 120,232	\$ 113,560

Intangible Assets. Intangible assets, net of amortization, were \$1.1 billion and \$1.2 billion as of December 31, 2006 and 2005, respectively. These intangible asset balances primarily consist of broadcast licenses and goodwill, although we possess certain other intangible assets obtained in connection with our acquisitions, such as non-compete agreements. Intangible assets, net, decreased from the prior year primarily due to a \$63.4 million impairment charge taken in the fourth quarter in connection with our annual impairment evaluation of intangible assets.

Pro Forma Year Ended December 31, 2006 versus Year Ended December 31, 2005

The pro forma results for 2006 compared to 2005 presented below exclude the results of the stations contributed to CMP, for the period May through December 31, 2005. The pro forma analysis presented below also excludes the performance of our non-radio subsidiary Broadcast Software International, Inc., referred to as BSI. BSI is our only non-radio broadcasting subsidiary and engages primarily in the sale of a software product utilized solely by the radio broadcasting industry. The entity's results were excluded primarily due to its relative immateriality and in order to provide our stockholders with standalone results of our core business: radio broadcasting. For the year ended December 31, 2006, BSI accounted for approximately 0.6% of our consolidated net revenue (see also the table below for a reconciliation of GAAP results to pro forma results for these periods) (dollars in thousands).

Year Ended	
December 31,	
2006	2005

Net revenues	\$ 332,429	\$ 318,937
Station operating expenses excluding non-cash contract termination costs, depreciation and amortization and LMA fees	212,513	205,750
Station Operating Income	\$ 119,916	\$ 113,187

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	Year Ended December 31, 2006			Year Ended December 31, 2005		
	Historical GAAP	Adjustments (1)(2)	Pro Forma Results	Historical GAAP	Adjustments (3)(4)	Pro Forma Results
Net revenue	334,321	(1,892)	332,429	327,402	(8,465)	318,937
Station operating expenses excluding depreciation and amortization and LMA fees	214,089	(1,576)	212,513	227,413	(21,663)	205,750
Station Operating Income(5)	120,232	(316)	119,916	99,989	13,198	113,187

(1) Reflects the elimination of revenues from BSI of \$1,892.

(2) Reflects the elimination of operating expenses from BSI of \$1,576.

(3) Reflects the elimination of revenues from BSI of \$1,849 and transfer of Houston and Kansas City to CMP \$6,616.

(4) Reflects the elimination of operating expenses from BSI of \$1,654, elimination of non-cash contract termination costs of \$13,571, and stations transferred to CMP \$6,438.

(5) See the preceding quantitative reconciliation of Station Operating Income to operating income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Pro forma net revenues exclude the results of the stations contributed to CMP, for the period May through December, 2005. Net revenues for the twelve months ended December 31, 2006 increased \$13.5 million to \$332.4 million, an increase of 4.2% from the same period in 2005, due to organic growth across our station platform. Pro forma station operating income increased 5.9% from the same period in 2005.

Year Ended December 31, 2005 versus Year Ended December 31, 2004

Net Revenues. Net revenues increased \$7.3 million for the year ended December 31, 2005, or 2.3%, to \$327.4 million, as compared with the year ended December 31, 2004. This increase was primarily attributable to revenues associated with station acquisitions completed in March 2004 in the Rochester, Minnesota and Sioux Falls, South Dakota markets.

In addition, on a same station basis, net revenues for the 275 stations in 56 markets operated for at least a full year increased \$3.3 million or 1.1% to \$301.0 million for the year ended December 31, 2005, compared to net revenues of \$297.7 million for the year ended December 31, 2004. The increase in same station net revenue versus the prior year was primarily attributable to a 4.2% increase in same station local revenues partially offset by a 15.9% decrease in same station national revenues. The local revenue increase for 2005 was driven by an increased revenue share captured in the same station group markets and is reflective of the maturity of these assets.

Station Operating Expenses, excluding Depreciation, Amortization and LMA Fees. Station operating expenses excluding depreciation, amortization and LMA fees increased \$24.9 million, or 12.3%, to \$227.4 million for the year

ended December 31, 2005 from \$202.4 million for the year ended December 31, 2004. For the year ended December 31, 2005 we recorded a non-cash contract termination cost charge totaling \$13.6 million related to the second quarter termination of our national sales representation contract with Interep National Radio Sales, Inc. This non cash charge, coupled with increased expenses associated with the station acquisitions completed in March 2004, are the primary drivers of the increase for the year ended December 31, 2005. The provision for doubtful accounts was \$3.7 million for the year ended December 31, 2005 as compared with \$3.7 million for the year ended December 31, 2004. As a percentage of net revenues, the provision for doubtful accounts was 1% for the year ended December 31, 2005, which was consistent with the prior year.

