WESTWOOD ONE INC /DE/
Form 10-K
April 15, 2011

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

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

For the fiscal year ended December 31, 2010

OR

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 001-14691
WESTWOOD ONE, INC.
(Exact name of registrant as specified in its charter)

Delaware	**95-3980449**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

1166 Avenue of the Americas
New York, NY 10036
(212)-641-2000
(Address, including zip code, and telephone number, including area code, of principal executive offices)
Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.01 per share	NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

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 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 (Exchange Act) 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) 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. þ

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 definition of accelerated filer , large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer o 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 common stock held by non-affiliates of the registrant was approximately $6,532,000 based on the last reported sales price of the registrant s common stock on June 30, 2010 and assuming solely for the purpose of this calculation that all directors and officers of the registrant are affiliates. The determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 31, 2011 22,554,991 shares (excluding treasury shares) of common stock, par value $0.01 per share, were outstanding.

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PART I

Item 1. Business

In this report, Westwood One, Company, registrant, we, us and our refer to Westwood One, Inc. All share a amounts are in thousands, except where noted.

We are one of the nation s largest radio networks, and one of the largest domestic outsourced providers of traffic reporting services, distributing content to approximately 5,000 radio stations and 182 television stations, which include stations in over 80 of the top 100 Metropolitan Statistical Area (MSA) markets in the U.S., and to over 450 digital outlets (*e.g.* websites and mobile phones) nationally. We produce and distribute, sports, talk, music, special events, traffic, news, weather and other programming content and reach over 190 million people weekly. We exchange our content with radio and television stations for commercial airtime, which we then sell to local, regional and national advertisers. By aggregating and packaging commercial airtime across radio and television stations nationwide, we offer our advertising customers a cost effective way to reach a broad audience, as well as to target their audience on a demographic and geographic basis.

Our goal is to maximize the yield of our available commercial airtime to optimize revenue and profitability. We derive substantially all of our revenue from the sale of 60 seconds, 30 seconds, 15 seconds and 10 seconds commercial airtime to advertisers. Our advertisers who target national audiences generally find that a cost effective way to reach their target consumers is to purchase longer 30 or 60 second advertisements, which are principally broadcast in our news, talk, sports, music and entertainment related programming and content. Our advertisers who target local/regional audiences generally find that an effective method is to purchase shorter duration advertisements (15 seconds and 10 seconds), which are principally broadcast in our traffic and information related content. A particular advantage for our advertisers who purchase airtime in our traffic content is that their commercials are generally embedded in the actual traffic report. A growing number of advertisers purchase both local/regional and national airtime.

There are a variety of factors that influence our revenue on a periodic basis, including but not limited to: (1) economic conditions and the relative strength or weakness in the United States economy; (2) advertiser spending patterns, the timing of the broadcasting of our programming, principally the seasonal nature of sports programming and the perceived quality and cost-effectiveness of our programming by advertisers and affiliates; (3) advertiser demand on a local/regional or national basis for radio related advertising products; (4) increases or decreases in our portfolio of program offerings and the audiences of our programs, including changes in the demographic composition of our audience base; (5) increases or decreases in the size of our advertising sales force; and (6) competitive and alternative programs and advertising mediums.

Our commercial airtime is perishable and, accordingly, our revenue is significantly impacted by the commercial airtime available at the time we enter into an arrangement with an advertiser. Commercial airtime is sold and managed on an order-by-order basis; therefore, our ability to specifically isolate the relative historical aggregate impact of price and volume is not practical. We closely monitor advertiser commitments for the current calendar year, with particular emphasis placed on the annual upfront process, where advertisers make significant advance commitments to purchase advertising in the following year. We take the following factors, among others, into account when pricing commercial airtime: (1) the dollar value, length and breadth of the order; (2) the desired reach and audience demographic; (3) the quantity of commercial airtime available for the desired demographic requested by the advertiser for sale at the time their order is negotiated; and (4) the proximity of the date of the order placement to the desired broadcast date of the commercial airtime.

Business segments: Network Radio and Metro Traffic

We are organized into two business segments: Network Radio and Metro Traffic. Beginning with the first quarter of 2010, we changed how we evaluate segment performance and now use segment revenue and segment operating (loss) income before depreciation and amortization (OIBDA) as the primary measure of profit and loss for our operating segments. We have reflected this change in all periods presented in this report. We believe the presentation of OIBDA is relevant and useful for investors because it allows investors to view segment performance in a manner similar to the primary method used by our management and enhances their ability to understand our operating performance.

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In Network Radio, our business strategy is focused on delivering the best sports, talk, music and entertainment programming, as well as key services, to affiliate and advertising customers. The goal of this strategy is to generate revenue by providing our customers with content and solutions that help them reach and attract their desired customers in the marketplace. To that end, the Company recently renewed or launched key programs and partnerships, including our multi-year partnership with the National Football League (NFL) to continue as its Network Radio Primetime partner, including the NFL playoffs and Super Bowl and our long-standing partnership with the NCAA to be the exclusive Network Radio provider for the NCAA Men s Basketball Championship Tournament. We launched two new Talk radio programs: Robert Wuhl (sports) and Douglas Urbanski (traditional), a new Sports prep service and VH1 Classic Rock Nights in partnership with MTV.

