

ENTERCOM COMMUNICATIONS CORP
Form 10-Q
August 03, 2006

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2006

or

☐ **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: 001-14461

Entercom Communications Corp.

(Exact name of registrant as specified in its charter)

Pennsylvania

(State or other jurisdiction of incorporation or organization)

23-1701044

(I.R.S. employer identification no.)

401 City Avenue, Suite 809

Bala Cynwyd, Pennsylvania 19004

(Address of principal executive offices and zip code)

(610) 660-5610

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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 whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

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Large accelerated filer ☒ x

Accelerated filer ☐ o

Non-accelerated filer ☐ o

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class A common stock, \$.01 par value 32,064,083 Shares Outstanding as of July 25, 2006

Class B common stock, \$.01 par value 8,271,805 Shares Outstanding as of July 25, 2006

ENTERCOM COMMUNICATIONS CORP.

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Private Securities Litigation Reform Act Safe Harbor Statement

This report contains, in addition to historical information, statements by us with regard to our expectations as to financial results and other aspects of our business that involve risks and uncertainties and may constitute forward- looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Forward-looking statements are presented for illustrative purposes only and reflect our current expectations concerning future results and events. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including, without limitation, any projections of earnings, revenues or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

You can identify these forward-looking statements by our use of words such as anticipates, believes, continues, expects, intends, likely, opportunity, plans, potential, project, will, and similar expressions to identify forward-looking statements, whether in the negative or the affirmative. We cannot guarantee that we actually will achieve these plans, intentions or expectations. These forward-looking statements are subject to risks, uncertainties and other factors, some of which are beyond our control, which could cause actual results to differ materially from those forecasted or anticipated in such forward-looking statements. You should not place undue reliance on these forward-looking statements, which reflect our view only as of the date of this report. We undertake no obligation to update these statements or publicly release the result of any revision(s) to these statements to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Key risks to our company are described in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 24, 2006 and as may be supplemented by the risks described herein under Part II, Item 1A, of our quarterly report on Form 10-Q.

PART I**FINANCIAL INFORMATION****ITEM 1. Financial Statements**

ENTERCOM COMMUNICATIONS CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2006 AND DECEMBER 31, 2005
(amounts in thousands)
(unaudited)

ASSETS

| | JUNE 30, 2006 | DECEMBER 31, 2005 |
|---|--------------------------|------------------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 15,254 | \$ 16,071 |
| Accounts receivable, net of allowance for doubtful accounts | 85,779 | 76,927 |
| Prepaid expenses and deposits | 6,847 | 6,521 |
| Prepaid and refundable income taxes | 8,314 | 6,362 |
| Deferred tax assets | 3,232 | 3,002 |
| Total current assets | 119,426 | 108,883 |
| INVESTMENTS | 3,960 | 6,251 |
| PROPERTY AND EQUIPMENT: | | |
| Land, land easements and land improvements | 14,461 | 14,510 |
| Buildings | 18,945 | 14,462 |
| Equipment | 109,391 | 107,626 |
| Furniture and fixtures | 14,559 | 14,668 |
| Leasehold improvements | 15,098 | 15,098 |
| | 172,454 | 166,364 |
| Accumulated depreciation | (88,186) | (81,604) |
| | 84,268 | 84,760 |
| Capital improvements in progress | 4,598 | 6,052 |
| Net property and equipment | 88,866 | 90,812 |
| RADIO BROADCASTING LICENSES - Net | 1,321,598 | 1,321,598 |
| GOODWILL - Net | 157,227 | 157,227 |
| DEFERRED CHARGES AND OTHER ASSETS - Net | 13,486 | 12,987 |
| TOTAL | \$ 1,704,563 | \$ 1,697,758 |

See notes to condensed consolidated financial statements.

ENTERCOM COMMUNICATIONS CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
JUNE 30, 2006 AND DECEMBER 31, 2005
(amounts in thousands)
(unaudited)

LIABILITIES AND SHAREHOLDERS' EQUITY

| | JUNE 30, 2006 | DECEMBER 31, 2005 |
|---|--------------------------|------------------------------|
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 3,090 | \$ 1,326 |
| Accrued expenses | 12,469 | 19,240 |
| Accrued liabilities: | | |
| Salaries | 7,494 | 7,076 |
| Interest | 4,581 | 4,438 |
| Advertiser obligations and commissions | 1,656 | 1,670 |
| Other | 2,880 | 1,188 |
| Current portion of long-term debt | 19 | 19 |
| Total current liabilities | 32,189 | 34,957 |
| LONG-TERM LIABILITIES: | | |
| Senior debt | 519,230 | 427,240 |
| 7.625% senior subordinated notes | 150,000 | 150,000 |
| Deferred tax liabilities | 211,004 | 192,783 |
| Other long-term liabilities | 6,974 | 7,063 |
| Total long-term liabilities | 887,208 | 777,086 |
| Total liabilities | 919,397 | 812,043 |
| SHAREHOLDERS' EQUITY: | | |
| Preferred stock | | |
| Class A, B and C common stock | 403 | 428 |
| Additional paid-in capital | 642,829 | 738,384 |
| Retained earnings | 142,344 | 148,141 |
| Unearned compensation for unvested shares of restricted stock | | (2,242) |
| Accumulated other comprehensive income (loss) | (410) | 1,004 |
| Total shareholders' equity | 785,166 | 885,715 |
| TOTAL | \$ 1,704,563 | \$ 1,697,758 |

See notes to condensed consolidated financial statements.

ENTERCOM COMMUNICATIONS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(amounts in thousands, except share and per share data)
(unaudited)

| | SIX MONTHS ENDED | |
|---|-------------------------|-------------|
| | JUNE 30, | |
| | 2006 | 2005 |
| NET REVENUES | \$ 207,594 | \$ 213,796 |
| OPERATING (INCOME) EXPENSE: | | |
| Station operating expenses, including non-cash compensation expense of \$275 in 2006 | 125,807 | 124,001 |
| Depreciation and amortization | 7,849 | 7,983 |
| Corporate general and administrative expenses, including non-cash compensation expense of \$1,499 in 2006 and \$446 in 2005 | 12,490 | 9,598 |
| Time brokerage agreement income | | (24) |
| Net (gain) loss on sale or disposal of assets | 145 | (5,492) |
| Total operating expense | 146,291 | 136,066 |
| OPERATING INCOME | 61,303 | 77,730 |
| OTHER (INCOME) EXPENSE: | | |
| Interest expense, including amortization of deferred financing costs of \$658 in each of 2006 and 2005 | 20,750 | 14,002 |
| Interest income | (286) | (134) |
| Dividend income from investments | (49) | |
| Net gain on derivative instruments | (509) | (544) |
| Gain on investments | | (1,069) |
| TOTAL OTHER EXPENSE | 19,906 | 12,255 |
| INCOME BEFORE INCOME TAXES | 41,397 | 65,475 |
| INCOME TAXES | 16,511 | 24,963 |
| NET INCOME | \$ 24,886 | \$ 40,512 |
| NET INCOME PER SHARE - BASIC | \$ 0.62 | \$ 0.87 |
| NET INCOME PER SHARE - DILUTED | \$ 0.61 | \$ 0.86 |
| DIVIDENDS PER SHARE | \$ 0.76 | \$ |
| WEIGHTED AVERAGE SHARES: | | |
| Basic | 40,456,672 | 46,739,220 |
| Diluted | 40,628,271 | 47,021,613 |

See notes to condensed consolidated financial statements.

ENTERCOM COMMUNICATIONS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(amounts in thousands, except share and per share data)
(unaudited)

| | THREE MONTHS ENDED JUNE 30, | |
|---|--|------------------|
| | 2006 | 2005 |
| NET REVENUES | \$ 116,459 | \$ 119,489 |
| OPERATING (INCOME) EXPENSE: | | |
| Station operating expenses, including non-cash compensation expense of \$215 in 2006 | 66,241 | 65,493 |
| Depreciation and amortization | 3,926 | 3,947 |
| Corporate general and administrative expenses, including non-cash compensation expense of \$1,288 in 2006 and \$217 in 2005 | 6,529 | 4,618 |
| Net loss on sale or disposal of assets | 270 | 41 |
| Total operating expense | 76,966 | 74,099 |
| OPERATING INCOME | 39,493 | 45,390 |
| OTHER (INCOME) EXPENSE: | | |
| Interest expense, including amortization of deferred financing costs of \$329 in each of 2006 and 2005 | 11,066 | 7,384 |
| Interest income | (151) | (78) |
| Dividend income from investments | (25) | |
| Net (gain) loss on derivative instruments | (213) | 166 |
| Gain on investments | | (1,028) |
| TOTAL OTHER EXPENSE | 10,677 | 6,444 |
| INCOME BEFORE INCOME TAXES | 28,816 | 38,946 |
| INCOME TAXES | 11,685 | 14,671 |
| NET INCOME | \$ 17,131 | \$ 24,275 |
| NET INCOME PER SHARE - BASIC AND DILUTED | \$ 0.43 | \$ 0.53 |
| DIVIDENDS PER SHARE | \$ 0.38 | \$ |
| WEIGHTED AVERAGE SHARES: | | |
| Basic | 39,572,195 | 45,855,140 |
| Diluted | 39,797,280 | 46,135,783 |

See notes to condensed consolidated financial statements.

ENTERCOM COMMUNICATIONS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(amounts in thousands)
(unaudited)

| | SIX MONTHS ENDED | |
|---|-------------------------|-------------|
| | JUNE 30, | 2005 |
| | 2006 | |
| NET INCOME | \$ 24,886 | \$ 40,512 |
| OTHER COMPREHENSIVE LOSS, NET OF TAX BENEFIT: | | |
| Unrealized loss on investments, net of a tax benefit of \$896 in 2006 and \$680 in 2005 | (1,414) | (1,078) |
| COMPREHENSIVE INCOME | \$ 23,472 | \$ 39,434 |

See notes to condensed consolidated financial statements.

ENTERCOM COMMUNICATIONS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
THREE MONTHS ENDED JUNE 30, 2006 AND 2005
(amounts in thousands)
(unaudited)

| | THREE MONTHS ENDED | |
|---|---------------------------|-------------|
| | JUNE 30, | |
| | 2006 | 2005 |
| NET INCOME | \$ 17,131 | \$ 24,275 |
| OTHER COMPREHENSIVE LOSS, NET OF TAX BENEFIT: | | |
| Unrealized loss on investments, net of a tax benefit of \$702 in 2006 and \$798 in 2005 | (1,107) | (1,265) |
| COMPREHENSIVE INCOME | \$ 16,024 | \$ 23,010 |

See notes to condensed consolidated financial statements.

ENTERCOM COMMUNICATIONS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2006 AND YEAR ENDED DECEMBER 31, 2005
(amounts in thousands, except share data)
(unaudited)

| | Common Stock Class A | | Class B | | Additional | Retained | Unearned | Other | |
|--|-------------------------|--------|-----------|--------|--------------------|------------|--------------|-----------------------------------|------------|
| | Shares | Amount | Shares | Amount | Paid-in Capital | Earnings | Compensation | Comprehensive Income (Loss) | Total |
| Balance, December 31, 2004 | 40,364,085 | \$ 404 | 8,271,805 | \$ 82 | \$ 925,883 | \$ 69,780 | \$ (2,853) | \$ 2,777 | \$ 996,073 |
| Net income | | | | | | 78,361 | | | 78,361 |
| Compensation expense valuation adjustment for restricted stock issued in 2004 | | | | | (204) | | 204 | | |
| Compensation expense related to granting of restricted stock | 15,015 | | | | 466 | | 407 | | 873 |
| Tax benefit adjustment related to the issuance of restricted stock | | | | | 251 | | | | 251 |
| Issuance of Class A common stock related to an incentive plan | 18,540 | | | | 509 | | | | 509 |
| Exercise of stock options | 5,874 | | | | 175 | | | | 175 |
| Tax benefit adjustment related to option exercises | | | | | (391) | | | | (391) |
| Class A common stock repurchase | (5,793,400) | (58) | | | (188,305) | | | | (188,363) |
| Net unrealized loss on investments | | | | | | | | (1,773) | (1,773) |
| Balance, December 31, 2005 | 34,610,114 | \$ 346 | 8,271,805 | \$ 82 | \$ 738,384 | \$ 148,141 | \$ (2,242) | \$ 1,004 | \$ 885,715 |
| Net income | | | | | | 24,886 | | | 24,886 |
| Reclassification of unearned compensation | | | | | (2,242) | | 2,242 | | |
| Compensation expense related to granting of stock options | | | | | 57 | | | | 57 |
| Compensation expense related to granting of restricted stock | 717,475 | 7 | | | 1,505 | | | | 1,512 |
| Issuance of Class A common stock related to an | 12,583 | | | | 333 | | | | 333 |

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See notes to condensed consolidated financial statements.

ENTERCOM COMMUNICATIONS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(amounts in thousands)
(unaudited)

| | SIX MONTHS ENDED | |
|---|-------------------------|------------------|
| | JUNE 30, | 2005 |
| | 2006 | |
| OPERATING ACTIVITIES: | | |
| Net income | \$ 24,886 | \$ 40,512 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization (includes amortization of station operating expenses of \$5 in each of 2006 and 2005) | 7,854 | 7,988 |
| Amortization of deferred financing costs | 658 | 658 |
| Deferred taxes | 18,266 | 17,369 |
| Tax benefit on exercise of options | 11 | 11 |
| Provision for bad debts | 1,174 | 1,701 |
| (Gain) loss on dispositions and exchanges of assets | 145 | (5,492) |
| Non-cash stock-based compensation expense | 1,774 | 446 |
| Gain on investments | | (1,069) |
| Net gain on derivative instruments | (509) | (544) |
| Deferred rent | 52 | 725 |
| Unearned revenue - long-term | (18) | 361 |
| Deferred compensation | 451 | 371 |
| Changes in assets and liabilities (net of effects of acquisitions and dispositions): | | |
| Accounts receivable | (10,022) | (10,745) |
| Prepaid expenses and deposits | (325) | (4,452) |
| Prepaid and refundable income taxes | (1,952) | 575 |
| Accounts payable and accrued liabilities | (4,648) | 2,476 |
| Net cash provided by operating activities | 37,797 | 50,891 |
| INVESTING ACTIVITIES: | | |
| Additions to property and equipment | (5,949) | (4,822) |
| Proceeds from sale of property, equipment, intangibles and other assets | 277 | 7,823 |
| Deferred charges and other assets | (143) | (78) |
| Purchases of investments | (48) | (52) |
| Proceeds from investments | 29 | 2,261 |
| Station acquisition deposits and costs | 601 | (3,591) |
| Net cash provided by (used in) investing activities | (5,233) | 1,541 |
| FINANCING ACTIVITIES: | | |
| Proceeds from issuance of long-term debt | 111,000 | 98,000 |
| Payments of long-term debt | (19,009) | (57,509) |
| Proceeds from issuance of stock under the employee stock plan | 284 | 278 |
| Purchase of the Company's Class A common stock | (95,498) | (94,071) |
| Proceeds from the exercise of stock options | 247 | 132 |
| Payment of cash dividends | (30,405) | |
| Net cash used in financing activities | (33,381) | (53,170) |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (817) | (738) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | 16,071 | 11,844 |
| CASH ADJUSTMENT FOR REVERSAL OF DECONSOLIDATED SUBSIDIARIES | | 2 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | \$ 15,254 | \$ 11,108 |

See notes to condensed consolidated financial statements.

ENTERCOM COMMUNICATIONS CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
SIX MONTHS ENDED JUNE 30, 2006 AND 2005
(amounts in thousands, except share data)
(unaudited)

| | SIX MONTHS ENDED | |
|---|-------------------------|-------------|
| | JUNE 30, | |
| | 2006 | 2005 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Cash paid during the period for: | | |
| Interest | \$ 19,948 | \$ 13,356 |
| Income taxes paid | \$ 52 | \$ 6,874 |

SUPPLEMENTAL DISCLOSURES ON NON-CASH INVESTING AND FINANCING ACTIVITIES -

For the six months ended June 30, 2006 and 2005, the Company increased its additional paid-in-capital by \$16.4 million and \$0.5 million, respectively, in connection with the issuance of certain awards of Restricted Stock for 717,475 shares and 13,550 shares, respectively, of Class A common stock.

For the six months ended June 30, 2005, the Company decreased its additional paid-in-capital by \$0.4 million in connection with tax benefits associated with the exercise of stock options.

See notes to condensed consolidated financial statements.

ENTERCOM COMMUNICATIONS CORP.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
SIX MONTHS ENDED JUNE 30, 2006 AND 2005

1. BASIS OF PRESENTATION

The condensed consolidated interim unaudited financial statements included herein have been prepared by Entercom Communications Corp. and its subsidiaries (collectively, the Company) in accordance with: (i) generally accepted accounting principles for interim financial information; and (ii) the instructions of the Securities and Exchange Commission (the SEC) for Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the financial statements reflect all adjustments considered necessary for a fair statement of the results of operations and financial position for the interim periods presented. All such adjustments are of a normal, recurring nature. The Company's results are subject to seasonal fluctuations and, therefore, the results shown on an interim basis are not necessarily indicative of results for a full year.

This Form 10-Q should be read in conjunction with the financial statements and notes thereto included in the Company's audited financial statements as of and for the year ended December 31, 2005 and filed with the SEC on February 24, 2006, as part of the Company's Annual Report on Form 10-K.