In addition, on a same station basis, for the 275 stations in 56 markets operated for at least a full year, station operating expenses excluding depreciation, amortization and LMA fees increased \$8.6 million, or 4.6%, to \$196.7 million for the year ended December 31, 2005 compared to \$188.1 million for the year ended December 31, 2004. The increase in same station operating expenses excluding non-cash contract termination costs, depreciation,

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amortization and LMA fees is primarily attributable to (1) increased programming and selling expenses associated with operating our station platform (approximately \$3.0 million of increase) and (2) expenses incurred in our Houston, Texas market associated with the launch of our new news/talk station in the second quarter, coupled with promotional expenses incurred associated with the first quarter launch of our rock station in Houston (approximately \$2.6 million of increase).

Corporate, General and Administrative Expenses. Corporate, general and administrative expenses increased \$3.9 million, or 25.7%, to \$19.2 million for the year ended December 31, 2005 compared to \$15.3 million for the year ended December 31, 2004. This operating increase was primarily attributable to increased legal professional fees and other administrative costs incurred in 2005. Additionally, non cash stock compensation increased by \$3.5 million.

Depreciation and Amortization. Depreciation and amortization increased \$0.1 million, or 0.3%, to \$21.2 million for the year ended December 31, 2005 compared to \$21.2 million for the year ended December 31, 2004.

LMA Fees. LMA fees totaled \$1.0 million and \$3.0 million for the years ended December 31, 2005 and 2004, respectively. Significant components of the current year expense include \$0.2 million associated with our first quarter operation of stations under an LMA agreement in Columbia, Missouri and Jefferson City, Missouri and \$0.5 million of fees related to sales services we provided to one station in Nashville under the terms of a JSA. Significant components of the LMA fees incurred in the prior year include \$2.0 million associated with our operation of the stations in Columbia, Missouri and Jefferson City, Missouri and \$0.5 million associated with the Nashville station.

Impairment Charge. SFAS No. 142 requires us to review the recorded values of our FCC broadcast licenses and goodwill for impairment on an annual basis. We completed our annual evaluation during the fourth quarter of 2005 and recorded an impairment charge of \$264.1 million in order to reduce the carrying value of certain broadcast licenses and goodwill to their respective fair market values.

The fair market values of our broadcast licenses and reporting units were determined primarily by using a discounted cash flows approach. We also utilized a market comparable approach, which included evaluating comparable business sales in the industry, in order to validate our results. Several factors and variables contributed to the decrease in the fair market value of certain of our intangible assets, including a reduction in management's projected future cash flows and long-term revenue growth rates utilized in its discounted cash flows approach and overall compression in acquisition multiples associated with comparable sales in the industry.

Other Expense (Income). Interest expense, net of interest income, increased by \$3.5 million, or 18.3%, to \$22.7 million for the year ended December 31, 2005 compared to \$19.2 million for the year ended December 31, 2004. The following summary details the components of our interest expense, net of interest income (dollars in thousands):

	Year Ended		
	December 31,		
	2005	2004	Increase/ (Decrease)
Bank Borrowings – term loan and revolving credit facilities	\$ 26,728	\$ 17,349	\$ 9,379
Bank borrowings yield adjustment – interest rate swap	(3,880)	1,753	(5,633)
Change in the fair value of interest rate option agreement	(31)	(403)	372
Other interest expense	999	1,171	(172)
Interest income	(1,101)	(673)	(428)

Interest expense, net	\$ 22,715	\$ 19,197	\$ 3,518
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The increase to interest expense was primarily due to a higher average cost of bank debt and increased levels of bank debt outstanding during the current year.

Losses on Early Extinguishment of Debt. Losses on early extinguishments of debt totaled \$1.2 million for the year ended December 31, 2005 as compared with \$2.6 million for the year ended December 31, 2004. Losses in the current year relate to the retirement of our prior credit facility in connection with securing a new \$800 million credit facility in July 2005. Losses in the prior year relate to (1) the completion of an amendment and restatement of our

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then-current credit agreement in January 2004 and the related retirement and replacement of our then-existing eight year term loan facility (\$0.5 million), and (2) the completion of an amendment and restatement of our then-current credit agreement in July 2004 and the related retirement and replacement of our then-existing term loans (\$2.1 million).

Income Tax Expense. We recorded an income tax benefit of \$17.1 million for the year ended December 31, 2005 as compared with income tax expense of \$25.5 million in the prior period. For the current year, we realized an income tax benefit of \$47.4 million related to reversal of certain deferred tax liabilities associated with intangible assets as a result of the impairment charge recorded and described above. This income tax benefit was offset primarily by deferred tax expense recorded to establish valuation allowances against net operating loss carry-forwards generated during the period. Income tax expense in the prior year was comprised entirely of deferred tax expense associated with the establishment of valuation allowances against net operating loss carry-forwards generated during the period.