Our Network Radio content covers several categories and formats, including national news, sports, music, entertainment, and talk radio. In national news and sports, we distribute nationally branded programs such as CBS Radio News, CNN Radio News, NBC Radio News, and major high-profile sporting events, including the NFL, NCAA football and basketball games and the Winter Olympic Games in 2010. Our Network business features shows that we produce with popular personalities including Dennis Miller, Dr. Oz, Charles Osgood and Billy Bush. We also broadcast signature Award shows in the music industry including the Grammy Awards and the Academy of Country Music (ACM) Awards, with whom we recently renewed our partnerships. Our music and entertainment programming includes concert broadcasts, and countdown shows, including Country Music Countdown and CMT Radio Live in partnership with MTV. Our Network Radio business nationally syndicates this proprietary and licensed content to radio stations, enabling them to meet their programming needs on a cost-effective basis. We generate revenue from the sale of 30 and 60 second commercial airtime, often embedded in our programming that we bundle and sell to advertisers who want to reach a national audience across numerous radio stations.

Our Metro Traffic business provides our local radio and television station affiliates with a cost-effective alternative to gathering and delivering their own traffic and local information reports in their marketplaces. We produce and distribute traffic and other local information reports, such as news, sports and weather, to approximately 2,250 radio stations and 182 television stations. Our Metro Traffic business generates revenue from the sale of commercial advertising inventory to advertisers with 10 and 15 second radio spots embedded within our information reports, and 30 second spots in television. Through the sale of this inventory, we offer advertisers a more efficient, broad-reaching alternative to purchasing advertising directly from individual radio and television stations.

One of our key strategies for Metro Traffic is to generate new revenue by adding new affiliates to receive our traffic, sports and news products, thereby increasing the available inventory to sell to advertisers. Recently, we added stations from Hearst Broadcasting, ESPN Radio, Salem, Carter Broadcasting, Next Media, Emmis, Univision, Citadel, and Cox. These agreements collectively represent significant inventory and audience in key markets that we believe will produce significant revenue over time. How profitable these agreements are will depend on how much the increased revenue generated by them exceeds the higher affiliate compensation expenses we will incur as a part thereof.

Competition

In the markets in which we operate, we compete for advertising revenue with other radio networks and other forms of communications media, including network and cable television, digital, print, direct response and point-of-sale (i.e., POP Radio).

Network Radio

As the radio industry has consolidated, companies owning large groups of stations have begun to create competing radio networks, which have resulted in increased competition for local, regional, national and network radio advertising expenditures. In our Network business, we compete with Clear Channel s Premiere Radio Networks division, Citadel Media (formerly ABC Radio Networks), which recently announced it will be purchased by Cumulus Media, and Dial Global (a subsidiary of Triton Media), each of whom are examples of radio networks . Unlike our primary competitors, we are an independent radio network and are not affiliated with or controlled by a major media company. We market our programs to radio stations (referred to as affiliates), including to affiliates of other radio networks, that we believe will have the largest and most desirable listening audience for each of our programs. Given the breadth of our programming, we routinely have different programs airing in the same time frame on multiple stations in the same geographic market. This facilitates our having a diversified group of radio stations that carry our programming (news, sports, music, entertainment and talk) from which national advertisers and radio stations may choose. Since we produce and distribute many of the programs that we syndicate, we are able to respond more effectively to the preferences and needs of our advertisers and radio stations.

At the local radio station level, higher production and operating costs have led to increased demand for quality programming from outside sources. In addition, as the number and type of radio program formats has grown, local stations are competing for more ways to differentiate themselves and attract local audiences. In this competitive environment, we are able to provide our affiliates with quality programming that is cost effective. We do not compete with local stations directly for revenue as our advertising inventory is sold on a network basis and is usually connected to other programming.

In addition, we compete for advertising revenue with other forms of communications media, including network and cable television, digital, print and point-of-sale (i.e., POP Radio). We believe that the quality and breadth of our programming, and the strength of our affiliate relations and advertising sales forces, enable us to compete effectively with other forms of media.

Metro Traffic

There are several multi-market operations providing local radio and television programming services in various markets. We believe we are larger than the next largest provider of traffic and local information services (Clear Channel Communications). Our traffic data and information is generally considered to provide high quality, accurate information to our approximately 2,250 radio and 182 television affiliates, and our over 450 digital affiliates. We derive the substantial majority of our Metro Traffic revenue from the sale of commercial advertising inventory embedded within the traffic reports we deliver to radio and television stations (referred to as affiliates). Our advertising network of affiliates enables advertisers to purchase advertising on a local, multi-market or regional basis. Recently, there has been an increase in the volume of shorter-duration commercial inventory available to advertisers as well as an increase in the supply of local traffic information available in some markets. This is partially the result of the consolidation of the radio industry, which has created opportunities for large radio groups, such as Clear Channel Communications, CBS Radio, and some other station owners, to gather traffic information on their own. Also, the US Department of Transportation and other regional and local departments of transportation have increased their direct provision of real-time traffic and traveler information to the public free of charge. As a result, certain radio and television affiliates have elected to produce their own traffic reports using free, publicly available traffic information, and sell the advertising inventory embedded in these traffic reports on their own to local businesses.

Significant Events

More information on the matters described below can be found in Item 7   Management   s Discussion and Analysis of Financial Condition and Results of Operations of this report.