Principles Of Consolidation

The accompanying condensed consolidated financial statements include the accounts of Entercom Communications Corp. and its subsidiaries, all of which are wholly-owned. All inter-company transactions and balances have been eliminated in consolidation. The Company also considers the applicability of Financial Accounting Standards Board (FASB) Financial Interpretation No. (FIN) 46R (as revised), *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*, which would include any variable interest entities that are required to be consolidated by the primary beneficiary.

Reportable Segment

The Company operates under one reportable business segment, radio broadcasting, for which segment disclosure is consistent with the management decision-making process that determines the allocation of resources and the measuring of performance.

Use Of Estimates

The Company makes estimates and assumptions that affect the amounts reported in the financial statements and the disclosures made in the accompanying notes. The Company uses estimates to determine the remaining economic lives and carrying values of property and equipment and other definite-lived intangible assets. The Company estimates the fair value of the Company's radio broadcasting licenses and goodwill for purposes of testing for impairment. The Company also uses assumptions when employing the Black-Scholes valuation model to estimate the fair value of stock options and lattice models for certain restricted stock units (see Note 2). Despite the Company's intention to establish accurate estimates and assumptions, actual results may differ from the Company's estimates.

Sports Programming Costs

The Company records the costs associated with sports programming agreements in accordance with Statement of Financial Accounting Standards (SFAS) No. 63, *Financial Reporting by Broadcasters*. Programming costs which are for a specified number of events are amortized on an event-by-event basis, and programming costs which are for a specified season are amortized over the season on a straight-line basis.

Recent Accounting Pronouncements

FIN 48

On July 13, 2006, the FASB issued FIN 48, *Accounting For Uncertainty In Income Taxes, And Related Implementation Issues* that provides guidance on the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions that a company has taken or expects to take on a tax return. Under FIN 48, financial statements should reflect expected future tax consequences of such positions presuming the taxing authorities have full knowledge of the position and all relevant facts. The interpretation also revises the disclosure requirements and

is

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effective for the Company as of January 1, 2007. The Company is currently evaluating FIN 48 and its effect on the Company's financial position, results of operations or cash flows.

FSP No. FAS 13-1

On October 6, 2005, the FASB issued Staff Position (FSP) No. FAS 13-1 that addresses the accounting for rental costs associated with operating leases that are incurred during a construction period. Under FSP No. FAS 13-1, rental costs associated with ground or building operating leases, that are incurred during a construction period, shall be recognized as rental expense and included in income from continuing operations. The guidance in this FSP was effective January 1, 2006. The adoption of FSP No. FAS 13-1 did not have a material effect on the Company's financial position, results of operations or cash flows.

SFAS No. 154

On June 1, 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, which requires entities that voluntarily make a change in accounting principle to apply that change retrospectively to prior periods' financial statements, unless this would be impracticable. SFAS No. 154 supersedes Accounting Principles Board (APB) Opinion No. 20, *Accounting Changes*, which previously required that most voluntary changes in accounting principle be recognized by including in the current period's net income the cumulative effect of changing to the new accounting principle. SFAS No. 154 makes a distinction between retrospective application of an accounting principle and the restatement of financial statements to reflect the correction of an error. In addition, another significant change in practice under SFAS No. 154 is that if an entity changes its method of depreciation, amortization, or depletion for long-lived, non-financial assets, the change must be accounted for as a change in accounting estimate. Under APB Opinion No. 20, such a change would have been reported as a change in accounting principle. SFAS No. 154 applies to accounting changes and error corrections that were made by the Company beginning January 1, 2006. The adoption of SFAS No. 154 did not have a material effect on the Company's financial position, results of operations or cash flows.

2. SHARE-BASED COMPENSATION

Under the Entercom Equity Compensation Plan (the Plan), the Company may issue up to 10.0 million shares of Class A common stock (on January 1 of each year, the 10.0 million shares authorized increases by an amount of up to 1.5 million). As of June 30, 2006, 2.3 million shares are available for future grant. The Plan allows for key employees, directors and consultants to receive share-based compensation awards. The restricted stock units and options that have been issued vest over periods of up to four years. The options expire ten years from the date of grant. The Company issues new shares upon the exercise of stock options and the issuance of restricted stock (or restricted stock units).

On December 13, 2005, the Company accelerated the vesting of unvested out-of-the-money options with grant dates prior to January 1, 2005 and with exercise prices above \$29.27 per share, that were held by employees, officers and directors. The primary purpose of accelerating the vesting was to avoid recognizing pretax stock-based compensation expense of \$18.5 million in future periods under SFAS No. 123R for the subject options. The vesting of options to purchase approximately 2.1 million shares of the Company's Class A common stock with exercise prices ranging from \$31.67 per share to \$57.15 per share, with a weighted average exercise price of \$42.56 per share, was accelerated, including options to purchase 645,831 shares held by the Company's executive officers and options to purchase 38,750 shares held by the Company's non-employee directors. All other terms of the awards remain unchanged.

Adoption Of SFAS No. 123R

On January 1, 2006, the Company adopted SFAS No. 123R, as revised, *Share-Based Payment*, which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases based on estimated fair values. SFAS No. 123R supersedes the Company's previous accounting under ABP Opinion No. 25. In March 2005, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) No. 107 relating to SFAS No. 123R. The Company has applied the provisions of SAB No. 107 in its adoption of SFAS No. 123R.

The Company determined its additional paid-in capital pool as of December 31, 2005 without the use of the transition method allowed under FASB FSP No. FAS 123R-3, *Transition Election Related to Accounting for Tax Effects of Share-Based Payment Award*, that was issued on November 10, 2005. The purpose of determining the additional paid-in capital pool was to establish the excess tax benefits related to share-based payment awards that will be available to absorb tax deficiencies recognized subsequent to the adoption of SFAS No. 123R.

SFAS No. 123R requires companies to estimate the fair value of share-based payment awards on the date of grant using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as

expense over the requisite service periods in the Company's consolidated statement of operations. Prior to the adoption of SFAS No. 123R, the Company accounted for stock-based awards to employees and directors using the intrinsic value method in accordance with APB Opinion No. 25 as allowed under SFAS No. 123. Under the intrinsic value method, stock-based compensation expense was recognized in the Company's consolidated statement of operations for: (1) stock options granted to employees when the exercise price was less than the fair market value of the underlying stock at the date of grant; (2) for certain holders of stock options where the exercise period was extended; and (3) the granting of restricted stock units.

Stock-based compensation expense recognized in the Company's condensed consolidated statement of operations for the six months and three months ended June 30, 2006 included compensation expense for share-based payment awards granted subsequent to December 31, 2005 based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R and compensation expense for share-based payment awards granted prior to, but not yet vested as of, January 1, 2006 based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123. The Company used the straight-line single option method for recognizing compensation expense under SFAS No. 123 and SFAS No. 123R. For the six months and three months ended June 30, 2006, stock-based compensation expense, which is based on awards ultimately expected to vest, was reduced for estimated forfeitures. SFAS No. 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Under the provisions of SFAS No. 123, for the periods prior to January 1, 2006, the Company accounted for forfeitures as they occurred.

The Company chose to use the modified prospective application implementation strategy. Accordingly, the financial statements for the six months and three months ended June 30, 2005 were not restated but disclosure of the pro forma effect on net income for the six months and three months ended June 30, 2005, prior to adoption of SFAS No. 123R, is included below in Note 2, Share-Based Compensation - Pro Forma Information Under SFAS No. 123. If SFAS No. 123R had been adopted for the six months and three months ended June 30, 2005, net income would have been negatively impacted by \$5.0 million and \$2.5 million, respectively (\$0.11 per basic and \$ 0.10 per fully diluted share and \$0.06 per basic and fully diluted share, respectively).

Options

Valuation Model

The Company used the Black-Scholes option-pricing model method of valuation for share-based awards under the provisions of SFAS No. 123 for grants awarded prior to January 1, 2006. The Company's determination of the fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, and actual and projected employee stock option exercise behaviors. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. The Company's stock options have certain characteristics that may be different from traded options, and changes in the subjective assumptions can affect the estimated value.

Valuation Model Assumptions

The Company applied modification accounting under the provisions of SFAS No. 123R for those options subject to the option exchange program as described below under Note 2 - Option Exchange Program. It was not necessary for the Company to apply the option-pricing model method of valuation for share-based awards issued under the provisions of SFAS No. 123R as there were no options granted during the six months ended June 30, 2006.

For the six months and three months ended June 30, 2005, the fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

| | Six and Three Months Ended June 30, 2005 |
|--------------------------------|--|
| Expected life (years) | 5 |
| Expected volatility factor (%) | 22 |
| Risk-free interest rate (%) | 4.0 |
| Expected dividend yield (%) | |

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The expected volatility was based on the historical volatility of the Company's stock. The observation of the volatility was on a daily basis. In determining the expected term, the Company used its historical share option exercise

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experience of similar grants as the best estimate of future exercise patterns. The risk-free rate was consistent with the expected term of the stock options and was based on the U.S. Treasury yield curve in effect at the time of the grant. The dividend yield assumption was based on the Company's history and expectation of dividend payouts.

The weighted average fair value of each option granted for the six and three months ended June 30, 2005 was \$9.38 and \$9.31, respectively.

Option Activity

During the six months ended June 30, 2005, the Company issued non-qualified options to purchase 0.1 million shares of its Class A Common Stock at prices per share ranging from \$32.17 to \$35.05 and decreased its additional paid-in capital by \$0.4 million in connection with tax benefits associated with the exercise of stock options. All of these options vest over a four-year period.

The total intrinsic value of options exercised was \$30 thousand and \$28 thousand during the six months ended June 30, 2006 and 2005, respectively. Cash received from stock option exercises for the six months ended June 30, 2006 and 2005 was \$247 thousand and \$143 thousand, respectively. The income tax benefit from stock option exercises was \$11 thousand for each of the six month periods ended June 30, 2006 and 2005.

The following table presents the option activity under our stock option plan for the six months ended June 30, 2006:

| | Number of Options (amounts in thousands) | Weighted- Average Exercise Price | Weighted- Average Remaining Contractual Term | Aggregate Intrinsic Value As of June 30, 2006 |
|---|--|---|--|--|
| Options outstanding as of December 31, 2005 | 6,159,838 | \$ 41.35 | | |
| Options granted | | \$ | | |
| Options exercised | (9,111) | \$ 27.11 | | |
| Options forfeited | (1,500) | \$ 33.90 | | |
| Options expired | (166,498) | \$ 43.92 | | |
| Outstanding as of June 30, 2006 | 5,982,729 | \$ 41.30 | 5.9 | \$ 1,436,277 |
| Options vested and expected to vest as of June 30, 2006 | 5,973,952 | \$ 41.31 | 5.9 | \$ 1,436,277 |
| Options vested and exercisable as of June 30, 2006 | 5,933,479 | \$ 41.37 | 5.8 | \$ 1,436,277 |
| Weighted average remaining recognition period in years | 1.7 | | | |

As of June 30, 2006, \$0.3 million of accumulated unrecognized compensation costs related to unvested stock options, net of forfeitures, is expected to be recognized in future periods over a weighted average period of 1.7 years.

The following table summarizes significant ranges of outstanding and exercisable options as of June 30, 2006:

| | | Options Outstanding | | | Options Exercisable | |
|-----------------|---------|---------------------|-------------|----------|---------------------|----------|
| | | Number of | Weighted | Weighted | Number of | Weighted |
| | | Options | Average | Average | Options | Average |
| | | Outstanding | Remaining | Exercise | Exercisable | Exercise |
| | | at June 30, | Contractual | Price | at June 30, | Price |
| | | 2006 | Life | | 2006 | |
| Exercise Prices | | | | | | |
| \$18.00 | \$31.67 | 752,000 | 3.9 | \$ 25.42 | 738,000 | \$ 25.34 |
| \$31.69 | \$34.44 | 87,000 | 6.6 | \$ 33.76 | 52,125 | \$ 33.76 |
| \$35.05 | \$35.05 | 980,750 | 8.4 | \$ 35.05 | 980,375 | \$ 35.05 |
| \$35.06 | \$42.88 | 818,731 | 4.4 | \$ 40.68 | 818,731 | \$ 40.68 |
| \$43.15 | \$44.63 | 59,250 | 4.8 | \$ 43.89 | 59,250 | \$ 43.89 |
| \$45.03 | \$45.03 | 997,916 | 6.7 | \$ 45.03 | 997,916 | \$ 45.03 |
| \$45.36 | \$47.82 | 600,400 | 3.7 | \$ 46.85 | 600,400 | \$ 46.85 |
| \$48.00 | \$57.63 | 1,686,682 | 6.3 | \$ 48.42 | 1,686,682 | \$ 48.42 |
| | | 5,982,729 | | | 5,933,479 | |

Restricted Stock Units

Based upon trends in long-term compensation awards and market conditions, the Company modified its approach towards equity compensation awards issued to its key employees by granting a combination of restricted stock units with service conditions and restricted stock units with service and market conditions, in lieu of stock options. The adoption of SFAS No. 123R resulted in certain changes to the Company's accounting for its restricted stock units. The fair value of restricted stock units with service conditions is estimated based on the market value stock price on the date of the grant, and the fair value of restricted stock units with service and market conditions is estimated using a lattice model as described below.

Restricted Stock Units With Service And Market Conditions

During the six months and three months ended June 30, 2006, the Company issued to its executive officers 240,000 restricted stock units with service and market conditions. These shares will vest based on the achievement of market conditions, which are specified stock price appreciation milestones over a period of less than four years. Shares will vest if a particular milestone is reached and maintained, based upon the closing price of the Company's stock on the New York Stock Exchange for ten consecutive trading days. The market condition allows for vesting of portions of the award as each milestone is reached. In the event the market condition is not satisfied and the service period is fulfilled, the compensation expense is not reversed.

Valuation Model For Restricted Stock Units With Service And Market Conditions

To determine the fair value of restricted stock units with service conditions and market conditions, the Company used the Monte Carlo simulation model. The Company's determination of the fair value was based on the number of shares granted, the Company's stock price on the date of grant and the use of certain assumptions regarding a number of highly complex and subjective variables. If other reasonable assumptions are used, the results may differ. The Company used the following assumptions when applying the Monte Carlo simulation model:

Expected Volatility Term Structure - The Company estimated the volatility term structure of an amount that ranged between 19% and 23% using: (1) the historical volatility of its stock; and (2) the implied volatility provided by its traded options from a trailing month's average of the closing bid-ask price quotes.

Risk-Free Interest Rate - The Company estimated the risk-free interest rate at 5.1% based upon the implied yield available on U.S. Treasury issues using a constant maturity treasury bond rate as of the date of grant.

Expected Dividends - The Company calculated the expected dividend yield of 5.3% by annualizing the cash dividend declared by the Company's Board of Directors for the current quarter and dividing that result by the closing stock price on the date of grant.

The Company calculated a derived service period of approximately 14 months using the Monte Carlo simulation model to calculate a range of possible future stock prices for the Company. The weighted average expected fair value of the restricted stock units with market and service

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conditions was \$11.89 per share and is amortized over the derived service periods. If vesting occurs as a result of market performance of the Company's common stock, the compensation expense related to the vested awards that have not previously been amortized is recognized upon vesting.

Restricted Stock Unit Activity

The total number of restricted stock units expected to vest is adjusted by estimated forfeitures. As of June 30, 2006, there was \$17.0 million of unamortized compensation expense, net of estimated forfeitures, related to unvested restricted stock units, which is expected to be recognized over a remaining weighted-average recognition period of 1.9 years. The unamortized compensation expense of \$2.2 million related to unvested restricted stock units was recorded as unearned compensation for unvested shares of restricted stock in shareholders' equity at December 31, 2005. In connection with the adoption of SFAS No. 123R on January 1, 2006, such amount was reclassified to a component of paid-in capital. During the six months ended June 30, 2006 and 2005, 38 units and 2,152 units, respectively, of restricted stock were released. There were no releases of restricted stock units during the three months ended June 30, 2006 and 2005.

During the six months ended June 30, 2006, the Company issued 718 thousand units of restricted stock at a weighted average fair value of \$22.86 and increased its additional paid-in capital by \$16.4 million (amounts include restricted stock units issued with service and market conditions). During the six months ended June 30, 2005, the Company issued 14 thousand units of restricted stock (net of 450 forfeited units) at a weighted average fair value of \$31.90 and increased its additional paid-in capital by \$0.5 million (net of a valuation adjustment from previously issued shares of restricted stock).

