CUMULUS MEDIA INC
Form 10-K
March 03, 2010

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

Form 10-K

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the fiscal year ended December 31, 2009
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the transition period from to

Commission file number 00-24525

Cumulus Media Inc.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**36-4159663**
(State of Incorporation)	*(I.R.S. Employer Identification No.)*

3280 Peachtree Road, N.W.
Suite 2300
Atlanta, GA 30305
(404) 949-0700
(Address, including zip code, and telephone number, including area code, of registrant s principal offices)

Securities Registered Pursuant to Section 12(b) of the Act:
None
Securities Registered Pursuant to Section 12(g) of the Act:
Class A Common Stock, par value $.01 per share

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

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

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

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

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

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

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

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

The aggregate market value of the registrant s outstanding voting and non-voting common stock held by non-affiliates of the registrant as of June 30, 2009, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $38.8 million, based on 41,715,040 shares outstanding and a last reported per share price of Class A Common Stock on the NASDAQ Global Select Market of $0.93 on that date. As of February 25, 2010, the registrant had outstanding 41,616,573 shares of common stock consisting of (i) 35,162,511 shares of Class A Common Stock; (ii) 5,809,191 shares of Class B Common Stock; and (iii) 644,871 shares of Class C Common Stock.

CUMULUS MEDIA INC.

ANNUAL REPORT ON FORM 10-K
For the Fiscal Year Ended December 31, 2009

PART I

Item 1. *Business*

Certain Definitions

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

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

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

Unless otherwise indicated:

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

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

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

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

The term Station Operating Income is used in various places in this document. Station Operating Income consists of operating income before depreciation and amortization, LMA fees, corporate general and administrative expenses (including non-cash stock compensation), gain on exchange, impairment of goodwill and intangible assets, and costs associated with the terminated transaction. Station operating income is not a measure of performance calculated in accordance with accounting principles generally accepted in the United States (GAAP). Station Operating Income isolates the amount of income generated solely by our stations and assists management in evaluating the earnings potential of our station portfolio. In deriving this measure, we exclude depreciation and amortization due to the insignificant investment in tangible assets required to operate our stations and the relatively insignificant amount of intangible assets subject to amortization. We exclude LMA fees from this measure, even though it requires a cash commitment, due to the insignificance and temporary nature of such fees. Corporate expenses, despite representing an additional significant cash commitment, are excluded in an effort to present the operating performance of our stations exclusive of the corporate resources employed. We exclude terminated transaction costs due to the temporary nature of such costs. We believe this is important to our investors because it highlights the gross margin generated by our station portfolio. Finally, we exclude non-cash stock compensation and impairment of goodwill and intangible assets from the measure as they do not represent cash payments for activities related to the operation of the stations.

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

Station Operating Income is not a recognized term under GAAP and does not purport to be an alternative to operating income from continuing operations as a measure of operating performance or to cash flows from operating activities as a measure of liquidity. Additionally, Station Operating Income is not intended to be a measure of free cash flow available for dividends, reinvestment in our business or other management s discretionary use, as it does not consider certain cash requirements such as interest payments, tax payments and debt service requirements. Station Operating Income should be viewed as a supplement to, and not a substitute for, results of operations presented on the basis of GAAP. Management compensates for the limitations of using Station Operating Income by using it only to supplement our GAAP results to provide a more complete understanding of the factors and trends affecting our business than GAAP results alone. Station Operating Income has its limitations as an analytical tool, and investors should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP.

Company Overview

We own and operate FM and AM radio station clusters serving mid-sized markets throughout the United States. Through our investment in Cumulus Media Partners, LLC (CMP), described below, we also operate radio station clusters serving large-sized markets throughout the United States. We are the second largest radio broadcasting company in the United States based on the number of stations owned or operated. According to Arbitron s Market Report and data published by Miller Kaplan, we have assembled market-leading groups or clusters of radio stations that rank first or second in terms of revenue share or audience share in substantially all of our markets. As of December 31, 2009, we owned and operated 314 radio stations (including LMAs) in 59 mid-sized United States media markets and operated the 30 radio stations in 9 markets, including San Francisco, Dallas, Houston and Atlanta that are owned by CMP. Under LMAs, we currently provide sales and marketing services for 12 radio stations in the United States in exchange for a management or consulting fee. In summary, we own and operate, directly or through our investment in CMP, a total of 344 stations in 67 United States markets.