Credit Agreement Amendments

On April 12, 2011, we entered into an amendment to our debt agreements with our lenders because our projections indicated that we would likely not attain sufficient Adjusted EBITDA (as defined in our lender agreements and also set forth below) to comply with our then existing debt leverage covenants in certain fiscal quarters of 2011. As a result of negotiations with our lenders, we entered into a waiver and fourth amendment to the Securities Purchase Agreement which resulted in our previously existing maximum senior leverage ratios (expressed as the principal amount of Senior Notes over our Adjusted EBITDA (as defined in our lender agreements and also set forth below) measured on a trailing, four-quarter basis) of 11.25, 11.0 and 10.0 times for the first three quarters of 2011 being replaced by a covenant waiver for the first quarter and minimum last twelve months (LTM   ) EBITDA thresholds of $4,000 and $7,000, respectively, for the second and third quarters of 2011. Debt leverage covenants for the last quarter of 2011 and the first two quarters in 2012 (the Senior Notes mature on July 15, 2012) remain unchanged. The quarterly debt leverage covenants that appear in the Credit Agreement (governing the Senior Credit Facility) were also amended to reflect a change to minimum LTM EBITDA thresholds and maintain the additional 15% cushion that exists between the debt leverage covenants applicable to the Senior Credit

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Facility and the corresponding covenants applicable to the Senior Notes. By way of example, the minimum LTM EBITDA thresholds of $4,000 and $7,000 for the second and third quarters of 2011 in the Securities Purchase Agreement (applicable to the Senior Notes) are $3,400 and $5,950, respectively, in the Credit Agreement (governing the Senior Credit Facility). In connection with this amendment, Gores agreed to fully subordinate the Senior Notes it holds (approximately $10,222 which is listed under due to Gores) to the Senior Notes held by the non-Gores holders, including in connection with any future pay down of Senior Notes from the proceeds of any asset sale, a 5% leverage fee will be imposed effective October 1, 2011 and we agreed to report the status of any mergers and acquisition discussions/activity on a bi-weekly basis. Notwithstanding the foregoing, if at any time, we provide satisfactory documentation to our lenders that our debt leverage ratio for any LTM period complies with the following debt covenant levels for the five quarters beginning on June 30, 2011: 5.00, 5.00, 4.50, 3.50 and 3.50, and provided more than 50% of the outstanding amount of non-Gores Senior Notes (i.e., Senior Notes held by the non-Gores holders) shall have been repaid as of such date, then the 5% leverage fee would be eliminated on a prospective basis. The foregoing levels represent the same covenant levels set forth in the Second Amendment to the Securities Purchase Agreement entered into on March 30, 2010, except that the debt covenant level for June 30, 2011 was 5.50 in the Second Amendment. As part of the waiver and fourth amendment, we agreed we would need to comply with a 5.00 covenant level on June 30, 2011, on an LTM basis, for the 5% leverage fee to be eliminated. The 5% leverage fee will be equal to 5% of the Senior Notes outstanding for the period beginning October 1, 2011, and shall accrue on a daily basis from such date until the fee amount is paid in full. The fee shall be payable on the earlier of maturity (July 15, 2012) or the date on which the Senior Notes are paid. Accrued and unpaid leverage fee amounts shall be added to the principal amount of the Senior Notes at the end of each calendar quarter (as is the case with PIK interest on the Senior Notes which accretes to the principal amount on a quarterly basis).

Prior to the aforementioned amendment, in 2010, we entered into two amendments to our debt agreements with our lenders (on March 30, 2010 and August 17, 2010, respectively). In both instances, our underperformance against our financial projections caused us to reduce our forecasted results. While our projections indicated that we would attain sufficient Adjusted EBITDA to comply with the debt leverage covenants then in place, management did not believe there was sufficient cushion in our projections of Adjusted EBITDA to predict with any certainty that we would satisfy such covenants given the unpredictability in the economy and our business. Additionally, given our constrained liquidity on June 30, 2010 and our revised projections in place at such time, management believed it was prudent to renegotiate amendments to our debt agreements to enhance our available liquidity in addition to modifying our debt leverage covenants. These negotiations resulted in the August 17, 2010 amendment in which Gores agreed to purchase an additional $15,000 of common stock. As a result thereof, 769,231 shares were issued to Gores on September 7, 2010 for approximately $5,000 and Gores satisfied a $10,000 Gores equity commitment by purchasing 1,186,240 shares of common stock at a per share price of $8.43, calculated in accordance with the trailing 30-day weighted average of our common stock s closing price as set forth in our purchase agreement with Gores. As a result of the third amendment to the Securities Purchase Agreement entered into on August 17, 2010, our debt leverage covenants were modified to 11.25 times for the three quarters beginning on September 30, 2010, then stepping down to 11.0, 10.0, and 9.0 times in the last three quarters of 2011 and 8.0 and 7.5 times in the first two quarters of 2012. The quarterly debt leverage covenants that appear in the Credit Agreement (governing the Senior Credit Facility) were also amended to maintain the additional 15% cushion that exists between the debt leverage covenants applicable to the Senior Credit Facility and the corresponding covenants applicable to the Senior Notes. By way of example, the levels of 11.25 in the Securities Purchase Agreement (applicable to the Senior Notes) are 12.95 in the Credit Agreement (governing the Senior Credit Facility). We accrued additional fees of $2,433 related to amending our credit agreements in the year ended December 31, 2010 recorded as interest expense.

On March 31, 2010, June 4, 2010 and November 30, 2010, we repaid $3,500, $12,000 and $532, respectively, of the Senior Notes in accordance with the agreements related to our debt covenants.