A summary of the Company's outstanding restricted stock units as of June 30, 2006, and changes in restricted stock units under the Plan during the six months ended June 30, 2006, is as follows:

| | Number of Restricted Stock Units (amounts in thousands) | Weighted- Average Purchase Price | Weighted- Average Remaining Contractual Term | Aggregate Intrinsic Value As Of June 30, 2006 |
|--|---|---|--|---|
| Restricted stock units outstanding as of December 31, 2005 | 104,055 | \$ | | |
| Restricted stock units awarded | 718,337 | | | |
| Restricted stock units released | (38) | | | |
| Restricted stock units forfeited | (862) | | | |
| Restricted stock units outstanding as of June 30, 2006 | 821,492 | \$ | 2.7 | \$ 21,490,231 |
| Restricted stock units expected to vest | 815,582 | \$ | 2.7 | \$ 21,335,625 |
| Restricted stock units exercisable (vested and deferred) | 5,910 | \$ | 0.0 | \$ 154,606 |
| Weighted average remaining recognition period in years | 1.9 | | | |

Recognized Non-Cash Compensation Expense

Stock-based compensation expense recognized under SFAS No. 123R for the six months ended June 30, 2006 was \$1.8 million, which consisted of: (1) \$1.7 million for awards of restricted stock units; and (2) \$0.1 million for stock-based compensation expense related to employee stock options and employee stock purchases. Stock-based compensation expense recognized under SFAS No. 123R for the three months ended June 30, 2006 was \$1.5 million, which consisted of: (1) \$1.4 million for awards of restricted stock units; and (2) \$0.1 million for stock-based compensation expense related to employee stock options and employee stock purchases. In connection with the recognition of this expense, the Company recorded an income tax benefit of \$0.3 million and \$0.2 million for the six months and three months ended June 30, 2006, respectively. The income tax benefits were reduced to reflect limitations for tax purposes on deductible compensation for certain key employees.

Stock-based compensation expense recognized under SFAS No. 123 for the six months and three months ended June 30, 2005 was \$0.4 million and \$0.2 million, respectively, which consisted of awards of restricted stock units.

The following table summarizes recognized stock-based compensation expense related to employee stock options, employee stock purchases and awards of restricted stock units for the six months ended June 30, 2006 and 2005:

| | Six Months Ended June 30, 2006 (amounts in thousands) | | 2005 |
|--|--|-------|--------|
| Station operating expenses | \$ | 275 | \$ |
| Corporate general and administrative expenses | | 1,499 | 446 |
| Stock-based compensation expense included in operating expenses | | 1,774 | 446 |
| Tax benefit | | (294) | (173) |
| Recognized stock-based compensation expense related to employee stock options, employee stock purchases and restricted stock units | \$ | 1,480 | \$ 273 |

The following table summarizes recognized stock-based compensation expense related to employee stock options, employee stock purchases and awards of restricted stock units for the three months ended June 30, 2006 and 2005:

| | Three Months Ended June 30, 2006 (amounts in thousands) | | 2005 |
|--|--|-------|--------|
| Station operating expenses | \$ | 215 | \$ |
| Corporate general and administrative expenses | | 1,288 | 217 |
| Stock-based compensation expense included in operating expenses | | 1,503 | 217 |
| Tax benefit | | (204) | (84) |
| Recognized stock-based compensation expense related to employee stock options, employee stock purchases and restricted stock units | \$ | 1,299 | \$ 133 |

Option Exchange Program

On March 23, 2006, the Company's Board of Directors approved an amendment to the Plan to permit an Option Exchange Program (the "OEP"), which was approved at the May 16, 2006 shareholders' meeting. On June 5, 2006, the Company commenced its offer to exchange to the Company's eligible employees and non-employee directors. The Company offered such persons the opportunity to make a one-time election to exchange all of their outstanding stock options with exercise prices equal to or greater than \$40.00 per share for a lesser number of shares of the Company's restricted stock. The restricted stock was granted on July 7, 2006, following the July 6, 2006 expiration of the offer to exchange. The exchange ratio under the OEP was fifteen-to-one such that, for each fifteen eligible options surrendered, the holder received one share of restricted stock. All shares of restricted stock issued under the OEP were granted under the Plan. Options which were exchanged, net of shares of restricted stock issued, are not available for re-grant under the Plan.

Modification accounting for stock-based compensation applies to an exchange of share-based awards. The Company will recognize additional share-based compensation expense if, at the time the Company first makes the offer to exchange, the fair value of the new shares is greater than the fair value of the surrendered options. This difference in fair value will be recognized as an expense on a straight-line basis over the vesting period of the new shares.

On June 5, 2006, the fair value of each option grant was estimated using the Black-Scholes option-pricing model with the following weighted average assumptions: (1) a historical volatility of 46% over a period commensurate with the expected term of 6.25 years with the observation of the volatility on a daily basis; (2) an expected term of 6.25 years based upon the simplified plain-vanilla method as allowed under the provisions of SAB 107; (3) a risk-free interest rate of 5.2% that was consistent with the expected term of the stock options and was based on the U.S. Treasury yield curve in effect at the time of the grant; and (4) a dividend yield of 5.6% based upon the Company's most recent quarterly dividend of \$0.38 per share. The Company expects to record the effect of the OEP on outstanding awards during the third quarter of 2006 and does not anticipate recording any share-based compensation expense related to the OEP.

Pro Forma Information Under SFAS No. 123

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Prior to the adoption of SFAS No. 123R, the Company accounted for stock compensation under the intrinsic value method in accordance with the requirements of APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, including FIN 44, *Accounting for Certain Transactions Involving Stock Compensation*. Under these provisions, the Company has presented in the table below the required disclosure of the pro forma effects on

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net income and net income per share had the fair value recognition provisions of SFAS No. 123 been adopted for the six and three months ended June 30, 2005.

| | Six Months Ended June 30, 2005 (amount in thousands, except per share data) | Three Months Ended |
|---|--|--------------------------|
| Net income as reported | \$ 40,512 | \$ 24,275 |
| Add: Compensation expense included in net income, net of taxes of \$173 and \$84 for the six and three months ended June 30, 2005, respectively | 273 | 133 |
| Subtract: Stock-based employee compensation expense determined under the fair value based method for all awards, net of taxes of \$3,322 and \$1,669 for the six and three months ended June 30, 2005, respectively | 5,246 | 2,635 |
| Net income pro forma | \$ 35,539 | \$ 21,773 |
| Basic net income per share as reported | \$ 0.87 | \$ 0.53 |
| Basic net income per share pro forma | \$ 0.76 | \$ 0.47 |
| Diluted net income per share as reported | \$ 0.86 | \$ 0.53 |
| Diluted net income per share pro forma | \$ 0.76 | \$ 0.47 |

3. INTANGIBLE ASSETS AND GOODWILL

(A) Indefinite-Lived Intangibles

Under the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill and certain intangible assets are not amortized. Instead, these assets are reviewed at least annually for impairment and charged to results of operations only in the periods in which the recorded value of goodwill and certain intangibles is more than its fair value. The Company has determined that broadcasting licenses were deemed to have indefinite useful lives.

Other than goodwill, the Company uses a direct value method to determine the fair value of all intangible assets required: (i) to be recognized under SFAS No. 141; and (ii) to be tested for impairment under the provisions of SFAS No. 142.

Broadcasting Licenses

SFAS No. 142 requires the Company to test broadcasting licenses, at a minimum, on an annual basis. The Company performs its annual impairment test in the first quarter of each year by: (i) determining the reporting unit; and (ii) comparing the carrying amount of the broadcasting licenses reflected on the balance sheet in each reporting unit to the fair value of the reporting unit's broadcasting licenses.

If actual market conditions are less favorable than those projected by the industry or the Company, or if events occur or circumstances change that would, more likely than not, reduce the fair value of the Company's broadcasting licenses below the amount reflected in the balance sheet, the Company may be required upon retesting to recognize impairment charges in future periods. The amount of unamortized broadcasting licenses reflected in the balance sheet as of June 30, 2006 was \$1.3 billion.

The Company determines the fair value of the broadcasting licenses by relying primarily on a discounted cash flow approach assuming a start-up scenario in which the only assets held by an investor are broadcasting licenses. The fair value contains assumptions incorporating variables that are based on past experiences and judgments about future performance using industry normalized information for an average station within a market. These variables would include but not be limited to: (1) the forecast growth rate of each radio market, including population, household income, retail sales and other expenditures that would influence advertising expenditures; (2) market share and profit margin of an average station within a market; (3) estimated capital start-up costs and losses incurred during the early years; (4) risk-adjusted discount rate; (5) the likely media competition within the market area; and (6) terminal values.

During each of the first quarters of 2006 and 2005, the Company completed the non-amortizing intangible asset impairment test for broadcasting licenses and determined that: (1) the reporting unit was a radio market; and (2) the fair value of the broadcasting licenses was equal to or greater than the amount reflected in the balance sheet for each of the

Company's markets. Based upon the results of each of the asset impairment tests, no impairment charges were recorded. No events occurred or circumstances changed since these tests were conducted that would, more likely than not, change the fair value of broadcasting licenses below the amount reflected in the balance sheets and, accordingly, no impairment charges were recorded for the six months ended June 30, 2006 and 2005.

Goodwill

SFAS No. 142 requires the Company to test goodwill, at a minimum, on an annual basis. The Company performs its annual impairment test during the second quarter of each year by: (1) determining the reporting unit; and (2) comparing the fair value for each reporting unit with the amount reflected on the balance sheet. If the fair value for any reporting unit is less than the amount reflected in the balance sheet, an indication exists that the amount of goodwill attributed to a reporting unit may be impaired, and the Company is required to perform a second step of the impairment test. In the second step, the Company compares the implied fair value of the reporting unit's goodwill, determined by allocating the reporting unit's fair value to all of its assets and liabilities in a manner similar to a purchase price allocation in accordance with SFAS No. 141, to the amount reflected in the balance sheet.

To determine the fair value, the Company uses an income or market approach for each reporting unit. The market approach compares recent sales and offering prices of similar properties. The income approach uses the subject property's income generated over a specified time and capitalized at an appropriate market rate to arrive at an indication of the most probable selling price.

The Company performed its annual impairment test during each of the second quarters of 2006 and 2005 and, as a result, the Company determined that it was not necessary to record an impairment charge for the six months ended June 30, 2006 and 2005. If actual market conditions are less favorable than those projected by the industry or the Company, or if an event occurs or circumstances change that would, more likely than not, reduce the fair value of the Company's goodwill below the amount reflected in the balance sheet, the Company may be required upon retesting to recognize impairment charges in future periods. The amount of goodwill reflected in the balance sheet as of June 30, 2006 was \$157.2 million.

There were no changes in the carrying amount of goodwill for the six months ended June 30, 2006.

(B) Definite-Lived Intangibles

The Company has definite-lived intangible assets that consist of advertiser lists and customer relationships, acquired advertising contracts and income leases that are amortized in accordance with SFAS No. 142. These assets are amortized over the period for which the assets are expected to contribute to the Company's future cash flows and are reviewed for impairment in accordance with SFAS No. 144 whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The amount of the amortization expense for definite-lived intangible assets was \$0.1 million and \$0.3 million for the six months ended June 30, 2006 and 2005, respectively, and \$0.1 million for the three months ended June 30, 2005. As of June 30, 2006, the Company reflected \$0.4 million in unamortized definite-lived assets, which amounts are included in deferred charges and other assets on the balance sheet.

The following is an estimate of the amortization expense for definite-lived assets, in thousands, for each of the succeeding years ending December 31:

| | Definitive-Lived Assets |
|--|-------------------------|
| Years ending December 31, | |
| 2006 (excludes the six months ended June 30, 2006) | \$ 111 |
| 2007 | 144 |
| 2008 | 84 |
| 2009 | 44 |
| 2010 | 13 |
| Thereafter | 22 |
| Total | \$ 418 |

4. ACQUISITIONS, DISPOSITIONS, OTHER EVENTS AND UNAUDITED PRO FORMA SUMMARY

Acquisitions For The Six Months Ended June 30, 2006

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There were no acquisitions or dispositions during the six months ended June 30, 2006.

Other

On May 7, 2006, the Company renewed its rights agreement with the owners of the Boston Red Sox Baseball Club by entering into a multi-year agreement, effective with the start of the 2007 season, to broadcast and produce games, including related programming and promotional events, and to sell advertising time. In addition, the Company has provided the owners of the Boston Red Sox Baseball Club the option to invest as a minority partner in two of the Company's radio stations and certain stations which may be acquired. The rights agreement is subject to the approval of the Office of the Commissioner of Baseball, and the minority investment may be subject to the approval of the Federal Communications Commission.

Dispositions For The Six Months Ended June 30, 2005

Longview, Washington

On March 31, 2005, the Company completed the transaction to sell the radio station assets of KBAM-AM, KEDO-AM, KLYK-FM and KRQT-FM in Longview, Washington, for \$2.2 million in cash. The Company recorded a gain on the sale of assets of less than \$0.1 million during the first quarter of 2005.

Seattle, Washington

On January 21, 2005, the Company completed the transaction to sell the radio station assets of KDDS-AM (the call letters were changed from KNWX-AM in December 2004) in Seattle, Washington, for \$6.0 million in cash. The Company recorded a gain on sale of assets of \$5.5 million during the first quarter of 2005. The Company believes that the elimination of this station will not alter the competitive position of the seven stations the Company continues to operate in this market.

Other Events

Seattle, Washington

On January 18, 2005, the Company restructured its agreement with the Seattle Seahawks, a National Football League (NFL) football team, effective with the start of the 2005 NFL season. Under the restructured agreement, the Company continues to broadcast the games, but does not sell the advertising time or produce the games.

Unaudited Pro Forma Summary Of Financial Information

The following unaudited pro forma summary of financial information presents the consolidated results of operations as if any acquisitions which occurred during the period of January 1, 2005 through June 30, 2006 had all occurred as of the beginning of the respective periods. The summary also includes certain adjustments, including depreciation and amortization of assets and interest expense on any debt incurred to fund acquisitions which would have been incurred had such acquisitions occurred as of the beginning of the respective periods. There were no acquisitions during the six months and three months ended June 30, 2006; therefore, actual information appears in the tables below. These unaudited pro forma results, which do not reflect: (1) dispositions of radio stations; and (2) acquisitions and dispositions of certain contracts or joint sales agreements, have been prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisitions been made as of that date or of results which may occur in the future.

| | Six Months Ended June 30, 2006 (amounts in thousands, except per share data) | 2005 |
|--------------------------------|---|------------|
| | Actual | Pro Forma |
| Net revenues | \$ 207,594 | \$ 217,467 |
| Net income | \$ 24,886 | \$ 40,180 |
| Net income per share - basic | \$ 0.62 | \$ 0.86 |
| Net income per share - diluted | \$ 0.61 | \$ 0.85 |

| | Three Months Ended June 30, | |
|--|---|------------|
| | 2006 | 2005 |
| | (amounts in thousands, except per share data) | |
| | Actual | Pro Forma |
| Net revenues | \$ 116,459 | \$ 121,557 |
| Net income | \$ 17,131 | \$ 24,360 |
| Net income per share - basic & diluted | \$ 0.43 | \$ 0.53 |

5. SENIOR DEBT

Bank Revolver

On August 12, 2004, the Company entered into a bank credit agreement (the *Bank Revolver*) with a syndicate of banks for a five-year senior secured revolving credit facility of \$800.0 million. The Company uses the Bank Revolver to: (1) provide for working capital; and (2) provide for general corporate purposes, including capital expenditures and any or all of the following: repurchases of Class A common stock, acquisitions and dividends. The Bank Revolver is secured by a pledge of 100% of the capital stock and other equity interest in all of the Company's wholly owned subsidiaries. The Bank Revolver requires the Company to comply with certain financial covenants and leverage ratios which are defined terms within the agreement, including: (1) Total Debt to Operating Cash Flow; (2) Operating Cash Flow to Interest Expense; and (3) Operating Cash Flow to Fixed Charges. Upon the occurrence of certain events, the Company's borrowing costs can increase to a maximum of Eurodollar rate plus 1.375% or prime rate plus 0.875%. The Company also pays a commitment fee that varies, depending on certain financial covenants and the amount of the unused commitment, to a maximum of 0.375% per annum, on the average unused balance of the Bank Revolver.

As of June 30, 2006, the Company had \$519.0 million outstanding, as well as a \$0.8 million Letter of Credit, under the Bank Revolver. Subject to covenant compliance at the time of each borrowing, the amount available under the Bank Revolver as of June 30, 2006 was \$280.2 million. Management believes that, as of June 30, 2006, the Company was in compliance with all financial covenants and leverage ratios and all other terms of the Bank Revolver.

Interest Rate Transactions

The Company enters into interest rate transactions with different banks to diversify its risk associated with interest rate fluctuations against the variable rate debt under the Bank Revolver and to comply with certain covenants under the Bank Revolver. Under these transactions, the Company agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount against the variable debt. As of June 30, 2006, the Company had an interest rate transaction outstanding with a notional amount of \$30.0 million and an initial term of 10 years, that expires in February 2008, that effectively fixes the interest at a rate of 5.8% on borrowings equal to the total notional amount (see Note 7, Derivative and Hedging Activities).

6. SENIOR SUBORDINATED NOTES

On March 5, 2002, the Company issued \$150.0 million of 7.625% Senior Subordinated Notes (the *Notes*) due March 1, 2014 and received net proceeds of \$145.7 million. There were approximately \$4.3 million in deferred offering costs recorded in connection with this issuance, which are amortized to interest expense over the life of the Notes using the effective interest rate method.

Interest on the Notes accrues at the rate of 7.625% per annum and is payable semi-annually in arrears on March 1 and September 1. The Company may redeem the Notes on and after March 1, 2007 at an initial redemption price of approximately 103.8% of their principal amount plus accrued interest. The Notes are unsecured and rank junior to the Company's senior indebtedness. In addition to the parent, Entercom Communications Corp., all of the Company's subsidiaries (other than Entercom Radio, LLC, the issuer of the Notes) have fully and unconditionally guaranteed jointly and severally these Notes (the *Subsidiary Guarantors*). Under certain covenants, the Subsidiary Guarantors are restricted from paying dividends or distributions in excess of amounts defined under the Notes, and the Subsidiary Guarantors cannot incur additional indebtedness if the Leverage Ratio exceeds a specified level.