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

Our Mid-Market Focus . . .

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

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

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

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

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lower overall susceptibility to economic downturns; and

less exposure to emerging competitive technologies.

Among the reasons we have historically focused on such markets is our belief that these markets are characterized by a lower susceptibility to economic downturns. Our belief stems from historical experience that indicates that during recessionary times these markets have tended to be more resilient to economic declines. In addition, these markets, as compared to large markets, are characterized by a higher ratio of local advertisers to national advertisers and a larger number of smaller-dollar customers, both of which lead to lower volatility in the face of changing macroeconomic conditions. We believe the attractive operating characteristics of mid-sized markets, together with the relaxation of radio station ownership limits under the Telecommunications Act of 1996 (the Telecom Act) and FCC rules, created significant opportunities for growth from the formation of groups of radio stations within these markets. We capitalized on those opportunities to acquire attractive properties at favorable purchase prices, taking advantage of the size and fragmented nature of ownership in those markets and to the greater attention historically given to the larger markets by radio station acquirers. According to the FCC s records, as of December 31, 2009 there were 9,630 FM and 4,790 AM stations in the United States.

. . . and Our Large-Market Opportunities

Although our historical focus has been on mid-sized radio markets in the United States, we recognize that the large-sized radio markets can provide an attractive combination of scale, stability and opportunity for future growth. According to BIA, these markets typically have per capita and household income, and expected household after-tax effective buying income growth, in excess of the national average, which we believe makes radio broadcasters in these markets attractive to a broad base of radio advertisers, and allows a radio broadcaster to reduce its dependence on any one economic sector or specific advertiser. In recognition of this, in October 2005, we announced the formation of CMP, a private partnership created by Cumulus and affiliates of Bain Capital Partners LLC, The Blackstone Group and Thomas H. Lee Partners, L.P., and in May 2006 acquired the radio broadcasting business of Susquehanna Pfaltzgraff Co. (Susquehanna) for approximately $1.2 billion. The group of CMP stations currently consists of 30 radio stations in 9 markets: San Francisco, Dallas, Houston, Atlanta, Cincinnati, Kansas City, Louisville, Indianapolis and York, Pennsylvania.

Strategy

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

Operating Strategy

Our operating strategy has the following principal components:

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

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

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

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

create standardization across the station platform where possible by using best-in-class practices and evaluate effectiveness using real-time reporting enabled by our proprietary technologies; and

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use our national scale and unique communities of listeners to create new digital media properties and e-commerce opportunities.

Acquisition Strategy

Our acquisition strategy has the following principal components:

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

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

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

conduct ongoing evaluations of our station portfolio and seek out opportunities in the marketplace to upgrade clusters through station swaps with other radio broadcasters.

Our acquisition strategy is influenced by certain factors including economic conditions, pricing multiples of potential acquisitions and the ability to consummate acquisitions under the terms of the Credit Agreement governing our senior secured credit facility.

As a result of the 2009 amendment to our Credit Agreement (as described below), we are prohibited from acquiring any additional stations or making any otherwise permitted investments throughout the covenant suspension period ending March 31, 2011.

Highlights during 2009

Economic Developments

The current economic crisis has reduced demand for advertising in general, including advertising on our radio stations. In consideration of current and projected market conditions, we expect that overall advertising revenues will have no growth at least through the first quarter of 2010 with single digit growth in certain categories throughout the remainder of 2010. Therefore, in conjunction with the development of the 2010 business plan, we assessed the impact of the current year market developments in a variety of areas, including our forecasted advertising revenues and liquidity. In response to these conditions, we have forecasted maintaining cost reductions achieved in 2009 with no significant increases in 2010.

2009 Amendment to the Credit Agreement

On June 29, 2009, we entered into an amendment to the credit agreement governing our senior secured credit facility. The credit agreement, as amended, is referred to herein as the Credit Agreement . The Credit Agreement maintains the preexisting term loan facility of $750 million, which, as of December 31, 2009, had an outstanding balance of approximately $636.9 million, and reduces the preexisting revolving credit facility from $100 million to $20 million. Additional facilities are no longer permitted under the Credit Agreement.