Adjusted EBITDA has the same definition in both of our borrowing agreements and means Consolidated Net Income adjusted for the following: (1) minus any net gain or plus any loss arising from the sale or other disposition of capital assets; (2) plus any provision for taxes based on income or profits; (3) plus consolidated net interest expense; (4) plus depreciation, amortization and other non-cash losses, charges or expenses (including impairment of intangible assets and goodwill); (5) minus any extraordinary, unusual, special or non-recurring earnings or gains or plus extraordinary, unusual, special or non-recurring losses, charges or expenses; (6) plus restructuring expense charges; (7) plus non-cash compensation recorded from grants of stock appreciation or similar rights, stock options, restricted stock or other rights; (8) plus any Permitted Glendon/Affiliate Payments (as described below); (9) plus any Transaction Costs (as described below); (10) minus any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person; and (11) minus any other non-cash items increasing such Consolidated Net Income (including, without limitation, any write-up of assets); in each case to the extent taken into account in the determination of such Consolidated Net Income, and determined without duplication and on a consolidated basis in accordance with GAAP. For purposes thereof, Permitted Glendon/Affiliate Payments means payments made at our discretion to Gores and its affiliates including Glendon Partners for consulting services provided to Westwood One and Transaction Costs refers to the fees, costs and expenses incurred by us in connection with the Refinancing. Reference is made in this report to the refinancing of substantially all of our outstanding long-term indebtedness and recapitalization of our equity that closed on April 23, 2009 which is referred to in this report as the Refinancing .

Adjusted EBITDA, as we calculate it, may not be comparable to similarly titled measures employed by other companies. While Adjusted EBITDA does not necessarily represent funds available for discretionary use, and is not necessarily a measure of our ability to fund our cash needs, we use Adjusted EBITDA as defined in our lender agreements as a liquidity measure, which is different from operating cash flow, the most directly comparable financial measure calculated and presented in accordance with GAAP. We have provided under Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity the requisite reconciliation of operating cash flow to Adjusted EBITDA.

Government Regulation

Radio broadcasting and station ownership are regulated by the Federal Communications Commission (the FCC). As a producer and distributor of radio programs and information services, we are generally not subject to regulation by the FCC. The Traffic and Information Division utilizes FCC regulated two-way radio frequencies pursuant to licenses issued by the FCC.

Employees

On December 31, 2010, we had approximately 1,500 employees, including approximately 485 part-time employees. In addition, we maintain continuing relationships with numerous independent writers, program hosts, technical personnel and producers. Approximately 510 of our employees are covered by collective bargaining agreements. We believe relations with our employees, unions and independent contractors are satisfactory.

Significant Agreement

Our Master Agreement with CBS Radio documents a long-term distribution arrangement in which CBS Radio will broadcast certain of our commercial inventory for our Network Radio and Metro Traffic and information businesses through March 31, 2017 in exchange for certain programming and/or cash compensation. The 2008 arrangement with CBS Radio is particularly important to us as in recent years the radio broadcasting industry has experienced a significant amount of consolidation that provides key radio groups with guaranteed and varied distribution channels. As a result, certain major radio station groups, including Clear Channel Communications, Cumulus Media (which recently announced it will purchase Citadel Media) and CBS Radio, have emerged as powerful forces in the industry. While we provide programming to all major radio station groups, our extended affiliation agreements with most of CBS Radio s owned and operated radio stations provide us with a significant portion of audience that we sell to advertisers in numerous top markets.

Available Information

We are a Delaware corporation, having re-incorporated in Delaware on June 21, 1985. Our current and periodic reports filed with the Securities and Exchange Commission (SEC), including amendments to those reports, may be obtained through our internet website at www.westwoodone.com; directly from us in print upon request to Westwood One, Inc., 1166 Avenue of the Americas, 10th Floor, New York NY, 10036, Attn: Secretary or from the SEC s website at www.sec.gov free of charge as soon as reasonably practicable after we file these reports with the SEC. Additionally, any reports or information that we file with the SEC may be read and copied at the SEC s Public Reference Room at 100 F Street, Washington, DC. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates.

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Cautionary Statement regarding Forward-Looking Statements

This annual report on Form 10-K, including Item 1A Risk Factors and Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations, contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements we make or others make on our behalf. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are not based on historical fact but rather are based on management s views and assumptions concerning future events and results at the time the statements are made. No assurances can be given that management s expectations will come to pass. There may be additional risks, uncertainties and factors that we do not currently view as material or that are not necessarily known. Any forward-looking statements included in this document are only made as of the date of this document and we do not have any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances.

Item 1A. Risk Factors

An investment in our common stock is speculative and involves a high degree of risk. You should carefully consider the risks described below, together with the other information contained in this Annual Report on Form 10-K. The risks described below could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Business and Industry

While our year-over-year annual operating performance increased for the first time since year end 2005, we continue to incur operating losses and there can be no assurance that our performance will continue to improve. If it does not continue and we were to continue to incur operating losses, we could lack sufficient funds to continue to operate our business in the ordinary course.

Our annual operating loss for the year ended December 31, 2010 decreased $75,542 to $22,039 from the comparable period in 2009. The decrease was $25,041 absent 2009 goodwill and intangible asset impairment charges of $50,501. While such is an improvement, it remains a significant drop from our operating income of $63,307 in 2007. We cannot provide any assurance as to whether we will be able to continue to increase our operating performance, which has in the past been negatively affected by lower commercial clearance, a decline in our sales force and reductions in national audience levels across the industry and locally at our affiliated stations, and more recently by higher programming fees and station compensation costs. In 2008 and 2009, our operating income was also affected by the weakness in the United States economy and advertising market. In 2010, the overall economic recovery, especially in the advertising marketplace, was slower than we projected and that radio industry analysts had forecast. During the economic downturn, advertisers and the agencies that represent them increased pressure on advertising rates, and in some cases, requested steep percentage discounts on ad buys, demanded increased levels of inventory re-negotiated booked orders and released advertising funds as late as possible in the cycle. Although there has been an improvement in the economy, advertisers demands and advertising budgets have not improved to pre-recession levels. If a double-dip recession were to occur or if the economic climate does not improve sufficiently for us to generate advertising revenue to meet our projections, our financial position could worsen to the point where we would lack sufficient liquidity to continue to operate our business in the ordinary course.