7. DERIVATIVE AND HEDGING ACTIVITIES

In accordance with the provisions of SFAS No. 133, *Accounting for Derivative and Hedging Activities*, which was amended by SFAS No. 137, SFAS No. 138 and SFAS No. 149, the Company follows established accounting and reporting standards for: (1) derivative instruments, including certain derivative instruments embedded in other contracts, which are collectively referred to as derivatives; and (2) hedging activities. The accounting for changes in the fair value of a derivative depends on the intended use of the derivative and the resulting designation. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in the statement of operations. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income (loss) and are recognized in the statement of operations when the hedged item affects net income (loss). SFAS No. 133 defined new requirements for designation and documentation of hedging relationships as well as ongoing effectiveness assessments in order to use hedge accounting under this standard. A derivative that does not qualify as a hedge is marked to fair value through the statement of operations. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedging transactions. This process includes relating all derivatives that are designated as fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in fair values or cash flows of the hedged item. If it is determined that a derivative is not highly effective as a hedge or if a derivative ceases to be a highly effective hedge, the Company will discontinue hedge accounting prospectively (see Note 5, Senior Debt - Interest Rate Transactions).

During the six months ended June 30, 2006 and 2005, the Company had a derivative outstanding with a notional amount of \$30.0 million that did not qualify for hedge accounting treatment. For the six months ended June 30, 2006 and 2005, the Company recorded to the statement of operations for each period a net gain of \$0.5 million under net gain on derivative instruments. For the three months ended June 30, 2006 and 2005, the Company recorded to the statement of operations a net gain of \$0.2 million and a net loss of \$0.2 million, respectively, under net (gain) loss on derivative instruments.

Due to certain requirements under the Company's Bank Revolver, the Company expects to enter into interest rate cash flow derivative transactions during the third quarter of 2006 to hedge a portion of the Company's outstanding variable rate debt.

8. COMMITMENTS AND CONTINGENCIES

Pending Acquisition

On February 10, 2006, the Company entered into an asset purchase agreement to buy the radio station assets of WBEC-FM, serving the Springfield, Massachusetts, radio market, for \$5.8 million in cash, of which \$0.3 million was paid as a deposit on February 10, 2006. Subject to Federal Communications Commission (FCC) approval, the Company expects to complete this transaction during the third quarter of 2006.

Contingencies

In recent years, the FCC has engaged in more vigorous enforcement, against the broadcasting industry as a whole, of FCC rules concerning the broadcast of obscene, indecent, or profane material. A recent change in federal law has increased the FCC's authority to impose a fine for the broadcast of such material to \$325,000 for a single incident. As a consequence, the Company could face increased costs in the form of fines and a greater risk that the Company could lose any one or more of its broadcasting licenses were the FCC to conclude that programming broadcast by a Company station was indecent or profane. The FCC has issued Notices of Apparent Liability and a Forfeiture Order with respect to several of the Company's stations proposing fines for certain programming which the FCC deemed to have been indecent. These cases are the subject of pending administrative appeals. The FCC has also commenced several other investigations based on allegations received from the public that some of the Company stations broadcast indecent programming. The Company has cooperated in these investigations, which remain pending. The Company estimates that the imposition of the proposed fines would not materially impact the Company's financial position, results of operations or cash flows.

In January 2005, the Company received a subpoena from the Office of Attorney General of the State of New York, as did several other radio broadcasting companies and record companies operating in the State of New York. These subpoenas were issued in connection with the New York Attorney General's investigation of promotional practices involved in record companies' dealings with radio stations. The Company has cooperated with this investigation and will

continue to do so. In connection with this investigation, the New York Attorney General's Office has entered into settlement agreements with two record companies, which included both business practice reforms and financial penalties. On March 8, 2006, the Attorney General of the State of New York filed an action in the Supreme Court of the State of New York against the Company alleging that the Company engaged in and continues to engage in deceptive acts and practices in connection with the airplay of current music. In response, on April 10, 2006, the Company filed a motion to dismiss this complaint. The Company cannot predict the outcome of this litigation and whether it will have a material impact on the Company's financial position, results of operations or cash flows.

As a result of the New York Attorney General's investigation of promotional practices involved in record companies' dealings with radio stations, the FCC has announced increased enforcement activity in the area of sponsorship identification and payola, which is prohibited by the Communications Act. The Company has responded to inquiries by the FCC and has cooperated with the FCC in this investigation. On April 19, 2006, the Company received a Letter of Inquiry from the FCC requesting additional information. The Company has cooperated with this investigation and will continue to do so. The Company cannot predict the outcome of this litigation and whether it will have a material impact on the Company's financial position, results of operations or cash flows.

The Company has filed on a timely basis renewal applications for those radio stations where the radio broadcasting license is subject to renewal with the FCC. Certain licenses may not be renewed prior to the renewal date, which is not unusual. The Company will continue to operate these radio stations under their existing licenses until the licenses are renewed.

On May 19, 2003, the Company acquired the assets of radio station KWOD-FM, Sacramento, California, from Royce International Broadcasting Corporation (Royce) for a purchase price of \$21.2 million in cash. This acquisition was accomplished following extensive litigation. Although the Company successfully secured the assets of KWOD-FM through court-ordered specific performance of the agreement, Royce has continued to appeal its case through the California judicial system. While the order granting specific performance of the transfer of the station is final, the court's determination that the Company was entitled to \$3.8 million in damages as an offset against the original \$25.0 million purchase price is subject to final adjustment and is subject to appeal. The allocation of the purchase price and transaction costs was based upon information available at the time and, pending the outcome of this litigation, could be subject to change. The Company cannot determine the amount of time required for the appeal process to be completed. The Company estimates that the impact of an unfavorable outcome will not materially impact the Company's financial position, results of operations or cash flows.

The Company uses a combination of insurance and self-insurance mechanisms to provide for the potential liabilities for workers' compensation, general liability, property, directors and officers' liability, vehicle liability and employee health care benefits. Liabilities associated with the risks that are retained by the Company are estimated, in part, by considering claims experience, demographic factors, severity factors, outside expertise and other actuarial assumptions.

The Company is subject to various outstanding claims which arise in the ordinary course of business and to other legal proceedings. In the opinion of management, any liability of the Company which may arise out of, or with respect to, these matters will not materially affect the Company's financial position, results of operations or cash flows.

Guarantor Arrangements

Under the provisions of FIN 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, an Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34, a guarantor recognizes, at the inception of a guarantee, a liability for the fair value of the obligation undertaken by issuing the guarantee. The following is a summary of agreements that the Company has determined are within the scope of FIN 45.

Under the Company's Bank Revolver, the Company is required to reimburse lenders for any increased costs that they may incur in the event of a change in law, rule or regulation resulting in their reduced returns from any change in capital requirements. The Company cannot estimate the potential amount of any future payment under this provision nor can the Company predict if such an event will occur.

The Company enters into indemnification agreements in the ordinary course of business and other agreements which include indemnification provisions. Under these agreements, the Company indemnifies, holds harmless and agrees to reimburse the indemnified party for losses suffered or incurred by the indemnified party. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements could be unlimited. The Company believes the estimated fair value of these agreements is minimal. Accordingly, there are no liabilities recorded for these agreements as of June 30, 2006.

9. SHAREHOLDERS EQUITY***Dividends***

The following table presents a summary of the Company's dividend activity, which commenced during the first quarter of 2006:

(amounts in millions, except per share data)

| Declaration Date | Amount Per Common Share | Total Record Date | Payment Date | Amount Paid |
|-------------------------|--------------------------------|--------------------------|---------------------|--------------------|
| February 20, 2006 | \$ 0.38 | March 14, 2006 | March 30, 2006 | \$ 15.4 |
| May 16, 2006 | \$ 0.38 | June 15, 2006 | June 29, 2006 | \$ 15.0 |

The dividend equivalent amount accrued and unpaid on unvested restricted stock units, was \$0.3 million as of June 30, 2006.

Share Repurchase Programs

The Company's Board of Directors has authorized in the past, and may authorize in the future, share repurchase programs over a defined period of time. Any repurchases under these programs may be made in the open market, through block trades or otherwise. Depending on market conditions and other factors, these repurchases may be commenced or suspended at any time or from time to time without prior notice. All shares repurchased are immediately restored to authorized but unissued.

During the six months and three months ended June 30, 2006, the Company repurchased 3.3 million and 0.7 million shares, respectively, in the amounts of \$95.5 million and \$18.3 million, respectively, at an average price of \$29.07 and \$27.89, respectively.

On May 8, 2006, the Company announced that its Board of Directors approved a continuation of the Company's share repurchase program by authorizing an additional one-year share repurchase program of up to \$100.0 million, with the amount and timing of repurchases over the next year subject to the discretion of management, depending on market conditions and other factors.

On December 13, 2005, March 17, 2005, November 1, 2004 and May 13, 2004, the Company's Board of Directors authorized one-year share repurchase programs of up to \$100.0 million for each program. Under these programs, the Company repurchased an aggregate of 12.1 million shares in the amount of \$399.8 million at an average price of \$33.08 per share. Under the December 13, 2005 program, \$0.2 million remained authorized as available for repurchase.

10. DEFERRED COMPENSATION PLANS

Under two separate deferred compensation plans, the Company provides a select group of the Company's management (including highly compensated employees) and the Board of Directors with an opportunity to defer a portion of their compensation on a tax-favored basis. The obligations by the Company to pay these benefits under these plans represent unsecured general obligations that rank equally with the Company's other unsecured and unsubordinated indebtedness. As of June 30, 2006, \$1.5 million was deferred under these plans and was included in other long-term liabilities in the consolidated balance sheet. For the six and three months ended June 30, 2006, the Company recorded a minimal amount in unfunded compensation expense to corporate general and administrative expense. The Company also recorded a deferred tax asset of \$0.6 million in connection with this liability as the deferred tax asset is not realized for tax purposes until the liability is paid.

11. NET INCOME PER SHARE

The net income per share is calculated in accordance with SFAS No. 128, *Earnings Per Share*, which requires presentation of basic net income per share and diluted net income per share. Basic net income per share excludes dilution and is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted net income per share is computed in the same manner as basic net income after

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assuming issuance of common stock for all potentially dilutive equivalent shares, which includes the potential dilution that could occur: (1) if all of the Company's outstanding stock options that are in-the-money were exercised (using the treasury stock method); (2) if the restricted stock units with service conditions were fully vested (using the treasury stock method); and (3) if the restricted stock units with service and market conditions were considered contingently issuable. Anti-dilutive instruments are not considered in this calculation. For the six and three months ended June 30, 2006 and 2005, stock options and restricted stock units were included in the calculation of net income per share as they were dilutive.

| | SIX MONTHS ENDED JUNE 30, 2006 | | | JUNE 30, 2005 | | |
|--|--|---------------|------------|----------------------|---------------|------------|
| | (amounts in thousands, except share and per share data) | | | | | |
| | Income | Shares | EPS | Income | Shares | EPS |
| Basic net income per share: | | | | | | |
| Net income | \$ 24,886 | 40,456,672 | \$ 0.62 | \$ 40,512 | 46,739,220 | \$ 0.87 |
| Impact of options and restricted stock units | | 171,599 | | | 282,393 | |
| Diluted net income per share: | | | | | | |
| Net income | \$ 24,886 | 40,628,271 | \$ 0.61 | \$ 40,512 | 47,021,613 | \$ 0.86 |

For the six months ended June 30, 2006 and 2005, outstanding options to purchase 5.4 million and 5.6 million shares, respectively, of Class A common stock at option exercise prices per share ranging from \$28.05 to \$57.63 and from \$33.39 to \$57.63, respectively, were excluded from the computation of diluted net income per share as the exercise price of such options was greater than the average market price of the stock. For each of the six month periods ended June 30, 2006 and 2005, a minimal number of shares of unvested restricted stock units were excluded from the computation of diluted net income per share as they were anti-dilutive under the treasury stock method.

| | THREE MONTHS ENDED JUNE 30, 2006 | | | JUNE 30, 2005 | | |
|--|--|---------------|------------|----------------------|---------------|------------|
| | (amounts in thousands, except share and per share data) | | | | | |
| | Income | Shares | EPS | Income | Shares | EPS |
| Basic net income per share: | | | | | | |
| Net income | \$ 17,131 | 39,572,195 | \$ 0.43 | \$ 24,275 | 45,855,140 | \$ 0.53 |
| Impact of options and restricted stock units | | 225,085 | | | 280,643 | |
| Diluted net income per share: | | | | | | |
| Net income | \$ 17,131 | 39,797,280 | \$ 0.43 | \$ 24,275 | 46,135,783 | \$ 0.53 |

For the three months ended June 30, 2006 and 2005, outstanding options to purchase 5.8 million and 5.5 million shares, respectively, of Class A common stock at option exercise prices per share ranging from \$26.91 to \$57.63 and from \$33.23 to \$57.63, respectively, were excluded from the computation of diluted net income per share as the exercise price of such options was greater than the average market price of the stock. For the three months ended June 30, 2006 and 2005, 0.3 million and a minimal number, respectively, of shares of unvested restricted stock units were excluded from the computation of diluted net income per share as they were anti-dilutive under the treasury stock method.

12. GUARANTOR FINANCIAL INFORMATION

Entercom Radio, LLC, which is a wholly-owned subsidiary of Entercom Communications Corp., holds the ownership interest in various subsidiary companies that own operating assets, including broadcasting licenses, permits and authorizations. Entercom Radio LLC is: (1) the borrower of the Company's senior debt under the Bank Revolver described in Note 5; and (2) the issuer of the Company's 7.625% Senior Subordinated Notes described in Note 6. Entercom Communications Corp. and each of its direct and indirect subsidiaries (other than Entercom Radio LLC) is a guarantor of such debt.

Under the Bank Revolver, Entercom Radio LLC is permitted to make distributions to Entercom Communications Corp. in amounts, as defined, that are required to pay Entercom Communications Corp.'s reasonable overhead costs, including income taxes and other costs associated with conducting the operations of Entercom Radio LLC and its subsidiaries. Under the Company's 7.625% Senior Subordinated Notes, Entercom Radio LLC is permitted to make distributions to Entercom Communications Corp. in amounts, as defined, that are required to pay Entercom

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Communications Corp. s overhead costs and other costs associated with conducting the operations of Entercom Radio LLC and its subsidiaries.

The equity method of accounting has been used to report Entercom Communications Corp. s investment in its subsidiaries. Separate financial statements of Entercom Radio LLC s subsidiaries, which are full and unconditional guarantors jointly and severally under the Bank Revolver and the Senior Subordinated Notes, as described above, are not presented as the Company s management has determined that they would not be material to investors.

The following tables set forth condensed consolidating financial information for Entercom Communications Corp. and Entercom Radio LLC:

- the balance sheets as of June 30, 2006 and December 31, 2005;
- the statements of operations for the six months and three months ended June 30, 2006 and 2005; and
- the statements of cash flows for the six months ended June 30, 2006 and 2005.