We believe that we will continue to be in compliance with all of our debt covenants through at least December 31, 2010, based upon actions we have already taken, which included: (i) the amendment to the Credit Agreement, the purpose of which was to provide certain covenant relief in 2009 and 2010, (ii) employee reductions of 16.5% in 2009 coupled with a mandatory one-week furlough during the second quarter of 2009, (iii) a new sales initiative implemented during the first quarter of 2009, which we believe will increase advertising revenues by re-engineering our sales techniques through enhanced training of our sales force and greater focus on expanding our customer base beyond traditional advertisers, and (iv) continued scrutiny of all operating expenses. We will continue to monitor our revenues and cost structure closely and if revenues do not achieve forecasted growth or if we exceed our planned spending, we may take further actions as needed in an attempt to maintain compliance with our debt covenants under the Credit Agreement. The actions may include the implementation of additional operational efficiencies, additional cost reductions, renegotiation of major vendor contracts, deferral of capital expenditures, and sales of non-strategic assets.

2009 Impairment of Goodwill and Intangible Assets

During the third quarter of 2009, we reviewed the triggering events and circumstances detailed in ASC 350-20, *Property, Plant and Equipment*, to determine if an interim test of impairment of goodwill might be necessary. In July 2009, we revised our revenue forecast downward for the last two quarters of 2009 due to the sustained decline in revenues attributable to the current economic conditions. As a result of these conditions, we determined it was appropriate and reasonable to conduct an interim impairment analysis. In conjunction with the interim impairment analysis we recorded an impairment charge of approximately $173.1 million to reduce the carrying value of certain broadcast licenses and goodwill to their respective fair market values. In addition, as part of our annual impairment testing of goodwill conducted during the fourth quarter, we recorded an impairment charge of approximately $1.9 million to further reduce the carrying value of certain broadcast licenses and goodwill in certain markets to their respective fair market values. The additional impairment charge was primarily due to the changes in key variables incorporated in the discounted cash flow methodology and a larger-than-expected decline in overall operating results in those markets compared to management s prior forecasts.

* * *

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

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

Acquisitions and Dispositions

Completed Acquisitions

Green Bay and Cincinnati Swap

On April 10, 2009, we completed an asset exchange agreement with Clear Channel Communications, Inc. (Clear Channel). As part of the asset exchange, we acquired two of Clear Channel s radio stations located in Cincinnati, Ohio in consideration for five of our radio stations in the Green Bay, Wisconsin market. The exchange transaction provided us with direct entry into the Cincinnati market (notwithstanding our current presence in Cincinnati through our interest in CMP), which was ranked #28 at that time by Arbitron. Larger markets are generally desirable for national advertisers, and have large and diversified local business communities providing for a large base of potential advertising clients. The transaction was accounted for as a business combination in accordance with guidance for business combinations. The fair value of the assets acquired in the exchange was $17.6 million.

In conjunction with the exchange, we entered into an LMA with Clear Channel whereby we will provide programming, sell advertising, and retain operating profits for managing the five Green Bay radio stations. In consideration for these rights, we will pay Clear Channel a monthly fee of approximately $0.2 million over the term

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of the agreement. The term of the LMA is for five years, expiring December 31, 2013. Additionally, Clear Channel negotiated a written put option (the Green Bay Option) that allows them to require us to repurchase the five Green Bay radio stations at any time during the two-month period commencing July 1, 2013 (or earlier if the LMA agreement is terminated prior to this date) for $17.6 million (the fair value of the radio stations as of April 10, 2009).

WZBN-FM Swap

During the first quarter ended March 31, 2009, we completed a swap transaction pursuant to which we exchanged WZBN-FM, Camilla, Georgia, for W250BC, a translator licensed for use in Atlanta, Georgia, owned by Extreme Media Group. Radio One, Inc. filed petitions with the FCC seeking reconsideration of that agency s approval of the swap. We ultimately entered into a settlement agreement with Radio One, Inc., who then filed a request asking the FCC to dismiss its reconsideration petitions. The FCC has granted that request. In any event, this transaction was not material to our results.