If our operating results do not achieve our financial projections, we may require additional funding or a further amendment and/or waiver of our debt leverage covenants, which if not obtained, would have a material and adverse effect on our business continuity and our financial condition.

We are operating in an uncertain economic environment, where the pace of an advertising recovery is unclear and we are facing increased cost pressures as described above. As further described under Existing Indebtedness below, in March 2011 our financial results projections indicated that we would likely not attain sufficient Adjusted EBITDA to comply with our then existing debt leverage covenants in certain fiscal quarters of 2011. As a result, on April 12, 2011 we entered into the waiver and fourth amendment to the Securities Purchase Agreement (see Item 1 Business Significant Events Credit Agreement Amendments) which resulted in our previously existing maximum senior leverage ratios of 11.25, 11.0 and 10.0 times for the first three quarters of 2011 being replaced by a covenant waiver for the first quarter of 2011 and minimum LTM EBITDA thresholds of $4,000 and $7,000 for the second and third quarters of 2011. If our operating results fall short of our minimum LTM EBITDA thresholds, we will need a further amendment and/or waiver of our debt leverage covenants or potentially additional funds. If financing is limited or unavailable to us or if we are forced to fund our operations at a higher cost, these conditions could require us to curtail our business activities or increase our cost of financing, both of which could reduce our profitability or increase our losses. If we were to require additional financing or a further amendment or waiver of our debt leverage covenants, which could not then be obtained, it would have a material adverse effect on our financial condition and on our ability to meet our obligations.

We have a significant amount of indebtedness and limited liquidity, which could adversely affect our operations, flexibility in running our business and our ability to service our debt if our future operating performance does not meet our financial projections.

As of December 31, 2010, we had $111,629 in aggregate principal amount of Senior Notes outstanding (of which approximately $10,161 is PIK (paid-in-kind interest)), which bears interest at a rate of 15.0%, and a Senior Credit Facility consisting of a $20,000 term loan and a $20,000 revolving credit facility under which $15,000 was drawn (not including $1,219 in letters of credit used as security on various leased properties). Such debt matures on July 15, 2012 (and accordingly will become short-term, not long-term, debt in the third quarter of 2011). Loans under our Senior Credit Facility bear interest at LIBOR plus 4.5% (with a LIBOR floor of 2.5%) or a base rate plus 4.5% (with a base rate floor equal to the greater of 3.75% or the one-month LIBOR rate). As described above in Item 1 Business Significant Events Credit Agreement Amendments, on April 12, 2011, we entered into a waiver and fourth amendment with our lenders to replace our debt leverage covenants of 11.25, 11.0 and 10.0 times for the first three quarters of 2011 with a covenant waiver for the first quarter of 2011 and minimum LTM EBITDA thresholds of $4,000 and $7,000 for the second and third quarters of 2011 which amendment includes a 5% debt leverage fee becoming payable for debt outstanding on or after October 1, 2011. Notwithstanding the foregoing, if at any time, we provide satisfactory documentation to our lenders that our debt leverage ratio for any LTM period complies with the following debt covenant levels for the five quarters beginning on June 30, 2011: 5.00, 5.00, 4.50, 3.50 and 3.50, and provided more than 50% of the outstanding amount of non-Gores Senior Notes (i.e., Senior Notes held by the non-Gores holders) shall have been repaid as of such date, then the 5% leverage fee that would otherwise be payable at the end of the calendar quarter after such events occurred would be eliminated on a prospective basis. The April 2011 amendment is in addition to the August 2010 amendment whereby Gores agreed to provide us with $20,000 in additional liquidity, including a guarantee of an additional $5,000 for our revolving credit facility which resulted in Wells Fargo agreeing to increase the amount thereof from $15,000 to $20,000 which provided us with necessary additional liquidity for working capital purposes. Our ability to service our debt for the next twelve months will depend on our financial performance in an uncertain and unpredictable economic environment as well as on competitive pressures. Despite having previously successfully negotiated amendments to our credit documents, if we were to significantly underperform against the minimum LTM EBITDA thresholds listed above we might be unable to further amend our debt agreements on terms that are acceptable to us or our lenders. Further, our Senior Notes and Senior Credit Facility restrict our ability to incur additional indebtedness beyond certain minimum baskets. If our operating results decline or we do not meet our minimum LTM EBITDA thresholds, and we are unable to obtain a waiver to increase our indebtedness and/or successfully raise funds through an issuance of equity, we would lack sufficient liquidity to operate our business in the ordinary course, which would have a material adverse effect on our business, financial condition and results of operations. If we were then unable to meet our debt service and repayment obligations under the Senior Notes or the Senior Credit Facility, we would be in default under the terms of the agreements governing our debt, which if uncured, would allow our creditors at that time to declare all outstanding indebtedness to be due and payable and materially impair our financial condition and liquidity.

Our Senior Credit Facility and Senior Notes contain various covenants which, if not complied with, could accelerate repayment under such indebtedness, thereby materially and adversely affecting our financial condition and results of operations.