Condensed Balance Sheets as of June 30, 2006
(amounts in thousands)

| | Entercom Communications Corp. | Entercom Radio, LLC | Eliminations | Total |
|--|-------------------------------------|------------------------|---------------|--------------|
| ASSETS: | | | | |
| Current assets | \$ 2,671 | \$ 116,755 | \$ | \$ 119,426 |
| Net property and equipment | 883 | 87,983 | | 88,866 |
| Radio broadcasting licenses - Net | | 1,321,598 | | 1,321,598 |
| Goodwill - Net | | 157,227 | | 157,227 |
| Other long-term assets - Net | 2,314 | 15,132 | | 17,446 |
| Investment in subsidiaries | 785,143 | | \$ (785,143) | |
| Total assets | \$ 791,011 | \$ 1,698,695 | \$ (785,143) | \$ 1,704,563 |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | | | |
| Current liabilities | \$ 1,187 | \$ 31,002 | \$ | \$ 32,189 |
| Long-term liabilities | 4,658 | 882,550 | | 887,208 |
| Total liabilities | 5,845 | 913,552 | | 919,397 |
| Shareholders' equity | | | | |
| Preferred stock | | | | |
| Class A, B and C common stock | 403 | | | 403 |
| Additional paid-in capital | 642,829 | | | 642,829 |
| Retained earnings | 142,344 | 785,553 | (785,553) | 142,344 |
| Accumulated other comprehensive loss | (410) | (410) | 410 | (410) |
| Total shareholders' equity | 785,166 | 785,143 | (785,143) | 785,166 |
| Total liabilities and shareholders' equity | \$ 791,011 | \$ 1,698,695 | \$ (785,143) | \$ 1,704,563 |

Condensed Balance Sheets as of December 31, 2005
(amounts in thousands)

| | Entercom Communications Corp. | Entercom Radio, LLC | Eliminations | Total |
|--|--|--------------------------------|---------------------|--------------|
| ASSETS: | | | | |
| Current assets | \$ 1,634 | \$ 107,249 | \$ | \$ 108,883 |
| Net property and equipment | 963 | 89,849 | | 90,812 |
| Radio broadcasting licenses - Net | | 1,321,598 | | 1,321,598 |
| Goodwill - Net | | 157,227 | | 157,227 |
| Other long-term assets - Net | 1,308 | 17,930 | | 19,238 |
| Investment in subsidiaries | 891,340 | | \$ (891,340) | |
| Total assets | \$ 895,245 | \$ 1,693,853 | \$ (891,340) | \$ 1,697,758 |
| LIABILITIES AND SHAREHOLDERS' EQUITY: | | | | |
| Current liabilities | \$ 5,538 | \$ 29,419 | \$ | \$ 34,957 |
| Long-term liabilities | 3,992 | 773,094 | | 777,086 |
| Total liabilities | 9,530 | 802,513 | | 812,043 |
| Shareholders' equity | | | | |
| Preferred stock | | | | |
| Class A, B and C common stock | 428 | | | 428 |
| Additional paid-in capital | 738,384 | | | 738,384 |
| Retained earnings | 148,141 | 890,336 | (890,336) | 148,141 |
| Unearned compensation for shares of unvested restricted stock | (2,242) | | | (2,242) |
| Accumulated other comprehensive income | 1,004 | 1,004 | (1,004) | 1,004 |
| Total shareholders' equity | 885,715 | 891,340 | (891,340) | 885,715 |
| Total liabilities and shareholders' equity | \$ 895,245 | \$ 1,693,853 | \$ (891,340) | \$ 1,697,758 |

Statements of Operations for the Six Months Ended June 30, 2006
(amounts in thousands)

| | Entercom Communications Corp. | Entercom Radio, LLC | Eliminations | Total |
|---|-------------------------------------|------------------------|--------------|------------|
| NET REVENUES | \$ 278 | \$ 207,594 | \$ (278) | \$ 207,594 |
| OPERATING (INCOME) EXPENSE: | | | | |
| Station operating expenses | | 126,085 | (278) | 125,807 |
| Depreciation and amortization | 312 | 7,537 | | 7,849 |
| Corporate G&A expenses | 12,434 | 56 | | 12,490 |
| Net loss on sale of assets | | 145 | | 145 |
| Total operating expenses | 12,746 | 133,823 | (278) | 146,291 |
| OPERATING INCOME (LOSS) | (12,468) | 73,771 | | 61,303 |
| OTHER (INCOME) EXPENSE: | | | | |
| Interest expense | | 20,750 | | 20,750 |
| Interest income | (24) | (262) | | (286) |
| Dividend income on investments | | (49) | | (49) |
| Net gain on derivative instruments | | (509) | | (509) |
| Income from equity investment in subsidiaries | (52,262) | | 52,262 | |
| Total (income) expense | (52,286) | 19,930 | 52,262 | 19,906 |
| INCOME BEFORE INCOME TAXES | 39,818 | 53,841 | (52,262) | 41,397 |
| INCOME TAXES | 14,932 | 1,579 | | 16,511 |
| NET INCOME | \$ 24,886 | \$ 52,262 | \$ (52,262) | \$ 24,886 |

Statements of Operations for the Six Months Ended June 30, 2005
(amounts in thousands)

| | Entercom Communications Corp. | Entercom Radio, LLC | Eliminations | Total |
|---|-------------------------------------|------------------------|--------------|------------|
| NET REVENUES | \$ 456 | \$ 213,796 | \$ (456) | \$ 213,796 |
| OPERATING (INCOME) EXPENSES: | | | | |
| Station operating expenses | | 124,457 | (456) | 124,001 |
| Depreciation and amortization | 316 | 7,667 | | 7,983 |
| Corporate G&A expenses | 9,540 | 58 | | 9,598 |
| Time brokerage agreement income | | (24) | | (24) |
| Net gain on sale of assets | (11) | (5,481) | | (5,492) |
| Total operating expenses | 9,845 | 126,677 | (456) | 136,066 |
| OPERATING INCOME (LOSS) | (9,389) | 87,119 | | 77,730 |
| OTHER (INCOME) EXPENSE: | | | | |
| Interest expense | | 14,002 | | 14,002 |
| Interest income | (12) | (122) | | (134) |
| Net gain on derivative instruments | | (544) | | (544) |
| Gain on investments | | (1,069) | | (1,069) |
| Income from equity investment in subsidiaries | (74,196) | | 74,196 | |
| Total (income) expense | (74,208) | 12,267 | 74,196 | 12,255 |
| INCOME BEFORE INCOME TAXES | 64,819 | 74,852 | (74,196) | 65,475 |
| INCOME TAXES | 24,307 | 656 | | 24,963 |
| NET INCOME | \$ 40,512 | \$ 74,196 | \$ (74,196) | \$ 40,512 |

Statements of Operations for the Three Months Ended June 30, 2006
(amounts in thousands)

| | Entercom Communications Corp. | Entercom Radio, LLC | Eliminations | Total |
|---|-------------------------------------|------------------------|--------------|------------|
| NET REVENUES | \$ 139 | \$ 116,459 | \$ (139) | \$ 116,459 |
| OPERATING (INCOME) EXPENSES: | | | | |
| Station operating expenses | | 66,380 | (139) | 66,241 |
| Depreciation and amortization | 156 | 3,770 | | 3,926 |
| Corporate G&A expenses | 6,495 | 34 | | 6,529 |
| Net loss on sale of assets | | 270 | | 270 |
| Total operating expenses | 6,651 | 70,454 | (139) | 76,966 |
| OPERATING INCOME (LOSS) | (6,512) | 46,005 | | 39,493 |
| OTHER (INCOME) EXPENSE: | | | | |
| Interest expense | | 11,066 | | 11,066 |
| Interest income | (4) | (147) | | (151) |
| Dividend income on investments | | (25) | | (25) |
| Net gain on derivative instruments | | (213) | | (213) |
| Income from equity investment in subsidiaries | (33,918) | | 33,918 | |
| Total (income) expense | (33,922) | 10,681 | 33,918 | 10,677 |
| INCOME BEFORE INCOME TAXES | 27,410 | 35,324 | (33,918) | 28,816 |
| INCOME TAXES | 10,279 | 1,406 | | 11,685 |
| NET INCOME | \$ 17,131 | \$ 33,918 | \$ (33,918) | \$ 17,131 |

Statements of Operations for the Three Months Ended June 30, 2005
(amounts in thousands)

| | Entercom Communications Corp. | Entercom Radio, LLC | Eliminations | Total |
|---|-------------------------------------|------------------------|--------------|------------|
| NET REVENUES | \$ 246 | \$ 119,489 | \$ (246) | \$ 119,489 |
| OPERATING (INCOME) EXPENSES: | | | | |
| Station operating expenses | | 65,739 | (246) | 65,493 |
| Depreciation and amortization | 157 | 3,790 | | 3,947 |
| Corporate G&A expenses | 4,593 | 25 | | 4,618 |
| Net (gain) loss on sale of assets | (11) | 52 | | 41 |
| Total operating expenses | 4,739 | 69,606 | (246) | 74,099 |
| OPERATING INCOME (LOSS) | (4,493) | 49,883 | | 45,390 |
| OTHER (INCOME) EXPENSE: | | | | |
| Interest expense | | 7,384 | | 7,384 |
| Interest income | (5) | (73) | | (78) |
| Net loss on derivative instruments | | 166 | | 166 |
| Gain on investments | | (1,028) | | (1,028) |
| Income from equity investment in subsidiaries | (43,328) | | 43,328 | |
| Total (income) expense | (43,333) | 6,449 | 43,328 | 6,444 |
| INCOME BEFORE INCOME TAXES | 38,840 | 43,434 | (43,328) | 38,946 |
| INCOME TAXES | 14,565 | 106 | | 14,671 |
| NET INCOME | \$ 24,275 | \$ 43,328 | \$ (43,328) | \$ 24,275 |

Condensed Statements of Cash Flows for the Six Months Ended June 30, 2006
(amounts in thousands)

| | Entercom Communications Corp. | Entercom Radio, LLC | Eliminations | Total |
|---|-------------------------------------|------------------------|--------------|-----------|
| OPERATING ACTIVITIES: | | | | |
| Net cash provided by operating activities | \$ 19,857 | \$ 17,940 | \$ | \$ 37,797 |
| INVESTING ACTIVITIES: | | | | |
| Additions to property and equipment | (113) | (5,836) |) | (5,949) |
| Proceeds from sale of property, equipment and other assets | | 277 | | 277 |
| Deferred charges and other assets | (30) | (113) |) | (143) |
| Purchase of investments | | (48) |) | (48) |
| Proceeds from investments | | 29 | | 29 |
| Station acquisition deposits and costs | | 601 | | 601 |
| Net inter-company loans | 106,197 | (106,197) |) | |
| Net cash provided by (used in) investing activities | 106,054 | (111,287) |) | (5,233) |
| FINANCING ACTIVITIES: | | | | |
| Proceeds from issuance of long-term debt | | 111,000 | | 111,000 |
| Payments on long-term debt | | (19,009) |) | (19,009) |
| Proceeds from issuance of stock under the employee stock plan | 284 | | | 284 |
| Purchase of the Company's Class A common stock | (95,498) |) | | (95,498) |
| Proceeds from the exercise of stock options | 247 | | | 247 |
| Payment of cash dividends | (30,405) |) | | (30,405) |
| Net cash provided by (used in) financing activities | (125,372) | 91,991 | | (33,381) |
| Net increase (decrease) in cash and cash equivalents | 539 | (1,356) |) | (817) |
| Cash and cash equivalents, beginning of year | 257 | 15,814 | | 16,071 |
| Cash and cash equivalents, end of period | \$ 796 | \$ 14,458 | \$ | \$ 15,254 |

Condensed Statements of Cash Flows for the Six Months Ended June 30, 2005
(amounts in thousands)

| | Entercom Communications Corp. | Entercom Radio, LLC | Eliminations | Total |
|---|-------------------------------------|------------------------|--------------|-----------|
| OPERATING ACTIVITIES: | | | | |
| Net cash provided by operating activities | \$ 39,849 | \$ 11,042 | \$ | \$ 50,891 |
| INVESTING ACTIVITIES: | | | | |
| Additions to property and equipment | (98) | (4,724) |) | (4,822) |
| Proceeds from sale of property, equipment and other assets | | 7,823 | | 7,823 |
| Deferred charges and other assets | (68) | (10) |) | (78) |
| Purchase of investments | | (52) |) | (52) |
| Proceeds from investments | | 2,261 | | 2,261 |
| Station acquisition deposits and costs | | (3,591) |) | (3,591) |
| Net inter-company loans | 53,994 | (53,994) |) | |
| Net cash provided by (used in) investing activities | 53,828 | (52,287) |) | 1,541 |
| FINANCING ACTIVITIES: | | | | |
| Proceeds from issuance of long-term debt | | 98,000 | | 98,000 |
| Payments on long-term debt | | (57,509) |) | (57,509) |
| Proceeds from issuance of common stock related to incentive plans | 278 | | | 278 |
| Purchase of the Company's Class A common stock | (94,071) |) | | (94,071) |
| Proceeds from exercise of stock options | 132 | | | 132 |
| Net cash provided by (used in) financing activities | (93,661) | 40,491 | | (53,170) |
| Net increase (decrease) in cash and cash equivalents | 16 | (754) |) | (738) |
| Cash and cash equivalents, beginning of year | 288 | 11,556 | | 11,844 |
| Cash adjustment for deconsolidated entity | | | 2 | 2 |
| Cash and cash equivalents, end of period | \$ 304 | \$ 10,802 | \$ 2 | \$ 11,108 |

13. INCOME TAXES

Effective Tax Rates

The effective tax rates for the six months ended June 30, 2006 and 2005 were 39.9% and 38.1%, respectively, and for the three months ended June 30, 2006 and 2005 were 40.6% and 37.7%, respectively. The effective tax rates for the six month and three month periods in 2006 increased primarily due to the impact of limitations on deductibility for tax purposes of share-based compensation for certain key employees. During the six months ended June 30, 2006, the Company included in income taxes a net income tax credit of \$0.3 million, primarily from changes in the taxable income in several jurisdictions in which the Company operates and federal income tax credits from the effect of Hurricane Katrina.

The Company made income tax payments of \$0.1 million and \$6.9 million for the six months ended June 30, 2006 and 2005, respectively, and \$4.5 million for the three months ended June 30, 2005.

The Company's effective tax rates, for the six months and three months ended June 30, 2006 and 2005, were based on the estimated annual effective tax rates for 2006 and 2005 of 39.0% and 38.5%, respectively, which include the effects of permanent differences between income subject to income tax for book and tax purposes. Any subsequent fluctuation in the estimated annual rate for 2006 could be due to: (1) changes in the level of income in any of the Company's taxing jurisdictions; (2) changes in the statutes and rules applicable to taxable income in the jurisdictions in which the Company operates; (3) changes in the expected outcome of tax audits; (4) changes in the estimate of expenses that are not deductible for tax purposes; and (5) changes in the deferred tax valuation allowance. The Company's effective tax rate is higher than the federal statutory rate of 35% primarily as a result of the provision for state taxes (net of a federal tax deduction) in the tax rate.

Deferred Tax Liabilities

The deferred tax liabilities were \$211.0 million as of June 30, 2006 and \$192.8 million as of December 31, 2005. The income tax accounting process to determine the deferred tax liabilities involves estimating all temporary differences between the tax and financial reporting bases of the Company's assets and liabilities, based on enacted tax laws and statutory tax rates applicable to the period in which the differences are expected to affect taxable income. The Company estimated the current exposure by assessing the temporary differences and computing the provision for income taxes by applying the estimated effective tax rate to income.

Deferred Tax Assets

The Company's net deferred tax assets as of June 30, 2006 were \$3.2 and were \$3.0 million as of December 31, 2005. As required under the provisions of SFAS No. 109, the Company establishes a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. In assessing a valuation allowance for deferred tax assets, the Company estimates future taxable income and provides a valuation allowance when it is more likely than not to be recovered. Future taxable income could be materially different than amounts estimated, in which case the valuation allowance would be adjusted. The Company recorded a partial valuation allowance of \$0.8 million primarily due to the five-year limitation for tax purposes of recognizing a loss on investments for federal and state income taxes as only investment gains can be used to offset these losses. Based upon the years in which taxable temporary differences are anticipated to reverse, as of June 30, 2006, management believes it is more likely than not that the Company will realize the benefits of the deferred tax asset balance (net of recorded allowances). On a quarterly basis, management will assess whether it remains more likely than not that the deferred tax assets will be realized.

Under the provisions of SFAS No. 123R, *Share-Based Payment*, the Company's amount of deferred tax assets is expected to increase substantially beginning in 2006 due to the effect of the recognition of share-based payment timing differences for book and tax purposes (see Note 2, Share-Based Compensation, for further discussion).

Federal And State Income Tax Audits

The Company is subject to various federal and state income tax audits from time to time that could result in proposed assessments. The Company cannot predict with certainty how these audits will be resolved and whether the Company will be required to make additional tax payments, which may or may not include penalties and interest. Management believes that the Company has provided sufficient tax provisions for tax periods within the statutory period of limitations not previously audited and that are potentially open for examination by the taxing authorities. Potential liabilities associated with these years will be resolved when an event occurs to warrant closure, primarily through the completion of audits by the taxing jurisdictions, or when the statute of limitations relating to the period subject to audit

expires. To the extent audits or other events result in a material adjustment to the accrued estimates, the effect would be recognized during the period of the event.

14. TRADE RECEIVABLES AND RELATED ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade receivables are primarily comprised of unpaid advertising by advertisers on our radio stations, net of agency commissions and an estimated provision for doubtful accounts. Estimates of the allowance for doubtful accounts are recorded based on management's judgment of the collectibility of the accounts receivable based on historical information, relative improvements or deteriorations in the age of the accounts receivable and changes in current economic conditions.

The trade receivable balances and reserve for doubtful accounts as of June 30, 2006 and December 31, 2005 are presented in the following table:

| | June 30, 2006 (amounts in thousands) | December 31, 2005 |
|---|--|----------------------|
| Accounts receivable | \$ 88,811 | \$ 80,441 |
| Allowance for doubtful accounts | (3,032) | (3,514) |
| Accounts receivable, net of allowance for doubtful accounts | \$ 85,779 | \$ 76,927 |

ITEM 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

General

We are one of the largest radio broadcasting companies in the United States based on net revenues. We were organized in 1968 as a Pennsylvania corporation. Today we operate in 20 markets, including Boston, Seattle, Denver, Sacramento, Portland, Kansas City, Indianapolis, Milwaukee, Norfolk, Buffalo, New Orleans, Providence, Memphis, Greensboro, Rochester, Greenville/Spartanburg, Madison, Wichita, Wilkes-Barre/Scranton, and Gainesville/Ocala.

A radio broadcasting company derives its revenues primarily from the sale of broadcasting time to local and national advertisers. The advertising rates that a radio station is able to charge and the number of advertisements that can be broadcast without jeopardizing listener levels largely determine those revenues. Advertising rates are primarily based on four factors:

a station's audience share in the demographic groups targeted by advertisers, as measured principally by quarterly reports issued by The Arbitron Ratings Company;

the number of radio stations in the market competing for the same demographic groups;

the supply of and demand for radio advertising time, both nationally and in the regions in which the station operates; and

the market's size based upon available radio advertising revenue.

A growing source of revenues is from the station websites and streaming audio. This emerging category represents an opportunity for enhanced audience interaction and participation as well as integrated advertising.