Pending Acquisitions

At the beginning of 2009, we had pending a swap transaction pursuant to which we would exchange one of our Fort Walton Beach, Florida radio stations, WYZB-FM, for another station then owned by Star Broadcasting, Inc. (Star), WTKE-FM. Specifically, the purchase agreement provided for the exchange of WYZB-FM plus $1.5 million in cash for WTKE-FM. We filed applications with the FCC in 2005 to secure its approval of the swap, and the applications were challenged by Qantum Communications (Qantum), which has some radio stations in the market. Qantum asserted that it had a 2003 contract to acquire WTKE-FM from Star that Star s termination of the agreement in April 2005 was void, and that Qantum s contractual rights had priority over ours. Qantum also complained to the FCC that the swap would allegedly give us an unfair competitive advantage (because the station we would acquire reaches more people than the station we would be giving up). Qantum also initiated litigation in the United States District Court for the Southern District of Florida against Star, and ultimately secured a court decision that required Star to sell the station to Qantum instead of us. That decision was affirmed on appeal of the United States Court of Appeals for the Eleventh Circuit, and on November 9, 2009, Qantum completed the acquisition of WTKE-FM. We therefore advised the FCC that we would not consummate our proposed acquisition of WTKE-FM.

Qantum s challenge to the WTKE-FM assignment applications also included a challenge to our acquisition of WPGG-FM from Star, which was also reflected in applications filed with the FCC in May 2005. However, the FCC staff granted our application to acquire WPGG-FM, and we consummated that acquisition in August 2006. Qantum then appealed the staff s decision to the full commission, and that appeal is still pending. Also still pending is Qantum s appeal to the full commission of the FCC staff decision granting Star s request to relocate WPGG-FM from Evergreen, Alabama to Shalimar, Florida (which is in the Fort Walton Beach market).

In addition at December 31, 2009, we had pending a swap transaction pursuant to which we would exchange our Canton, Ohio Station, WRQK-FM, for eight stations owned by Clear Channel in Ann Arbor, Michigan (WTKA-AM, WLBY-AM, WWWW-FM, WQKL-FM) and Battle Creek, Michigan (WBFN-AM, WBCK-FM, WBCK-AM and WBXX-FM). We will dispose of two of the AM stations in Battle Creek, WBCK-AM and WBFN-AM, simultaneously with the closing of the swap transaction to comply with the FCC s broadcast ownership limits; WBCK-AM will be placed in a trust for the sale of the station to an unrelated third party and WBFN-AM will be transferred to Family Life Broadcasting System.

Completed Dispositions

We did not complete any divestitures during 2009, other than as described above.

Acquisition Shelf Registration Statement

We have registered an aggregate of 20,000,000 shares of our Class A Common Stock, pursuant to registration statements on Form S-4, for issuance from time to time in connection with our acquisition of other businesses, properties or securities in business combination transactions utilizing a shelf registration process. As of

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February 28, 2010, we had issued 5,666,553 of the 20,000,000 shares registered in connection with various acquisitions.

Industry Overview

The primary source of revenues for radio stations is the sale of advertising time to local, regional and national spot advertisers and national network advertisers. National spot advertisers assist advertisers in placing their advertisements in a specific market. National network advertisers place advertisements on a national network show and such advertisements will air in each market where the network has an affiliate. During the past decade, local advertising revenue as a percentage of total radio advertising revenue in a given market has ranged from approximately 72% to 87% according to the RAB. The trends in radio advertising revenue mirrored the deterioration in the current economic environment, yielding declining results over the last three years. In 2009, advertising revenues decreased 18%, after decreasing 9% in 2008 and 2% in 2007.

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

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

A station s local sales staff generates the majority of its local and regional advertising sales through direct solicitations of local advertising agencies and businesses. To generate national advertising sales, a station usually will engage a firm that specializes in soliciting radio-advertising sales on a national level. National sales representatives obtain advertising principally from advertising agencies located outside the station s market and receive commissions based on the revenue from the advertising they obtain.