Our Senior Credit Facility and Senior Notes require us to comply with certain financial and operational covenants. These covenants (as amended on April 12, 2011) include, without limitation:

- a debt leverage covenant waiver for the first quarter of 2011;
- a minimum LTM EBITDA threshold (measured on a trailing, four-quarter basis) of $4,000 and $7,000 (in the Securities Purchase Agreement) for the second and third quarters of 2011, respectively;
- a maximum senior leverage ratio (expressed as the principal amount of Senior Notes over our Adjusted EBITDA (as defined in our lender agreements) measured on a trailing, four-quarter basis) of 9.0 to 1.0 ratio on December 31, 2011, a 8.0 to 1.0 ratio on March 31, 2012, and a 7.5 to 1.0 ratio on June 30, 2012; and
- restrictions on our ability to incur debt, incur liens, make investments, make capital expenditures, consummate acquisitions, pay dividends, sell assets and enter into mergers and similar transactions.

We waived and/or amended our debt leverage covenants on October 14, 2009, March 30, 2010, August 17, 2010 and most recently on April 12, 2011. As a result of these amendments, our debt leverage covenants have been waived, significantly eased and/or modified to minimum LTM EBITDA thresholds. We believe we will generate sufficient Adjusted EBITDA to comply with our amended debt leverage covenants. However, failure to comply with any of our covenants would result in a default under our Senior Credit Facility and Senior Notes that, if we were unable to obtain a waiver from the lenders or holders thereof, could accelerate repayment under the Senior Credit Facility and Senior Notes and thereby have a material adverse impact on our business.

Our Senior Credit Facility and Senior Notes mature on July 15, 2012; if we are unable to refinance or otherwise repay such indebtedness there would be a material and adverse effect on our business continuity and our financial condition.

As the maturity date for our Senior Credit Facility and Senior Notes approaches, we are evaluating, and will continue to evaluate, our options to refinance or repay such indebtedness. Options may include potential mergers and acquisitions activity and/or refinancing alternatives in the debt and capital markets, either of which could include a partial or complete paydown of our Senior Notes. In addition to assessing the potential opportunities noted above, we will discuss refinancing options with our Senior Lenders.

If we do not have the capital necessary to repay our senior indebtedness when it matures, it will be necessary for us to take significant actions, such as revising or delaying our strategic plans, reducing or delaying planned capital expenditures, selling assets, restructuring or refinancing our debt or seeking additional equity capital. We may be unable to effect any of these remedial steps on a satisfactory basis, or at all. If we are unable to refinance or otherwise repay our senior debt upon the maturity of our indebtedness, we would be in default, which would result in material adverse consequences for the Company.

The cost of our indebtedness is substantial, which further affects our liquidity and could limit our ability to implement our business plan.

Interest payments on our debt, which did not include PIK, during 2010 were $11,468. PIK interest which accrues and is added to the principal amount of our debt on a quarterly basis will be approximately $19,050 at maturity on July 15, 2012. As a result of the waiver and fourth amendment to our credit agreements, there is also a 5% debt leverage fee that is equal to 5% of the Senior Notes outstanding for the period beginning October 1, 2011, and shall accrue on a daily basis until the fee amount is paid in full. Like PIK, the accrued and unpaid leverage fee amounts shall be added to the principal amount of the Senior Notes at the end of each calendar quarter which means the debt leverage fee would be $4,907 as of July 15, 2012 assuming no prior repayment. If the economy does not improve more significantly and advertisers continue to maintain reduced budgets and/or if our financial results continue to come under pressure, we may be required to delay the implementation or reduce the scope of our business plan and our ability to develop or enhance our services or programs will likely be impacted. Without additional revenue and capital, we will be unable to take advantage of business opportunities, such as acquisition opportunities or securing rights to name-brand or popular programming, or respond to competitive pressures. If any of the foregoing should occur, this could have a material and adverse effect on our business.

CBS Radio provides us with a significant portion of our commercial inventory and audience that we sell to advertisers. A material reduction in the audience delivered by CBS Radio stations or a material loss of commercial inventory from CBS Radio would have an adverse effect on our advertising sales and financial results.

While we provide programming to all major radio station groups, we have affiliation agreements with most of CBS Radio s owned and operated radio stations which, in the aggregate, provide us with a significant portion of the audience and commercial inventory that we sell to advertisers, much of which is in the more desirable top 10 radio markets. Although the compensation we pay to CBS Radio under our March 2008 arrangement is adjustable based on the audience levels and commercial clearance it delivers (*i.e.,* the percentage of commercial inventory broadcast by CBS Radio stations), any significant loss of audience or inventory delivered by CBS Radio stations, including, by way of example only, as a result of a decline in station audience, commercial clearance levels or station sales that resulted in lower audience levels, would have a material adverse impact on our advertising sales and revenue. Since implementing the new arrangement in early 2008, CBS Radio has delivered improved audience levels and broadcast more advertising inventory than it had under our previous arrangement. However, there can be no assurance that CBS Radio will maintain these higher levels. As part of the cost reduction actions we undertook in early 2010 to reduce station compensation expense, we and CBS Radio mutually agreed to enter into an arrangement, effective on February 15, 2010, to give back inventory delivered by CBS Radio which resulted in a commensurate reduction in the cash compensation we pay to them. In order to offset our return of inventory to CBS Radio and to help deliver consistent RADAR audience levels over time, we added incremental inventory from non-CBS stations. We also added Metro Traffic inventory from CBS Radio through various stand-alone agreements. We actively manage our inventory, including by purchasing additional inventory for cash. While our arrangement with CBS Radio is scheduled to terminate in 2017, there can be no assurance that such arrangement will not be breached by either party. If our agreement with CBS Radio were terminated as a result of such breach, our results of operations could be materially impacted.