Several factors may adversely affect a radio broadcasting company's performance in any given period. In the radio broadcasting industry, seasonal revenue fluctuations are common and are due primarily to variations in advertising expenditures by local and national advertisers. Typically, revenues are lowest in the first calendar quarter of the year.

As opportunities arise, we may, on a selective basis, change or modify a station's format due to changes in listeners' tastes or changes in a competitor's format. A format change or modification could have an immediate negative impact on a station's ratings and/or revenues and there are no guarantees that the modification or change will be beneficial at some future time. Our management is continually focused on these opportunities as well as the risks and associated uncertainties. We believe that the diversification of formats on our stations helps to insulate us from the effects of changes in the musical tastes of the public. We strive to develop compelling content and strong brand images to maximize audience ratings that are crucial to our stations' financial success.

Our results of operations include net revenues and station operating expenses from stations we own and those net revenues and station operating expenses recognized under a time brokerage agreement or similar sales agreement for stations operated by us prior to acquiring the stations. Depending on the facts and circumstances relating to each pending asset purchase agreement (e.g., whether or not there is an associated time brokerage agreement or similar agreement) and the provisions of Financial Interpretation No. 46R, or FIN 46R (as revised), *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51*, which would include any variable interest entities that are required to be consolidated by the primary beneficiary, we may include: (1) the assets and liabilities of the entity holding the assets to be acquired, in our consolidated balance sheet; and (2) the net revenues and station operating expenses of the entity holding the assets to be acquired, in our consolidated statement of operations.

You should read the following discussion and analysis of our financial condition and results in conjunction with our consolidated financial statements and related notes included elsewhere in this report. The following results of operations include a discussion of the six months and the three months ended June 30, 2006 as compared to the six months and three months ended June 30, 2005, respectively. Our results of operations represent the operations of the radio stations owned or operated pursuant to time brokerage agreements or joint sales agreements during the relevant periods.

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We discuss net revenues, station operating expenses and operating income by comparing the performance of stations owned or operated by us throughout a relevant period to the performance of those same stations in the prior period whether or not owned or operated by us. Included in the comparisons that follow under the heading "Same Station Considerations" is summary information regarding significant contracts that: (1) relate to station operations; (2) have a significant effect on the net revenues and/or station operating expenses of a particular market; and (3) we account for as separate business units. We use these comparisons to assess the performance of our operations by analyzing the effect of

acquisitions and dispositions of stations and changes in status of significant contracts on net revenues and station operating expenses throughout the periods measured.

Results of Operations

The following significant factors affected our results of operations for the six months ended June 30, 2006 as compared to the six months ended June 30, 2005 and many of the following significant factors affected our results of operations for the three months ended June 30, 2006 as compared to the three months ended June 30, 2005:

Acquisitions

- on October 7, 2005, we acquired for \$45.0 million three radio stations in Greenville, South Carolina, which in 2006 increased our net revenues, station operating expenses, depreciation and amortization and interest expense.

Dispositions

- on October 6, 2005, we sold for \$6.7 million three radio stations in Greenville, South Carolina, which in 2006 decreased our net revenues, station operating expense, depreciation and amortization and interest expense;
- on March 31, 2005, we sold for \$2.2 million four radio stations in Longview, Washington, that the buyer began operating on November 15, 2004 under a time brokerage agreement which in 2006 decreased depreciation and amortization expense and interest expense; and
- on January 21, 2005, we sold for \$6.0 million a radio station in Seattle, Washington, that the buyer began operating on December 12, 2004 under a time brokerage agreement which in 2006 decreased depreciation and amortization expense and interest expense and, in 2005, increased gains on sale of assets by \$5.5 million.

Financing

- on June 29, 2006 and March 30, 2006, we paid an aggregate of \$30.4 million in cash dividends to our shareholders, which in 2006 increased our interest expense due to increased borrowings under our senior credit facility to finance the payment of the dividends; and
- under our authorized share repurchase programs, we repurchased shares of our Class A common stock in the amount of \$95.5 million during the first six months of 2006 and in the amount of \$188.4 million in 2005, which in 2006 increased our interest expense due to increased borrowings under our senior credit facility to finance the repurchase of our stock.

Other

- on January 1, 2006, we adopted a new accounting standard which required the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including employee stock options and employee stock purchases based on estimated fair values, which in 2006 increased our station operating expenses and corporate general and administrative expenses; and
- Hurricane Katrina and its aftermath have continued to impact the operations of our radio stations in New Orleans, Louisiana, which in 2006 decreased our net revenues.

Six Months Ended June 30, 2006 As Compared To The Six Months Ended June 30, 2005

Net Revenues:

| | Six Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|-------------------|--|---------------|
| Net Revenues | \$ 207.6 | \$ 213.8 |
| Amount of Change | \$ (6.2) | |
| Percentage Change | (2.9)% | |

Many of our markets were affected by a sluggish advertising environment that negatively impacted our net revenues during the first six months of 2006, with the largest declines in our Denver, New Orleans, Norfolk and Seattle markets. These declines were offset by an increase in net revenues in our Boston, Greenville, Portland, Providence and Rochester markets. The increase in net revenues in our Greenville market was primarily attributable to the acquisition of three Greenville radio stations in October 2005.

Same Station Considerations:

- Net revenues in 2006 were not affected as there were no acquisitions and dispositions of radio stations or significant contracts which were not owned or operated by us for the entire period ended June 30, 2006.
- Net revenues in 2005 would have been higher by \$2.7 million if we had adjusted net revenues to give effect to acquisitions and dispositions of radio stations and significant contracts as of January 1, 2005.

Station Operating Expenses:

| | Six Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|----------------------------|--|---------------|
| Station Operating Expenses | \$ 125.8 | \$ 124.0 |
| Amount of Change | \$ 1.8 | |
| Percentage Change | 1.5 | % |

The increase of \$1.8 million in station operating expenses in 2006 was primarily due to the acquisition in October 2005 of three stations in our Greenville market and the effects of inflation. The increase in station operating expenses was offset by a correlating decrease in the variable expenses associated with the decrease in net revenues as described under net revenues. Also, effective with the adoption on January 1, 2006 of Statement of Financial Accounting Standards No. 123R, or SFAS No. 123R, station operating expenses included non-cash stock-based compensation expense in the amount of \$0.3 million for the six months ended June 30, 2006.

Same Station Considerations:

- Station operating expenses in 2006 were not affected as there were no acquisitions and dispositions of radio stations or significant contracts which were not owned or operated by us for the entire period ended June 30, 2006.
- Station operating expenses for 2005 would have been higher by \$1.5 million if we had adjusted station operating expenses to give effect to acquisitions and dispositions of radio stations and significant contracts as of January 1, 2005.

Depreciation And Amortization Expenses:

| | Six Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|--|--|---------------|
| Depreciation and Amortization Expenses | \$ 7.8 | \$ 8.0 |
| Amount of Change | \$ (0.2) | |
| Percentage Change | (2.5)% | |

Depreciation and amortization expenses decreased by \$0.2 million primarily from dispositions in 2005 of radio station assets in the Seattle, Longview and Greenville markets offset by the acquisitions in 2005 of radio station assets in the Greenville market.

Corporate General And Administrative Expenses:

| | Six Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|---|--|---------------|
| Corporate General and Administrative Expenses | \$ 12.5 | \$ 9.6 |

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| | | | |
|-------------------|------|-----|---|
| Amount of Change | \$ | 2.9 | |
| Percentage Change | 30.2 | | % |

The increase in corporate general and administrative expenses of \$2.9 million was primarily due to: (1) an increase in legal costs of \$1.9 million that primarily included transaction costs written off during the first quarter of 2006 that were associated with an acquisition that did not materialize; (2) an increase in non-cash expense of \$1.1 million for the

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reasons described below; and (3) the effects of inflation. For the six months ended June 30, 2005, corporate general and administrative expenses were negatively impacted by \$1.0 million in legal expenses associated with complying with an investigation by the New York Attorney General (see Part II, Item 1, Legal Proceedings).

Non-cash compensation expense increased \$1.1 million to \$1.5 million for the six months ended June 30, 2006 as compared to \$0.4 million for the six months ended June 30, 2005, primarily due to: (1) a change in our approach towards equity compensation awards issued to our key employees during the second quarter of 2006 by granting a combination of restricted stock units with service conditions and restricted stock units with service and market conditions, in lieu of stock options; and (2) the adoption on January 1, 2006 of SFAS No. 123R.

Operating Income:

| | Six Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|-------------------|--|---------------|
| Operating Income | \$ 61.3 | \$ 77.7 |
| Amount of Change | \$ (16.4) | |
| Percentage Change | (21.1)% | |

The decrease in operating income of \$16.4 million was primarily due to: (1) a decrease in net revenues coupled with an increase in station operating expenses, for the reasons described under net revenues and station operating expenses; (2) a decrease in net gain on sale or disposal of assets of \$5.6 million due to a net loss on sale or disposal of assets of \$0.1 million for the six months ended June 30, 2006 as compared to a net gain on sale or disposal of assets of \$5.5 million for the six months ended June 30, 2005, primarily due to the sale in 2005 of a radio station in Seattle; and (3) an increase in corporate general and administrative expenses of \$2.9 million, due to the factors described above under corporate general and administrative expenses.

Same Station Considerations:

- Operating income in 2006 was not affected as there were no acquisitions and dispositions of radio stations or significant contracts which were not owned or operated by us for the entire period ended June 30, 2006.
- Operating income in 2005 would have been higher by \$1.2 million if we had adjusted operating income to give effect to acquisitions and dispositions of radio stations and significant contracts as of January 1, 2005 (exclusive of depreciation and amortization expenses where applicable).

Interest Expense:

| | Six Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|-------------------|--|---------------|
| Interest Expense | \$ 20.8 | \$ 14.0 |
| Amount of Change | \$ 6.8 | |
| Percentage Change | 48.6 % | |

The increase in interest expense of \$6.8 million was primarily attributable to: (1) higher average outstanding debt under our senior credit agreement used to finance: (a) the repurchase of our Class A common stock in the amount of \$95.5 million for the six months ended June 30, 2006 and \$188.4 million during the year ended December 31, 2005, under several stock repurchase programs; (b) an acquisition (net of a disposition) in the amount of \$38.3 million in Greenville during the fourth quarter of 2005; and (c) a dividend payment on March 30, 2006 of \$15.4 million; and (2) higher interest rates on outstanding debt during the six months ended June 30, 2006 as compared to the six months ended June 30, 2005.

Income Before Income Taxes:

| | Six Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|----------------------------|--|---------------|
| Income Before Income Taxes | \$ 41.4 | \$ 65.5 |
| Amount of Change | \$ (24.1) | |
| Percentage Change | (36.8)% | |

The decrease in income before income taxes of \$24.1 million was mainly attributable to: (1) a decrease in operating income of \$16.4 million to \$61.3 million for the six months ended June 30, 2006 from \$77.7 million for the six months ended June 30, 2005, for the factors described above under operating income; (2) an increase in interest expense of \$6.8 million to \$20.8 million for the six months ended June 30, 2006 from \$14.0 million for the six months ended June 30, 2005, for the reasons described above under interest expense; and (3) a decrease of \$1.1 million in gain on investments due to the sale of certain investments during the six months ended June 30, 2005.

Income Taxes:

| | Six Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|-------------------|--|---------------|
| Income Tax | \$ 16.5 | \$ 25.0 |
| Amount of Change | \$ (8.5) | |
| Percentage Change | (34.0)% | |

The decrease in income taxes of \$8.5 million is primarily a result of a decrease in income before income taxes, which was partially offset by an increase in our effective tax rate. Our effective income tax rate, which is based on the estimated annual effective tax rate, was 39.9% for the six months ended June 30, 2006 as compared to 38.1% for the six months ended June 30, 2005. The increase in our effective tax rate was primarily attributable to the impact of limitations on deductibility for tax purposes of share-based compensation for certain key employees. This increase was partially offset by changes in apportioned income to the states in which we operate and federal income tax credits from the effect of Hurricane Katrina. The current and deferred portions of our income tax expense were a current income tax credit of \$1.8 million and a deferred income tax expense of \$18.3 million for the six months ended June 30, 2006. The current and deferred portions of our income tax expense were \$7.6 million and \$17.4 million, respectively, for the six months ended June 30, 2005.

We estimate that our annual effective tax rate for 2006 will be 39.0%, which amount may fluctuate from quarter to quarter. Our effective tax rate may be materially impacted by: (1) changes in the level of income in any of our taxing jurisdictions; (2) regulatory changes in certain states in which we operate; (3) changes in the expected outcome of tax audits; (4) changes in the estimate of expenses that are not deductible for tax purposes; and/or (5) changes in the deferred tax valuation allowance.

Our net non-current deferred tax liability was \$211.0 million and \$192.8 million as of June 30, 2006 and December 31, 2005, respectively. The deferred tax liability primarily relates to differences between book and tax bases of our FCC licenses. Under the provisions of SFAS No. 142, we do not amortize our FCC licenses for financial statement purposes, but instead test them annually for impairment. As our FCC licenses continue to amortize for tax purposes, our deferred tax liability will increase over time. We do not expect the significant portion of our deferred tax liability to reverse over time unless: (1) our FCC licenses become impaired; or (2) our FCC licenses are sold for cash, which would typically only occur in connection with the sale of the assets of a station or groups of stations or the entire Company in a taxable transaction.

Net Income:

| | Six Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|-------------------|--|---------------|
| Net Income | \$ 24.9 | \$ 40.5 |
| Amount of Change | \$ (15.6) | |
| Percentage Change | (38.5)% | |

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The decrease in net income of \$15.6 million was primarily attributable to the reasons described above under income before income taxes, net of income tax expense.

Three Months Ended June 30, 2006 As Compared To The Three Months Ended June 30, 2005

Net Revenues:

| | Three Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|-------------------|--|---------------|
| Net Revenues | \$ 116.5 | \$ 119.5 |
| Amount of Change | \$ (3.0) | |
| Percentage Change | (2.5)% | |

Many of our markets were affected by a sluggish advertising environment that negatively impacted our net revenues during the quarter, with the largest declines in our Denver, Milwaukee, Norfolk and Seattle markets. These declines were offset by an increase in net revenues in our Boston, Greenville, Portland and Providence markets. The increase in net revenues in our Greenville market was primarily attributable to the acquisition of three Greenville radio stations in October 2005.

Same Station Considerations:

- Net revenues in 2006 were not affected as there were no acquisitions and dispositions of radio stations or significant contracts which were not owned or operated by us for the entire period ended June 30, 2006.
- Net revenues in 2005 would have been higher by \$1.7 million if we had adjusted net revenues to give effect to acquisitions and dispositions of radio stations and significant contracts as of January 1, 2005.

Station Operating Expenses:

| | Three Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|----------------------------|--|---------------|
| Station Operating Expenses | \$ 66.2 | \$ 65.5 |
| Amount of Change | \$ 0.7 | |
| Percentage Change | 1.1 % | |

The increase of \$0.7 million in station operating expenses in 2006 was primarily due to the acquisition in October 2005 of three stations in our Greenville market and the effects of inflation. The increase in station operating expenses was offset by a correlating decrease in the variable expenses associated with the decrease in net revenues as described under net revenues. Also, effective with the adoption of SFAS No. 123R on January 1 2006, station operating expenses included non-cash stock-based compensation expense in the amount of \$0.2 million for the three months ended June 30, 2006.

Same Station Considerations:

- Station operating expenses in 2006 were not affected as there were no acquisitions and dispositions of radio stations or significant contracts which were not owned or operated by us for the entire period ended June 30, 2006.
- Station operating expenses for 2005 would have been higher by \$0.9 million if we had adjusted station operating expenses to give effect to acquisitions and dispositions of radio stations and significant contracts as of January 1, 2005.

Depreciation And Amortization Expenses:

| | Three Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|--|--|---------------|
| Depreciation and Amortization Expenses | \$ 3.9 | \$ 3.9 |
| Amount of Change | \$ -0- | |
| Percentage Change | -0- | % |

Depreciation and amortization expenses remained flat during the second quarter of 2006 as compared to the second quarter of 2005.

Corporate General And Administrative Expenses:

| | Three Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|---|--|---------------|
| Corporate General and Administrative Expenses | \$ 6.5 | \$ 4.6 |
| Amount of Change | \$ 1.9 | |
| Percentage Change | 41.3 | % |

The increase in corporate general and administrative expenses of \$1.9 million was primarily due to: (1) an increase of \$1.1 million in non-cash expense related to restricted stock granted for the reasons described below; (2) an increase in legal expenses and (2) the effects of inflation.

Non-cash compensation expense increased \$1.1 million to \$1.3 million for the three months ended June 30, 2006 as compared to \$0.2 million for the three months ended June 30, 2005, primarily due to: (1) a change in our approach towards equity compensation awards issued to our key employees during the second quarter of 2006 to our key employees by granting a combination of restricted stock units with service conditions and restricted stock units with service and market conditions, in lieu of stock options; and (2) the adoption on January 1, 2006 of SFAS No. 123R.

Operating Income:

| | Three Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|-------------------|--|---------------|
| Operating Income | \$ 39.5 | \$ 45.4 |
| Amount of Change | \$ (5.9) | |
| Percentage Change | (13.0) | % |

The decrease in operating income of \$5.9 million was primarily due to: (1) a decrease in net revenues coupled with an increase in station operating expenses, for the reasons described under net revenues and station operating expenses; and (2) an increase in corporate general and administrative expenses of \$1.9 million, due to the factors described above under corporate general and administrative expenses.