Our stations compete for advertising revenue with other terrestrial-based radio stations in the market (including low power FM radio stations that are required to operate on a noncommercial basis) as well as other media, including newspapers, broadcast television, cable television, magazines, direct mail, coupons and outdoor advertising. In addition, the radio broadcasting industry is subject to competition from services that use new media technologies that are being developed or have already been introduced, such as the Internet and satellite-based digital radio services. Such services reach nationwide and regional audiences with multi-channel, multi-format, digital radio services that have a sound quality equivalent to that of compact discs. Competition among terrestrial-based radio stations has also been heightened by the introduction of terrestrial digital audio broadcasting (which is digital audio broadcasting delivered through earth-based equipment rather than satellites). The FCC currently allows terrestrial radio stations like ours to commence the use of digital technology through a hybrid antenna that carries both the pre-existing analog signal and the new digital signal. The FCC is conducting a proceeding that could result in an AM radio station s use of two antennae: one for the analog signal and one for the digital signal.

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

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Advertising Sales

Virtually all of our revenue is generated from the sale of local, regional and national advertising for broadcast on our radio stations. In 2009, 2008 and 2007, approximately 90% of our net broadcasting revenue was generated from the sale of local and regional advertising. Additional broadcasting revenue is generated from the sale of national advertising. The major categories of our advertisers include:

Amusement and recreation	Banking and mortgage	Furniture and home furnishings
Arts and entertainment	Food and beverage services	Healthcare services
Automotive dealers	Food and beverage stores	Telecommunications

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

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

The number of advertisements that can be broadcast without jeopardizing listening levels and the resulting ratings are limited in part by the format of a particular station. The optimal number of advertisements available for sale depends on the programming format of a particular station. Each of our stations has a general target level of on-air inventory available for advertising. This target level of inventory for sale may vary at different times of the day but tends to remain stable over time. Our stations strive to maximize revenue by managing their on-air inventory of advertising time and adjusting prices up or down based on supply and demand. We seek to broaden our base of advertisers in each of our markets by providing a wide array of audience demographic segments across our cluster of stations, thereby providing each of our potential advertisers with an effective means of reaching a targeted demographic group. Our selling and pricing activity is based on demand for our radio stations on-air inventory and, in general, we respond to this demand by varying prices rather than by varying our target inventory level for a particular station. Most changes in revenue are explained by some combination of demand-driven pricing changes and changes in inventory utilization rather than by changes in the available inventory. Advertising rates charged by radio stations, which are generally highest during morning and afternoon commuting hours, are based primarily on:

- a station s share of audiences and on the demographic groups targeted by advertisers (as measured by ratings surveys);

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

certain additional qualitative factors.

A station s listenership is reflected in ratings surveys that estimate the number of listeners tuned into the station, and the time they spend listening. Each station s ratings are used by its advertisers and advertising representatives to consider advertising with the station and are used by Cumulus to chart audience growth, set

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advertising rates and adjust programming. Currently, we utilize two station ratings services, Arbitron and Nielsen. While Arbitron has traditionally been our primary source of ratings information for its radio markets, we entered into an agreement with Nielsen on November 7, 2008, subsequently amended in January 2009, pursuant to which Nielsen would rate certain of our radio markets as coverages for such markets under the Arbitron agreement expire. Specifically, Nielsen began efforts to roll out its rating service for 51 of our radio markets in January 2009, and such rollout has been completed.

Competition

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

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

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

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

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

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

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

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

Employees

At December 31, 2009, we employed approximately 2,255 people. None of our employees are covered by collective bargaining agreements, and we consider our relations with our employees to be satisfactory.

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

We generally employ one market manager for each radio market in which we own or operate stations, though in certain regions we have market managers who now oversee multiple markets. Historically, a market manager was responsible for all employees of the market and for managing all aspects of the radio operations. As we have reengineered our local sales strategy over the past year, the position of market manager has been significantly refocused on revenue achievement and many administrative functions are managed centrally by corporate employees. On occasion, we enter into employment agreements with market managers to protect our interests in those relationships that we believe to be valuable. The loss of a market manager could result in a short-term loss of performance in a market, but we do not believe that any such loss would have a material adverse effect on our financial condition or results of operations, taken as a whole.