Our ability to grow our Metro Traffic business revenue may be adversely affected by the increased proliferation of free of charge traffic content to consumers.

Our Metro Traffic business produces and distributes traffic and other local information reports to approximately 2,250 radio and 182 television affiliates and we derive the substantial majority of the revenue attributed to this business from the sale of commercial advertising inventory embedded within these reports. In recent years, the US Department of Transportation and other regional and local departments of transportation have significantly increased their direct provision of real-time traffic and traveler information to the public free of charge. The ability to obtain this information free of charge may result in our radio and television affiliates electing not to utilize the traffic and local information reports produced by our Metro Traffic business, which in turn could adversely affect our revenue from the sale of advertising inventory embedded in such reports.

Our ability to improve our operating results largely depends on the audiences we deliver to our advertisers.

Our revenue is derived from advertisers who purchase commercial time based on the audience reached by those commercials. Advertisers determine the audience(s) they want to reach according to certain criteria, including the size of the audience, their demographics (e.g., gender, age), the market and daypart in which their commercials are broadcast and the format of the station on which the commercials are broadcast. The new electronic audience measurement technology known as The Portable People Meter , or PPM , introduced in 2007 impacted audience levels for most programming across the radio industry in the first few years of its introduction (2008-2010). However, in the most recent book, RADAR 108, that reported ratings for our RADAR inventory (which comprises approximately half of our total inventory) the first 33 markets (including 19 of the top 20 markets) were fully incorporated into the ratings books and all 48 markets have been incorporated (at some level) into the RADAR books which leads us to believe the impact of PPM has been largely absorbed by the marketplace. However, we may continue to be impacted by PPM as 15 markets have yet to be fully incorporated into the ratings books. Audience levels also can change for several reasons other than PPM, including changes in the radio stations included in a RADAR network, such stations clearance rates for our inventory, general radio listening trends and additional changes in how audience is measured. In 2010, we were able to offset the impact of audience declines by purchasing additional inventory at cost effective prices, however, if the general economy and advertising market were to recover significantly, inventory could become more expensive. Additionally, additional inventory may need to be purchased in advance of our having definitive data on audience levels, such that if we do not accurately predict how much additional inventory will be required to offset declines in audience, or cannot purchase comparable inventory to our current inventory at efficient prices, our future operating profits could be materially and adversely affected.

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Our business is subject to increased competition from new entrants into our business, consolidated companies and new technologies/platforms, each of which has the potential to adversely affect our business.

Our business segments operate in a highly competitive environment. Our radio and television programming competes for audiences and advertising revenue directly with radio and television stations and other syndicated programming. We also compete for advertising dollars with other media such as television, satellite radio, newspapers, magazines, cable television, outdoor advertising, direct mail and, increasingly, digital media. While the overall radio audience has remained stable, these new media platforms have gained an increased share of advertising dollars and their introduction could lead to decreasing revenue for traditional media. Further, as we expend resources to expand our programming and services in new digital distribution channels, our operating results could be negatively impacted until we begin to gain traction in these emerging businesses. New or existing competitors may have resources significantly greater than our own. In particular, the consolidation of the radio industry has created opportunities for large radio groups, such as Clear Channel Communications, CBS Radio and Citadel Broadcasting Corporation to gather information and produce radio and television programming on their own. Although our network radio market share has improved year-over-year according to the October 2010 Miller Kaplan report, there can be no assurance that we will be able to maintain or increase our market share, our audience ratings or our advertising revenue given this competition. To the extent audience for our programs were to decline, advertisers willingness to purchase our advertising could be reduced. Additionally, audience ratings and performance-based revenue arrangements are subject to change based on the competitive environment and any adverse change in a particular geographic area could have a material and adverse effect on our ability to attract not only advertisers in that region, but national advertisers as well.

In recent years, digital media platforms and the offerings thereon have increased significantly and consumers are playing an increasingly large role in dictating the content received through such mediums. We face increasing pressure to adapt our existing programming as well as to expand the programming and services we offer to address these new and evolving digital distribution channels. Advertising buyers have the option to filter their messages through various digital platforms and as a result, many are adjusting their advertising budgets downward with respect to traditional advertising mediums such as radio and television or utilizing providers who offer one-stop shopping access to both traditional and alternative distribution channels. If we are unable to offer our broadcasters and advertisers an attractive full suite of traditional and new media outlets and address the industry shift to new digital mediums, our operating results may be negatively impacted.

Our failure to obtain or retain the rights in popular programming could adversely affect our operating results.

The operating results from our radio programming and television business depends in part on our continued ability to secure and retain the rights to popular programming and then to sell such programming at a profit. We obtain a significant portion of our programming from third parties. For example, some of our most widely heard broadcasts, including certain NFL and NCAA games, are made available based upon programming rights of varying duration that we have negotiated with third parties. Competition for popular programming that is licensed from third parties is intense, and due to increased costs of such programming or potential capital constraints, we may be outbid by our competitors for the rights to new, popular programming or to renew popular programming currently licensed by us. Even when we are able to secure popular programming, the fee thereof (particularly sports programs and high-profile talent), is often significantly increased as a result of the competitive bidding process, which requires that we sell the advertising in this programming at a sufficiently higher volume and rate to offset the increased fees. Our failure to obtain or retain rights to popular content (or the temporary loss of such content as would be the case for our NFL programming in the event of an NFL lock-out) could adversely affect our operating results.

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If we are not able to integrate future M&A activity successfully, our operating results could be harmed.