Same Station Considerations:

- Operating income in 2006 was not affected as there were no acquisitions and dispositions of radio stations or significant contracts which were not owned or operated by us for the entire period ended June 30, 2006.
- Operating income in 2005 would have been higher by \$0.8 million if we had adjusted operating income to give effect to acquisitions and dispositions of radio stations and significant contracts as of January 1, 2005 (exclusive of depreciation and amortization expenses where applicable).

Interest Expense:

| | Three Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|-------------------|--|---------------|
| Interest Expense | \$ 11.1 | \$ 7.4 |
| Amount of Change | \$ 3.7 | |
| Percentage Change | 50.0 | % |

The increase in interest expense of \$3.7 million was primarily attributable to: (1) higher average outstanding debt under our senior credit agreement used to finance: (a) the repurchase of our Class A common stock in the amount of \$95.5 million for the six months ended June 30, 2006 and in the amount of \$188.4 million during the year ended December 31, 2005 under several stock repurchase programs; (b) an acquisition (net of a disposition) in the amount of \$38.3 million in Greenville during the fourth quarter of 2005; and (c) a dividend payment on March 30, 2006 of \$15.4 million; and (2) higher interest rates on outstanding debt during the three months ended June 30, 2006 as compared to the three months ended June 30, 2005.

Income Before Income Taxes:

| | Three Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|----------------------------|--|---------------|
| Income Before Income Taxes | \$ 28.8 | \$ 38.9 |
| Amount of Change | \$ (10.1) | |
| Percentage Change | (26.0) | % |

The decrease in income before income taxes of \$10.1 million was mainly attributable to: (1) a decrease in operating income of \$5.9 million to \$39.5 million for the three months ended June 30, 2006 from \$45.4 million for the three months ended June 30, 2005, for the factors described above under operating income; and (2) an increase in interest expense of \$3.7 million to \$11.1 million for the three months ended June 30, 2006 from \$7.4 million for the three months ended June 30, 2005, for the reasons described above under interest expense.

Income Taxes:

| | Three Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|-------------------|--|---------------|
| Income Tax | \$ 11.7 | \$ 14.7 |
| Amount of Change | \$ (3.0) | |
| Percentage Change | (20.4) | % |

The decrease in income taxes of \$3.0 million was primarily a result of a decrease in income before income taxes, offset by an increase in our effective income tax rate. Our effective income tax rate, which is based on the estimated annual effective tax rate, was 40.6% for the three months ended June 30, 2006 as compared to 37.7% for the three months ended June 30, 2005. The increase in our effective tax rate was primarily attributable to the impact of limitations on deductibility for tax purposes of share-based compensation for certain key employees. The current and deferred portions of our income tax expense were \$2.7 million and \$9.0 million, respectively, for the three months ended June 30, 2006. The current and deferred portions of our income tax expense were \$6.0 million and \$8.7 million, respectively, for the three months ended June 30, 2005.

We estimate that our annual effective tax rate for 2006 will be 39.0%, which amount may fluctuate from quarter to quarter. Our effective tax rate may be materially impacted by: (1) changes in the level of income in any of our taxing jurisdictions; (2) regulatory changes in certain states in which we operate; (3) changes in the expected outcome of tax audits; (4) changes in the estimate of expenses that are not deductible for tax purposes; and/or (5) changes in the deferred tax valuation allowance.

Our net non-current deferred tax liability was \$211.0 million and \$192.8 million as of June 30, 2006 and December 31, 2005, respectively. The deferred tax liability primarily relates to differences between book and tax bases of our FCC licenses. Under the provisions of SFAS No. 142, we do not amortize our FCC licenses for financial statement purposes, but instead test them annually for impairment. As our FCC licenses continue to amortize for tax purposes, our

deferred tax liability will increase over time. We do not expect the significant portion of our deferred tax liability to reverse over time unless: (1) our FCC licenses become impaired; or (2) our FCC licenses are sold for cash, which would typically only occur in connection with the sale of the assets of a station or groups of stations or the entire Company in a taxable transaction.

Net Income:

| | Three Months Ended June 30, 2006 (dollars in millions) | June 30, 2005 |
|-------------------|--|---------------|
| Net Income | \$ 17.1 | \$ 24.3 |
| Amount of Change | \$ (7.2) | |
| Percentage Change | (29.6)% | |

The decrease in net income of \$7.2 million was primarily attributable to the reasons described above under income before income taxes, net of income tax expense.

Liquidity And Capital Resources

Since we began our share repurchase initiative in May 2004, we have used a significant portion of our capital resources to repurchase shares of our Class A common stock (see Liquidity and Capital Resources, Share Repurchase Programs below). Generally, our acquisitions, share repurchases, reductions of our outstanding debt, dividends and other capital requirements are funded from one or a combination of the following sources: (1) our credit agreement; (2) the issuance and sale of securities; (3) internally generated cash flow; and (4) the swapping of our radio stations in transactions which qualify as like-kind exchanges under Section 1031 of the Internal Revenue Code.

We have also used a portion of our capital resources to pay dividends in the amount of \$30.4 million during the six months ended June 30, 2006. Prior to the payment of our first quarterly dividend in March 2006 and since becoming a public company in January 1999, we had not declared any dividends on any class of our common stock. We expect to continue to declare and pay quarterly cash dividends. In the future, any payment of dividends will be at the discretion of the Board of Directors and will depend upon, among other factors, our earnings, financial condition, capital requirements, level of indebtedness, contractual restrictions, including the provisions of our senior and subordinated debt, and other considerations that the Board of Directors deems relevant.

Our Bank Revolver

On August 12, 2004, we entered into a bank credit agreement, our Bank Revolver, with a syndicate of banks, for a five-year senior secured revolving credit facility of \$800.0 million. The Bank Revolver is secured by a pledge of 100% of the capital stock and other equity interest in all of our wholly owned subsidiaries. The Bank Revolver requires us to comply with certain financial covenants and leverage ratios which are defined terms within the agreement, including: (1) Total Debt to Operating Cash Flow; (2) Operating Cash Flow to Interest Expense; and (3) Operating Cash Flow to Fixed Charges. Upon the occurrence of certain events, our interest rate can increase to a maximum of Eurodollar plus 1.375% or prime plus 0.875%. We also pay a commitment fee that varies depending on certain financial covenants and the amount of the unused commitment, to a maximum of 0.375% per annum, on the average unused balance of the Bank Revolver. Management believes we are in compliance with all financial covenants and leverage ratios and all other terms of the Bank Revolver.

Liquidity

Our liquidity requirements are for working capital and general corporate purposes, including capital expenditures, and any one or more of the following: repurchase of stock, dividends and acquisitions. During the six months ended June 30, 2006, we paid \$0.1 million in income taxes that included certain state taxes for 2005 and certain estimated state taxes for 2006. We anticipate that it will not be necessary to make any additional quarterly estimated federal and certain state income tax payments for the remainder of 2006 based upon existing prepayments and expected quarterly taxable income for the remaining quarters of 2006. Capital expenditures for the six months ended June 30, 2006 were \$5.9 million. We anticipate that capital expenditures in 2006 will consist of: (1) an amount between \$7.0 million and \$8.0 million for capital expenditures incurred in the ordinary course of business and for the conversion of our remaining FM stations to digital radio; and (2) \$6.0 million incurred for the relocation and consolidation of our studio facilities in several of our markets. We anticipate that our capital expenditure needs for 2007 will be less than our needs in 2006.

As of June 30, 2006, we have a pending transaction to purchase a radio station serving the Springfield, Massachusetts, radio market, for \$5.8 million in cash. Under this agreement, we have funded \$0.3 million into an escrow account to be applied against the purchase price upon closing. Closing is anticipated to occur in the third quarter of 2006. We intend to finance the pending acquisition primarily from available borrowings under the Bank Revolver.

We believe that cash on hand and cash from operating activities, together with available borrowings under the Bank Revolver, will be sufficient to permit us to meet our liquidity requirements for the foreseeable future, including cash to fund our operations and certain acquisitions, repurchases of our stock and any dividends. We also believe that we will maintain compliance with the terms of our Bank Revolver. If we are not in compliance, however, there can be no assurance that we will be successful in amending the Bank Revolver or entering into a new credit agreement, obtaining additional financing or that we will be able to obtain such financing on terms acceptable to us, which could delay or impair our efforts to consummate current and future acquisitions. Failure to comply with our financial covenants or other terms of the Bank Revolver could result in the acceleration of the maturity of our outstanding debt.

Our ability to meet our financial obligations could be adversely impacted, however, by factors such as prolonged downturns in the economy, poor performance by our stations, increased competition from other media, and other factors that could be a result of world events. In addition, we may require additional financing for future acquisitions, and we cannot be certain that we will be able to obtain such financing at all or on terms considered favorable by us.

As of June 30, 2006, we had credit available of \$280.2 million under the Bank Revolver, subject to compliance with the covenants under the Bank Revolver at the time of borrowing. As of June 30, 2006, we had \$15.3 million in cash and cash equivalents. During the six months ended June 30, 2006, we increased our net outstanding debt by \$92.0 million, primarily to fund the repurchase of our Class A common stock and for the payment of dividends. As of June 30, 2006, we had outstanding: (1) \$519.0 million of senior debt; (2) \$150.0 million in senior subordinated notes; and (3) \$0.8 million in a letter of credit.

Operating Activities

Net cash flows provided by operating activities were \$37.8 million and \$50.9 million for the six months ended June 30, 2006 and 2005, respectively. The decrease in 2006 was mainly attributable to: (1) a decrease in net income of \$10.1 million (net of gain on sale or disposal of assets) to \$24.9 million for the six months ended June 30, 2006 from \$40.5 million for the six months ended June 30, 2005; and (2) an increase in working capital requirements of \$4.8 million to \$16.9 million for the six months ended June 30, 2006 as compared to working capital requirements of \$12.1 million for the six months ended June 30, 2005, primarily due to the payment during the six months ended June 30, 2006 of an unfunded share repurchase obligation of \$8.1 million as of December 31, 2005. The decrease in net gain on sale or disposal of assets of \$5.6 million to a loss on sale or disposal of assets of \$0.1 million for the six months ended June 30, 2006 as compared to a gain on sale or disposal of assets of \$5.5 million for the six months ended June 30, 2005 was primarily from the disposition of a station in Seattle during the first quarter of 2005.

Investing Activities

Net cash flows used in investing activities were \$5.2 million for the six months ended June 30, 2006, and net cash flows provided by investing activities were \$1.5 million for the six months ended June 30, 2005.

The cash used in investing activities for the six months ended June 30, 2006 reflects additions to property and equipment of \$5.9 million. The cash flows provided by investing activities for the six months ended June 30, 2005 primarily reflect (1) proceeds of \$7.8 million from the sale of stations in Seattle and Longview; and (2) proceeds from investments of \$2.3 million, offset by additions to property and equipment of \$4.8 million and station acquisition deposits and costs of \$3.6 million.

Financing Activities

Net cash flows used in financing activities were \$33.4 million and \$53.2 million for the six months ended June 30, 2006 and 2005, respectively.

The cash flows used in financing activities reflect the repurchase of Class A common stock of \$95.5 million and \$94.1 million for the six months ended June 30, 2006 and 2005, respectively, offset by net borrowings of long-term debt of \$92.0 million and \$40.5 million for the six months ended June 30, 2006 and 2005, respectively. During the six months ended June 30, 2006, dividends were paid to stockholders in the amount of \$30.4 million.

Credit Rating Agencies

On a continuing basis, credit rating agencies such as Moody's Investor Services and Standard and Poor's evaluate our debt in order to assign a credit rating. As a result of their reviews, our credit rating could change. Any significant downgrade in our credit rating could adversely impact our future liquidity. The effect of a change in our credit rating may limit or eliminate our ability to obtain debt financing, or include, among other things, interest rate changes under any future bank facilities, debentures, notes or other types of debt.

Share Repurchase Programs

On May 8, 2006, the Company announced that its Board of Directors approved a continuation of the Company's share repurchase program by authorizing an additional one-year share repurchase program of up to \$100.0 million, with the amount and timing of repurchases over the next year subject to the discretion of management, depending on market conditions and other factors.

On December 13, 2005, March 17, 2005, November 1, 2004 and May 13, 2004, the Company's Board of Directors authorized one-year share repurchase programs of up to \$100.0 million for each program. Under these programs, we repurchased an aggregate of 12.1 million shares in the amount of \$399.8 million at an average price of \$33.08 per share. Under the December 13, 2005 program, \$0.2 million remained authorized as available for repurchase.

Contractual Obligations

The following table reflects a summary as of June 30, 2006 of our contractual obligations for the remainder of the year 2006 and thereafter:

| Contractual Obligations: | Payments due by period | | | | More Than 5 years |
|---------------------------------|---------------------------------|---------------------|-------------------|-------------------|-------------------------|
| | Total (amounts in thousands) | Less than 1 year | 1 to 3 years | 3 to 5 years | |
| Long-term debt obligations (1) | \$ 860,612 | \$ 22,441 | \$ 89,657 | \$ 562,196 | \$ 186,318 |
| Operating lease obligations | 59,043 | 4,271 | 17,736 | 15,046 | 21,990 |
| Purchase obligations (2) | 260,779 | 43,038 | 76,564 | 39,293 | 101,884 |
| Other long-term liabilities (3) | 217,978 | 2,030 | 723 | 815 | 214,410 |
| Total | \$ 1,398,412 | \$ 71,780 | \$ 184,680 | \$ 617,350 | \$ 524,602 |

(1) (a) Our Bank Revolver had outstanding debt in the amount of \$519.0 million as of June 30, 2006. The maturity under our Bank Revolver could be accelerated if we do not maintain certain covenants. The above table includes projected interest expense under the remaining term of the agreement.

(b) Under our \$150.0 million 7.625% senior subordinated notes, the maturity could be accelerated if we do not maintain certain covenants or could be repaid in cash by us at our option prior to the due date of the notes. The above table includes projected interest expense under the remaining term of the agreement.

(2) (a) After extensive litigation, on May 19, 2003, we acquired a radio station for a purchase price of \$21.2 million, which included an award by the court of \$3.8 million in damages as an offset against the original \$25.0 million purchase price. A successful appeal by the seller could reverse the \$3.8 million in damages awarded by the court.

(b) We have an obligation to acquire the assets of a radio station in Springfield, Massachusetts, for a purchase price of \$5.8 million.

(c) We have \$3.0 million in liabilities related to: (i) construction obligations in connection with the relocation and consolidation of certain of our studio facilities; (ii) our obligation to provide a letter of credit; and (iii) obligations to increase our interest in certain partnerships.

(d) In addition to the above, purchase obligations of \$248.2 million include contracts primarily for on-air personalities, sports programming rights, ratings services, music licensing fees, equipment maintenance and certain other operating contracts.

(3) Included within total other long-term liabilities of \$218.0 million are deferred income tax liabilities of \$211.0 million that are recognized for all temporary differences between the tax and financial reporting bases of our assets and liabilities based on enacted tax laws and statutory tax rates applicable to the

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periods in which the differences are expected to affect taxable income. Deferred tax liabilities may vary according to changes in tax laws, tax rates and our operating results. As a result, it is impractical to determine whether there will be a cash impact to an individual year. Therefore, deferred income tax liabilities have been reflected in the above table in the column labeled as More Than 5 Years.

Off-Balance Sheet Arrangements

We utilize letters of credit to back certain payment and performance obligations. Letters of credit are subject to limits based on amounts outstanding under our Bank Revolver.

We enter into interest rate swap contracts to hedge a portion of our variable rate debt. See Note 7 in the accompanying condensed consolidated financial statements for a detailed discussion of our derivative instruments.

In connection with our pending acquisition of a radio station serving the Springfield, Massachusetts, radio market, we determined that FIN 46R was not applicable as of June 30, 2006. The seller, as the primary beneficiary, would incur the expected losses that could arise from the entities holding the assets to be acquired. As a result, we did not include in the condensed consolidated balance sheets as of June 30, 2006 the fair value of all of the assets and liabilities of the seller's entities that contained the assets that are to be acquired under the asset purchase agreement. Upon closing of this transaction, which we estimate to occur during the third quarter of 2006, we expect to consolidate the assets that are to be acquired under the asset purchase agreement.

We do not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet financial arrangements or other contractually narrow or limited purposes, at June 30, 2006. Accordingly, we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in such relationships.

Recent Accounting Pronouncements

FIN 48

On July 13, 2006, the Financial Accounting Standards Board, or FASB, issued FIN 48, *Accounting For Uncertainty In Income Taxes, And Related Implementation Issues* that provides guidance on the financial statement recognition, measurement, presentation and disclosure of uncertain tax positions that a company has taken or expects to take on a tax return. Under FIN 48, financial statements should reflect expected future tax consequences of such positions presuming the taxing authorities have full knowledge of the position and all relevant facts. The interpretation also revises the disclosure requirements and is effective for us as of January 1, 2007. We are currently evaluating FIN 48 and its effect on our financial position, results of operations or cash flows.

FSP No. FAS 13-1

On October 6, 2005, the FASB issued Staff Position No. FAS 13-1, or FSP No. FAS 13-1, that addresses the accounting for rental costs associated with operating leases that are incurred during a construction period. Under FSP No. FAS 13-1, rental costs associated with ground or building operating leases, that are incurred during a construction period, shall be recognized as rental expense and included in income from continuing operations. The guidance in this FSP was applied effective January 1, 2006. The adoption of FSP No. FAS 13-1 did not have a material effect on our financial position, results of operations or cash flows.