Federal Regulation of Radio Broadcasting

General

The ownership, operation and sale of radio broadcast stations, including those licensed to us, are subject to the jurisdiction of the FCC, which acts under authority derived from the Communications Act of 1934, as amended (the Communications Act). The Telecom Act amended the Communications Act and directed the FCC to change certain of its broadcast rules. Among its other regulatory responsibilities, the FCC issues permits and licenses to

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construct and operate radio stations; assigns broadcast frequencies; determines whether to approve changes in ownership or control of station licenses; regulates transmission equipment, operating power, and other technical parameters of stations; adopts and implements regulations and policies that directly or indirectly affect the ownership, operation and employment practices of stations; regulates the content of some forms of radio broadcast programming; and has the authority under the Communications Act to impose penalties for violations of its rules.

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

License Grant and Renewal

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

Service Areas

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

There are eight classes of FM radio stations, with each class having the right to broadcast with a certain amount of power from an antenna located at a certain height. The most powerful FM radio stations are Class C FM stations, which operate with the equivalent of 100 kilowatts of effective radiated power (ERP) at an antenna height of up to 1,968 feet above average terrain and which usually provide service to a large area, typically covering one or more counties within a state. There are also Class C0, C1, C2 and C3 FM radio stations which operate with progressively less power and/or antenna height. Class B FM stations operate with the equivalent of 50 kilowatts ERP at an antenna height of up to 492 feet above average terrain. Class B stations typically serve large metropolitan areas as well as their associated suburbs. There are also Class B1 stations that can operate with 25 kilowatts ERP at an antenna height of up to 328 feet above average terrain. Class A FM stations operate with the equivalent of 6 kilowatts ERP at an antenna height of up to 328 feet above average terrain, and generally serve smaller cities and towns or suburbs of larger cities.

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The following table sets forth, as of February 28, 2010, the market, call letters, FCC license classification, antenna elevation above average terrain (for FM stations only), power and frequency of all our owned and/or operated stations, all pending station acquisitions operated under an LMA, and all other announced pending station acquisitions:

Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Power (in Kilowatts) Night
Abilene, TX	KBCY FM	Tye, TX	99.7	August 1, 2013	C1	745	100	100
	KCDD FM	Hamlin, TX	103.7	August 1, 2013	C0	984	100	100
	KHXS FM	Merkel, TX	102.7	August 1, 2013	C1	745	99.2	99.2
	KTLT FM	Anson, TX	98.1	August 1, 2013	C2	305	50	50
Albany, GA	WALG AM	Albany, GA	1590	April 1, 2012	B	N/A	5	1
	WEGC FM	Sasser, GA	107.7	April 1, 2012	C3	312	11.5	11.5
	WGPC AM	Albany, GA	1450	April 1, 2012	C	N/A	1	1
	WJAD FM	Leesburg, GA	103.5	April 1, 2012	C3	463	12.5	12.5
	WKAK FM	Albany, GA	104.5	April 1, 2012	C1	981	100	100
	WNUQ FM	Sylvester, GA	102.1	April 1, 2012	A	259	6	6
	WQVE FM	Albany, GA	101.7	April 1, 2012	A	299	6	6
Amarillo, TX	KARX FM	Claude, TX	95.7	August 1, 2013	C1	390	100	100
	KPUR AM	Amarillo, TX	1440	August 1, 2013	B	N/A	5	1
	KPUR FM	Canyon, TX	107.1	August 1, 2013	A	315	6	6
	KQIZ FM	Amarillo, TX	93.1	August 1, 2013	C1	699	100	100
	KZRK AM	Canyon, TX	1550	August 1, 2013	B	N/A	1	0.2
	KZRK FM	Canyon, TX	107.9	August 1, 2013	C1	476	100	100
Ann Arbor, MI	WLBY AM	Saline, MI	1290	October 1, 2012	D	N/A	0.5	0
	WQKL FM	Ann Arbor, MI	107.1	October 1, 2012	A	289	3.0	3.0
	WTKA AM	Ann Arbor, MI	1050	October 1, 2012	B	N/A	10	0.5
	WWWW FM	Ann Arbor, MI	102.9	October 1, 2012	B	499	49	42
Appleton, WI	WNAM AM	Neenah Menasha, WI	1280	December 1, 2012	B	N/A	5	5
	WOSH AM	Oshkosh, WI	1490	December 1, 2012	C	N/A	1	1
	WPKR FM	Omro, WI	99.5	December 1, 2012	C2	495	25	25
	WVBO FM	Winneconne, WI	103.9	December 1, 2012	C3	328	25	25
Atlanta, GA	W250BC	Riverdale, GA	97.9	April 1, 2012	D	991	0.3	0.3
Bangor, ME	WBZN FM	Old Town, ME	107.3	April 1, 2014	C2	436	50	50
	WDEA AM	Ellsworth, ME	1370	April 1, 2014	B	787	20	20
	WEZQ FM	Bangor, ME	92.9	April 1, 2014	B	787	20	20
	WQCB FM	Brewer, ME	106.5	April 1, 2014	C	1079	100	100
	WWMJ FM	Ellsworth, ME	95.7	April 1, 2014	B	997	0.9	0.9
Battle Creek, MI	WBCK FM	Battle Creek, MI	95.3	October 1, 2012	A	269	3	3