Station Operating Income. As a result of the factors described above, Station Operating Income decreased \$4.1 million, or 3.5%, to \$113.6 million for the year ended December 31, 2005 compared to \$117.7 million for the year ended December 31, 2004.

The following table reconciles Station Operating Income to Operating income (loss) as presented in the accompanying consolidated statements of operations (the most directly comparable financial measure calculated and presented in accordance with GAAP) (dollars in thousands):

	Year Ended December 31,	
	2005	2004
Operating income (loss)	\$ (205,288)	\$ 78,369
Non cash stock compensation	3,121	(375)
Restructuring charges (credits)	(215)	(108)
LMA fees	981	3,002
Depreciation and amortization	21,223	21,168
Corporate general and administrative	16,068	15,635
Non cash contract termination costs	13,571	
Impairment charge	264,099	
Station Operating Income	\$ 113,560	\$ 117,691

Intangible Assets. Intangible assets, net of amortization, were \$1.2 billion and \$1.4 billion as of December 31, 2005 and 2004, respectively. These intangible asset balances primarily consist of broadcast licenses and goodwill, although we possess certain other intangible assets obtained in connection with our acquisitions, such as non-compete agreements. Intangible assets, net, decreased from the prior year due to an impairment charge and related reduction in their carrying value recorded in connection with our annual impairment evaluation of intangible assets. This decrease was offset by a \$47.8 million increase in intangible assets acquired in acquisitions. Goodwill represents the excess of purchase price over the fair value of tangible assets and specifically identified intangible assets.

Pro Forma Year Ended December 31, 2005 versus Year Ended December 31, 2004

The pro forma results for 2005 compared to 2004 presented below assume that the 310 radio stations in 61 markets that we owned or operated for any portion of 2005 were acquired effective January 1, 2005. The pro forma analysis

presented below excludes the performance of our non-radio subsidiary Broadcast Software International, Inc., referred to as BSI. BSI is our sole non-radio broadcasting subsidiary and engages primarily in the sale of a software product utilized solely by the radio broadcasting industry. The entity's results were excluded primarily due to their relative immateriality and in order to provide our stockholders with standalone, comparable results of our core business: radio broadcasting. For the year ended December 31, 2005, BSI accounted for approximately 0.6% of our consolidated net revenue (see also the table below for a reconciliation of GAAP results to pro forma results for these periods) (dollars in thousands).

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	Year Ended December 31,	
	2005	2004
Net revenues	\$ 325,553	\$ 322,828
Station operating expenses excluding non-cash contract termination costs, depreciation and amortization and LMA fees	212,188	204,704
Station Operating Income	\$ 113,365	\$ 118,124

Reconciliation Between Historical GAAP Results and Pro Forma Results

	Year Ended December 31, 2005			Year Ended December 31, 2004		
	Historical GAAP	Adjustments(1)(2)	Pro Forma Results	Historical GAAP	Adjustments(3)(4)	Pro Forma Results
Net revenue	\$ 327,402	\$ (1,849)	\$ 325,553	\$ 320,132	\$ 2,696	\$ 322,828
Station operating expenses excluding depreciation and amortization and LMA fees	227,413	(15,225)	212,188	202,441	2,263	204,704
Station Operating Income(5)	\$ 99,989	\$ 13,376	\$ 113,365	\$ 117,691	\$ 433	\$ 118,124

(1) Reflects the elimination of revenues from BSI of \$1,849.

(2) Reflects the elimination of operating expenses from BSI of \$1,654, elimination of non-cash contract termination costs of \$13,571.

(3) Reflects the addition of revenues from Rochester, Minnesota, Sioux Falls, South Dakota, Blacksburg, Virginia, Columbia, Missouri and Jefferson City, Missouri, all of which we commenced operating under the terms of a local marketing agreement or acquired during 2004 (\$4.5 million), offset by the elimination of revenues from BSI (\$1.8 million).

(4) Reflects the addition of expenses from Rochester, Minnesota, Sioux Falls, South Dakota, Blacksburg, Virginia and Columbia-Jefferson City, Missouri, all of which we commenced operating under the terms of a local marketing agreement or acquired during 2004 (\$3.7 million), offset by the elimination of operating expenses from BSI (\$1.4 million).

(5) See the preceding quantitative reconciliation of Station Operating Income to operating income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Pro forma net revenues for the year ended December 31, 2005 increased 0.8% to \$325.6 million from \$322.8 million in the prior year. Pro forma station operating expenses excluding non-cash contract termination costs, depreciation, amortization and LMA fees for the year ended December 31, 2005 increased 3.6% to \$212.2 million from \$204.7 million in the prior year.

Seasonality

We expect that our operations and revenues will be seasonal in nature, with generally lower revenue generated in the first quarter of the year and generally higher revenue generated in the second an