SFAS No. 154

On June 1, 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, which required entities that voluntarily make a change in accounting principle to apply that change retrospectively to prior periods' financial statements, unless this would be impracticable. SFAS No. 154 supersedes Accounting Principles Board Opinion No. 20, or APB No. 20, *Accounting Changes*, which previously required that most voluntary changes in accounting principle be recognized by including in the current period's net income the cumulative effect of changing to the new accounting principle. SFAS No. 154 makes a distinction between retrospective application of an accounting principle and the restatement of financial statements to reflect the correction of an error. In addition, another significant change in practice under SFAS No. 154 will be that if an entity changes its method of depreciation, amortization, or depletion for long-lived, non-financial assets, the change must be accounted for as a change in accounting estimate. Under APB Opinion No. 20, such a change would have been reported as a change in accounting principle. SFAS No. 154 applies to accounting changes and error corrections that were made by us beginning January 1, 2006. The adoption of SFAS No. 154 did not have a material effect on our financial position, results of operations or cash flows.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements, and the amount of reported revenues and expenses during the reporting period. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for our making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different circumstances or using different assumptions.

We consider the following policies to be important in understanding the judgments involved in preparing our financial statements and the uncertainties that could affect our financial position, results of operations or cash flows.

Revenue Recognition

We recognize revenue from the sale of commercial broadcast time to advertisers when the commercials are broadcast, subject to meeting certain conditions such as persuasive evidence that an arrangement exists, the price is fixed and determinable, and collection is reasonably assured. These criteria are generally met at the time an advertisement is broadcast, and the revenue is recorded net of advertising agency commission.

Allowance For Doubtful Accounts

We must make an estimated allowance for doubtful accounts for estimated losses resulting from our customers' inability to make payments to us. We specifically review historical write-off activity by market, large customer concentrations, customer creditworthiness and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. Our historical estimates have usually averaged less than 4.0% of our outstanding receivables and have been a reliable method to estimate future allowances. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, then additional allowances could be required. The effect of a 1% increase in our allowance for our outstanding receivables as of June 30, 2006, from 3.4% to 4.4% or from \$3.0 million to \$3.9 million, would result in a decrease in net income of \$0.5 million, net of taxes, for the six months ended June 30, 2006.

Radio Broadcasting Licenses And Goodwill

We have made acquisitions in the past for which a significant amount of the purchase price was allocated to broadcasting licenses and goodwill assets. As of June 30, 2006, we recorded approximately \$1.5 billion in radio broadcasting licenses and goodwill, which represented approximately 86.8% of our total assets. In assessing the recoverability of these assets, we must conduct annual impairment testing required by SFAS No. 142 and charge to operations an impairment expense only in the periods in which the recorded value of these assets is more than their fair value. We believe our estimate of the value of our radio broadcasting licenses and goodwill assets is a critical accounting estimate as the value is significant in relation to our total assets, and our estimate of the value contains assumptions incorporating variables that are based on past experiences and judgments about future performance of our stations. These variables would include but not be limited to: (1) the forecast growth rate of each radio market, including population, household income, retail sales and other expenditures that would influence advertising expenditures; (2) market share and profit margin of an average station within a market; (3) estimated capital start-up costs and losses incurred during the early years; (4) risk-adjusted discount rate; (5) the likely media competition within the market area; and (6) terminal values.

Changes in our estimates of the fair value of these assets could result in future period write-downs in the carrying value of our broadcasting licenses and goodwill assets.

Contingencies And Litigation

On an ongoing basis, we evaluate our exposure related to contingencies and litigation and record a liability when available information indicates that a liability is probable and estimable. We also disclose significant matters that are reasonably possible to result in a loss or are probable but not estimable.

Estimation Of Effective Tax Rates And Tax Contingencies

Significant management judgment is required in determining our provision for income taxes, income tax liabilities, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. We evaluate our effective tax rates regularly and adjust rates when appropriate based on currently available information relative to statutory rates, apportionment factors and the applicable taxable income in the jurisdictions in which we operate, among other factors. We are currently evaluating recently issued Financial Interpretation No. 48 and its impact on our effective tax rate and tax contingencies (see Item 2, Recent Accounting Pronouncements).

Tax contingencies are also recorded to address potential exposures involving tax positions we have taken that could be challenged by taxing authorities. To the extent that we establish a reserve, our provision for income taxes would be increased. If we ultimately determine that payment of these amounts is unnecessary, we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary.

When appropriate, we record a valuation allowance against deferred tax assets to offset future tax benefits that may not be realized. In determining if a valuation allowance is appropriate, we consider whether it is more likely than not that all or some portion of our deferred tax assets will not be realized, based in part upon management's judgments regarding future events. These potential exposures result from the varying application of statutes, rules, regulations and interpretations. We believe our estimates of the value of our tax contingencies and valuation allowances are critical accounting estimates as they contain assumptions based on past experiences and judgments about potential actions by taxing jurisdictions. It is reasonably likely that the ultimate resolution of these matters may be greater or less than the amount that we have currently accrued. Our estimate of our effective tax rates has not changed significantly in past years, with rates that ranged from 37.5% to 40.0%.

The effect of a 1% increase in our estimated tax rate, as of June 30, 2006, would result in an increase in income tax expense of \$0.4 million to \$16.9 million from \$16.5 million for the six months ended June 30, 2006. The 1% increase in income tax expense would result in a decrease in net income of \$0.4 million (net income per diluted share of \$0.01) for the six months ended June 30, 2006.

Intangibles

As of June 30, 2006, approximately 86.8% of our total assets consisted of radio broadcast licenses and goodwill, the value of which depends upon the operational results of our business. We could not operate the radio stations without the related FCC license for each station. FCC licenses are renewed every eight years; consequently, we continually monitor the activities of our stations to ensure they comply with all regulatory requirements. Historically, all of our licenses have been renewed at the end of their respective eight-year periods, and we expect that all licenses will continue to be renewed in the future.

Valuation Of Share-Based Compensation

We determine the fair value of restricted stock units with service conditions and market conditions using a Monte Carlo simulation model. The fair value is based on the use of certain assumptions regarding a number of highly complex and subjective variables. If other reasonable assumptions were used, the results may differ.

We determine the fair value of our employee stock options at the date of grant using a Black-Scholes option-pricing model. The Black-Scholes option-pricing model was developed for use in estimating the value of exchange-traded options that have no vesting restrictions and are fully transferable. Our employee stock options have characteristics significantly different from these traded options. In addition, option-pricing models require the input of highly subjective assumptions, including the expected stock price volatility and expected term of the options granted. If other reasonable assumptions were used, the results may differ.

Inflation

Inflation has affected our performance in terms of higher costs for radio station operating expenses, including wages and equipment. The exact impact is indeterminable.

ITEM 3. Quantitative And Qualitative Disclosures About Market Risk

We are exposed to market risk from changes in interest rates on our variable rate senior debt. Under certain covenants that are measured periodically, we may be required from time to time to protect ourselves from interest rate fluctuations through the use of derivative rate hedging instruments. If the borrowing rates under LIBOR were to increase 1% above the current rates as of June 30, 2006, our interest expense on our senior debt would increase by approximately \$4.9 million on an annual basis, including any interest expense associated with the use of

derivative rate hedging instruments as described below. We do not have interest rate risk related to our senior subordinated notes, which have a

fixed interest rate of 7.625%. Due to certain requirements under our Bank Revolver, we expect to enter into interest rate transactions during the third quarter of 2006 to hedge a portion of our outstanding variable rate debt.

As of June 30, 2006, we had a derivative rate hedging transaction in place for a notional amount of \$30.0 million that effectively fixes LIBOR at 5.8% and expires in 2008. The fair value of the rate hedging transaction as of June 30, 2006, based upon current market rates, is included as derivative instruments in other long-term liabilities according to the maturity date of the instrument. Our rate hedging transaction is tied to the three-month LIBOR interest rate, which may fluctuate significantly on a daily basis. The fair value of the hedging transaction is affected by a combination of several factors, including the change in the three-month LIBOR rate and the forward interest rate to maturity. Any increase in the three-month LIBOR rate and/or the forward interest rate to maturity results in a more favorable valuation, while any decrease in the three-month LIBOR rate and/or forward interest rate to maturity results in a less favorable valuation. Our credit exposure under this hedging agreement, or similar agreements we may enter into in the future, is the cost of replacing an agreement in the event of nonperformance by our counter-party. Our derivative instrument liability as of June 30, 2006 was \$0.1 million, which represented a decrease of \$0.6 million from the balance as of December 31, 2005. This decrease in liability was due primarily to an increase in the forward interest rate to maturity and a decrease in the remaining period of our outstanding hedge.

Our cash equivalents are money market instruments consisting of short-term government securities and repurchase agreements that are fully collateralized by government securities. We do not believe that we have any material credit exposure with respect to these assets.

Our credit exposure related to our accounts receivable does not represent a significant concentration of credit risk due to the quantity of local advertisers with local business representing a high percentage of our business, the minimal reliance on any one advertiser, the multiple markets in which we operate and the wide variety of advertising business sectors.

See also additional disclosures regarding liquidity and capital resources made under Item 2 - Liquidity and Capital Resources above.

ITEM 4. Controls And Procedures

Evaluation Of Controls And Procedures

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act) that are designed to ensure that: (i) information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms; and (ii) such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

We carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, our President/Chief Executive Officer and Executive Vice President/Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level.

Changes In Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. Legal Proceedings

Except as described in Part II, Item 1, Legal Proceedings, there have been no material developments relating to the legal proceedings described in our Annual Report on Form 10-K for the year ended December 31, 2005, filed with the Securities and Exchange Commission on February 24, 2006.

In January 2005, we received a subpoena from the Office of Attorney General of the State of New York, as did several other radio broadcasting companies and record companies operating in the State of New York. These subpoenas were issued in connection with the New York Attorney General's investigation of promotional practices involved in record companies' dealings with radio stations. We have cooperated with this investigation and will continue to do so. In connection with this investigation, the New York Attorney General's Office has entered into settlement agreements with two record companies, which included both business practice reforms and financial penalties. On March 8, 2006, the Attorney General of the State of New York filed an action in the Supreme Court of the State of New York against us alleging that we have engaged in and continue to engage in deceptive acts and practices in connection with the airplay of current music. In response, on April 10, 2006, we filed a motion to dismiss this complaint. We cannot predict the outcome of this litigation and whether it will have a material impact on us.

As a result of the New York Attorney General's investigation of promotional practices involved in record companies' dealings with radio stations, the FCC has announced increased enforcement activity in the area of sponsorship identification and payola, which is prohibited by the Communications Act. We have responded to inquiries by the FCC and have cooperated with the FCC in this investigation. On April 19, 2006, we received a Letter of Inquiry from the FCC requesting additional information. We have cooperated with this investigation and will continue to do so. We cannot predict the outcome of this litigation and whether it will have a material impact on us.

ITEM 1A. Risk Factors

There have been no material changes from the Risk Factors described in our Form 10-K, filed with the SEC on February 24, 2006.

ITEM 2. Unregistered Sales Of Equity Securities And Use Of Proceeds

During the six-month period ending June 30, 2006, we made repurchases of our Class A common stock pursuant to a one-year \$100.0 million share repurchase program adopted by our Board of Directors on December 13, 2005. The following table provides information on our repurchases during the quarter ended June 30, 2006:

| Period | (a) Total Number of Shares Purchased | (b) Average Price Paid Per Share | (c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs | (d) Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under The Plans or Programs |
|---------------------------------------|---|--|--|---|
| April 1, 2006 - April 30, 2006 (1)(2) | 655,500 | \$ 27.89 | 655,500 | \$ 100,214,958 |
| May 1, 2006 - May 31, 2006 (1)(2) | | \$ | | \$ 100,214,958 |
| June 1, 2006 - June 30, 2006 (1) (2) | | \$ | | \$ 100,214,958 |
| Total | 655,500 | | 655,500 | |

(1) On December 13, 2005, our Board of Directors announced the adoption of a plan to repurchase up to \$100.0 million of our Class A common stock (the December 2005 Plan). The December 2005 Plan expires on December 12, 2006.

(2) On May 8, 2006, our Board of Directors announced a continuation of our share repurchase program by authorizing the repurchase of up to \$100.0 million of our Class A common stock (the May 2006 Plan). The May 2006 Plan expires on May 7, 2007.

ITEM 3. Defaults Upon Senior Securities

None.

ITEM 4. Submission Of Matters To A Vote Of Security Holders

(a) On May 16, 2006, we held our annual shareholders meeting.

(b) At our annual shareholders meeting: (i) David J. Berkman and Daniel E. Gold were elected as Class A directors for one-year terms expiring at the 2007 annual shareholders meeting; and (ii) Joseph M. Field, David J. Field, John C. Donlevie, Edward H. West and Robert S. Wiesenthal were elected as directors for one-year terms expiring at the 2007 annual shareholders meeting.

(c) The following matters were voted on and approved at our annual shareholders meeting: (i) the election of Class A directors; (ii) the election of directors other than Class A directors; (iii) the approval of an amendment of the Entercom Equity Compensation Plan to permit us to offer a one-time exchange of certain options outstanding under the Entercom Equity Compensation Plan for shares of restricted stock; and (iv) to ratify the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the year ended December 31, 2006.

The results of voting at the annual meeting of the shareholders were as follows:

(i) Election of Class A Directors

| | <u>Nominee</u> | | <u>For</u> | | <u>Withheld</u> | |
|---|------------------|---|------------|---|-----------------|---|
| - | David J. Berkman | - | 24,612,200 | - | 3,785,251 | - |
| - | Daniel E. Gold | - | 25,362,360 | - | 3,035,091 | - |

(ii) Election of Other Than Class A Directors

| | <u>Nominee</u> | | <u>For</u> | | <u>Withheld</u> | |
|--|----------------------|--|-------------|---|-----------------|--|
| | Joseph M. Field | | 102,314,183 | - | 3,131,318 | |
| | David J. Field | | 102,314,083 | - | 3,131,418 | |
| | John C. Donlevie | | 102,315,093 | - | 3,130,408 | |
| | Edward H. West | | 102,076,312 | - | 3,369,189 | |
| | Robert S. Wiesenthal | | 102,076,467 | - | 3,369,034 | |

(iii) Approval of an Amendment of the Entercom Equity Compensation Plan

| <u>For</u> | <u>Against</u> | <u>Abstain</u> |
|------------|----------------|----------------|
| 85,225,000 | 17,747,385 | 1,741 |

(iv) Ratify The Selection Of PricewaterhouseCoopers LLP As Our Independent Registered Public Accounting Firm

| <u>For</u> | <u>Against</u> | <u>Abstain</u> |
|-------------|----------------|----------------|
| 104,516,004 | 928,652 | 845 |

ITEM 5. Other Information

None.

ITEM 6. Exhibits

| Exhibit Number | Description |
|-------------------|---|
| 3.01 | Amended and Restated Articles of Incorporation of the Entercom Communications Corp. (1) |
| 3.02 | Amended and Restated Bylaws of the Entercom Communications Corp. (2) (Originally filed as Exhibit 3.02) |
| 4.01 | Indenture dated as of March 5, 2002 by and among Entercom Radio, LLC and Entercom Capital, Inc., as co-issuers, the Guarantors named therein and HSBC Bank USA, as trustee. (2) (Originally filed as Exhibit 4.02) |
| 4.02 | First Supplemental Indenture dated as of March 5, 2002 by and among Entercom Radio, LLC and Entercom Capital, Inc., as co-issuers, the Guarantors named therein and HSBC Bank USA, as trustee. (2) (Originally filed as Exhibit 4.03) |
| 10.01 | The summary of equity annual bonuses to our named executive officers made on April 6, 2006. (3) |
| 10.02 | Amended Entercom Equity Compensation Plan as approved by our shareholders on May 16, 2006. (4) |
| 31.01 | Certification of President and Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a), as created by Section 302 of the Sarbanes-Oxley Act of 2002. (5) |
| 31.02 | Certification of Executive Vice President and Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a), as created by Section 302 of the Sarbanes-Oxley Act of 2002. (5) |
| 32.01 | Certification of President and Chief Executive Officer pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002. (6) |
| 32.02 | Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002. (6) |

(1) Incorporated by reference to Exhibit 3.01 of our Amendment to Registration Statement on Form S-1, as filed on January 27, 1999. (File No. 333-61381)

(2) Incorporated by reference to an exhibit (as indicated above) of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2002, as filed on May 13, 2002.

(3) Incorporated by reference to our Current Report on Form 8-K, as filed on April 12, 2006.

(4) Incorporated by reference to our Current Report on Form 8-K, as filed on May 18, 2006.

(5) Filed herewith.

(6) These exhibits are submitted herewith as accompanying this Quarterly Report on Form 10-Q and shall not be deemed to be filed as part of such Quarterly Report on Form 10-Q.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENTERCOM COMMUNICATIONS CORP.
(Registrant)

Date: August 3, 2006

/S/ David J. Field
Name: David J. Field
Title: President and Chief Executive Officer
(principal executive officer)

Date: August 3, 2006

/S/ Stephen F. Fisher
Name: Stephen F. Fisher
Title: Executive Vice President and Chief Financial Officer
(principal financial and accounting officer)

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