	WBXX FM	Marshall, MI	104.9	October 1, 2012	A	328	6	6
Beaumont, TX	KAYD FM	Silsbee, TX	101.7	August 1, 2013	C3	503	10.5	10.5
	KBED AM	Nederland, TX	1510	August 1, 2013	D	N/A	5	0
	KIKR AM	Beaumont, TX	1450	August 1, 2013	C	N/A	1	1
	KQXY FM	Beaumont, TX	94.1	August 1, 2013	C1	600	100	100
	KSTB FM	Crystal Beach, TX	101.5	August 1, 2013	A	184	6	6
	KTCX FM	Beaumont, TX	102.5	August 1, 2013	C2	492	50	50
Bismarck, ND	KACL FM	Bismarck, ND	98.7	April 1, 2013	C1	837	100	100
	KBYZ FM	Bismarck, ND	96.5	April 1, 2013	C1	963	100	100
	KKCT FM	Bismarck, ND	97.5	April 1, 2013	C1	837	100	100
	KLXX AM	Bismarck, ND	1270	April 1, 2013	B	N/A	1	0.3
	KUSB FM	Hazelton, ND	103.3	April 1, 2013	C1	965	100	100

Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Night
Blacksburg, VA	WBRW FM	Blacksburg, VA	105.3	October 1, 2011	C3	479	12	12
	WFNR AM	Blacksburg, VA	710	October 1, 2011	D	N/A	10	0
	WNMX FM	Christiansburg, VA	100.7	October 1, 2011	A	886	0.8	0.8
	WPSK FM	Pulaski, VA	107.1	October 1, 2011	C3	1207	1.8	1.8
	WRAD AM	Radford, VA	1460	October 1, 2011	B	N/A	5	0.5
	WWBU FM	Radford, VA	101.7	October 1, 2011	A	66	5.8	5.8
Bridgeport, CT	WEBE FM	Westport, CT	107.9	April 1, 2014	B	384	50	50
	WICC AM	Bridgeport, CT	600	April 1, 2014	B	N/A	1	0.5
Canton, OH	WRQK FM	Canton, OH	106.9	October 1, 2012	B	341	27.5	27.5
Cedar Rapids, IA	KDAT FM	Cedar Rapids, IA	104.5	February 1, 2013	C1	551	100	100
	KHAK FM	Cedar Rapids, IA	98.1	February 1, 2013	C1	459	100	100
	KRNA FM	Iowa City, IA	94.1	February 1, 2013	C1	981	100	100
	KRQN FM	Vinton, IA	107.1	February 1, 2013	A	371	4.7	4.7
Cincinnati, OH	WNNF FM	Cincinnati, OH	94.1	October 1, 2012	B	866	16	16
	WOFX FM	Cincinnati, OH	92.5	October 1, 2012	B	866	16	16
Columbia, MO	KBBM FM	Jefferson City, MO	100.1	February 1, 2013	C2	600	33	33
	KBXR FM	Columbia, MO	102.3	February 1, 2013	C3	856	3.5	3.5
	KFRU AM	Columbia, MO	1400	February 1, 2013	C	N/A	1	1
	KJMO FM	Linn, Mo	97.5	February 1, 2013	A	328	6	6
	KLIK AM	Jefferson City, MO	1240	February 1, 2013	C	N/A	1	1
	KOQL FM	Ashland, MO	106.1	February 1, 2013	C1	958	69	69
	KPLA FM	Columbia, MO	101.5	February 1, 2013	C1	1063	42	42
	KZJF FM	Jefferson City, MO	104.1	April 1, 2013	A	348	5.3	5.3
Columbus-Starkville, MS	WJWF AM	Columbus, MS	1400	June 1, 2012	C	N/A	1	1
	WKOR AM	Starkville, MS	980	June 1, 2012	D	N/A	1	0.1
	WKOR FM	Columbus, MS	94.9	June 1, 2012	C2	492	50	50
	WMXU FM	Starkville, MS	106.1	June 1, 2012	C2	502	40	40
	WNMQ FM	Columbus, MS	103.1	June 1, 2012	C2	755	22	22
	WSMS FM	Artesia, MS	99.9	June 1, 2012	C2	505	47	47
	WSSO AM	Starkville, MS	1230	June 1, 2012	C	N/A	1	1
Danbury, CT	WDBY FM	Patterson, NY	105.5	June 1, 2014	A	610	0.9	0.9
	WINE AM	Brookfield, CT	940	April 1, 2014	D	N/A	0.7	0
	WPUT AM	Brewster, NY	1510	June 1, 2014	D	N/A	1	0
	WRKI FM	Brookfield, CT	95.1	April 1, 2014	B	636	29.5	29.5
Dubuque, IA	KLYV FM	Dubuque, IA	105.3	February 1, 2013	C2	348	50	50
	KXGE FM	Dubuque, IA	102.3	February 1, 2013	A	308	2	2
	WDBQ AM	Dubuque, IA	1490	February 1, 2013	C	N/A	1	1
	WDBQ FM	Galena, IL	107.5	December 1, 2012	A	328	6	6
	WJOD FM	Asbury, IA	103.3	February 1, 2013	C3	643	6.6	6.6
Eugene, OR	KEHK FM	Brownsville, OR	102.3	February 1, 2014	C1	919	100	43

	KNRQ FM	Eugene, OR	97.9	February 1, 2014	C	1010	100	75
	KSCR AM	Eugene, OR	1320	February 1, 2014	D	N/A	1	0
	KUGN AM	Eugene, OR	590	February 1, 2014	B	N/A	5	5
	KUJZ FM	Creswell, OR	95.3	February 1, 2014	C3	1207	0.6	0.6
	KZEL FM	Eugene, OR	96.1	February 1, 2014	C	1093	100	43
Faribault-Owatonna, MN	KDHL AM	Faribault, MN	920	April 1, 2013	B	N/A	5	5
	KQCL FM	Faribault, MN	95.9	April 1, 2013	A	328	3	3
	KRFO AM	Owatonna, MN	1390	April 1, 2013	D	N/A	0.5	0.1
	KRFO FM	Owatonna, MN	104.9	April 1, 2013	A	174	4.7	4.7

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Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Power (in Kilowatts) Night
Fayetteville, AR	KAMO FM	Rogers, AR	94.3	June 1, 2012	C2	692	25	25
	KFAY AM	Farmington, AR	1030	June 1, 2012	B	N/A	10	1
	KQSM FM	Fayetteville, AR	92.1	June 1, 2012	C3	531	7.6	7.6
	KMCK FM	Siloam Springs, AR	105.7	June 1, 2012	C1	476	100	100
	KKEG FM	Bentonville, AR	98.3	June 1, 2012	C1	617	100	100
	KYNF FM	Prairie Grove, AR	94.9	June 1, 2012	C2	761	21	21
	KYNG AM	Springdale, AR	1590	June 1, 2012	D	N/A	2.5	0.1
Fayetteville, NC	WFNC AM	Fayetteville, NC	640	December 1, 2011	B	N/A	10	1
	WFVL FM	Lumberton, NC	102.3	December 1, 2011	A	269	6	6
	WMGU FM	Southern Pines, NC	106.9	December 1, 2011	C2	469	50	50
	WQSM FM	Fayetteville, NC	98.1	December 1, 2011	C1	830	100	100
	WRCQ FM							