We evaluate mergers and acquisitions (M&A) opportunities, including acquisitions and dispositions, on an ongoing basis and intend to pursue opportunities in our industry and related industries that can assist us in achieving our growth strategy. The success of our future strategy will depend on our ability to identify, negotiate, complete and integrate M&A opportunities and, if necessary, to obtain satisfactory debt or equity financing to fund such opportunities. M&A is inherently risky, and any M&A transactions we do complete may not be successful.

Even if we are able to consummate the M&A transactions we pursue, such transactions may involve certain risks, including, but not limited to, the following:

- difficulties in integrating and managing the operations, technologies and products of the companies we merge with and/or acquire;
- diversion of our management s attention from normal daily operations of our business;
- our inability to maintain the key business relationships and reputations in connection with such M&A;
- uncertainty of entry into markets in which we have limited or no prior experience or in which competitors have stronger market positions;
- our dependence on unfamiliar affiliates and partners of the companies we merge with and/or acquire;
- insufficient revenue to offset our increased expenses associated with the M&A transactions we consummate or inability to realize the synergies we identify;
- our responsibility for the liabilities of the businesses we merge with and/or acquire; and
- potential loss of key employees in connection with such M&A.

Our success is dependent upon audience acceptance of our content, particularly our radio programs, which is difficult to predict.

Revenue from our radio and television businesses is dependent on our continued ability to anticipate and adapt to changes in consumer tastes and behavior on a timely basis. Because consumer preferences are consistently evolving, the commercial success of a radio program is difficult to predict. It depends on the quality and acceptance of other competing programs, the availability of alternative forms of entertainment, general economic conditions and other tangible and intangible factors, all of which are difficult to predict. An audience s acceptance of programming is demonstrated by rating points which are a key factor in determining the advertising rates that we receive. Low ratings can lead to a reduction in pricing and advertising revenue. Consequently, low public acceptance of our content, particularly our radio programs, could have an adverse effect on our results of operations.

We may be required to recognize further impairment charges.

On an annual basis and upon the occurrence of certain events, we are required to perform impairment tests on our identified intangible assets with indefinite lives, including goodwill, and long-lived assets which testing could impact the value of our business. We have a history of recognizing impairment charges related to our goodwill and intangible assets. In connection with our Refinancing and our requisite adoption of the acquisition method of accounting, we recorded new values of certain assets such that as of April 24, 2009, our revalued goodwill was $86,414 (an increase of $52,426) and intangible assets were $116,910 (an increase of $114,481). In September 2009, we believe a triggering event occurred as a result of forecasted results for 2009 and therefore we conducted a goodwill impairment analysis that resulted in an impairment charge in our Metro Traffic segment of $50,501.

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Risks Related to Our Common Stock

Our common stock may not maintain an active trading market which could affect the liquidity and market price of our common stock.

On November 20, 2009, we listed our common stock on the NASDAQ Global Market. However, there can be no assurance that an active trading market on the NASDAQ Global Market will be maintained, that our common stock price will increase or that our common stock will continue to trade on the exchange for any specific period of time. If we are unable to maintain our listing on the NASDAQ Global Market, we may be subject to a loss of confidence by customers and investors and the market price of our shares may be affected.

Sales of additional shares of common stock by Gores or our other lenders could adversely affect the stock price.

Gores beneficially owns 17,212,977 shares, or approximately 76.4%, of our common stock, which reflects the common stock it purchased in September 2010 and February 2011. There can be no assurance that at some future time Gores, or our other lenders (who collectively own 20.5% of our common stock), will not, subject to the applicable volume, manner of sale, holding period and limitations of Rule 144 under the Securities Act, sell additional shares of our common stock, which could adversely affect our share price. The perception that these sales might occur could also cause the market price of our common stock to decline. Such sales could also make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem appropriate.

Gores will be able to exert significant influence over us and our significant corporate decisions and may act in a manner that advances its best interest and not necessarily those of other stockholders.

As a result of its beneficial ownership of 17,212,977 shares, or approximately 76.4%, of our common stock, Gores has voting control over our corporate actions. For so long as Gores continues to beneficially own shares of common stock representing more than 50% of the voting power of our common stock, it will be able to elect all of the members of our Board and determine the outcome of all matters submitted to a vote of our stockholders, including matters involving mergers or other business combinations, the acquisition or disposition of assets, the incurrence of indebtedness, the issuance of any additional shares of common stock or other equity securities and the payment of dividends on common stock. Gores may act in a manner that advances its best interests and not necessarily those of other stockholders by, among other things:

- delaying, deferring or preventing a change in control;
- impeding a merger, consolidation, takeover or other business combination;
- discouraging a potential acquirer from making a tender offer or otherwise attempting obtain control; or
- causing us to enter into transactions or agreements that are not in the best interests of all of our stockholders.

Provisions in our restated certificate of incorporation and by-laws and Delaware law may discourage, delay or prevent a change of control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Provisions of our restated certificate of incorporation and by-laws and Delaware law may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares of our common stock. These provisions may also prevent or frustrate attempts by our stockholders to replace or remove our management. The existence of the foregoing provisions and anti-takeover measures could limit the price that investors might be willing to pay in the future for shares of our common stock. They could also deter potential acquirers of our company, thereby reducing the likelihood that you could receive a premium for your common stock in an acquisition. In addition, we are subject to the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. This provision of the Delaware General Corporation Law could delay or prevent a change of control of our company, which could adversely affect the price of our common stock.

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We do not anticipate paying dividends on our common stock.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently anticipate that we will retain all of our available cash, if any, for use as working capital and for other general corporate purposes. Any payment of future cash dividends will be at the discretion of our Board and will depend upon, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that our Board deems relevant. In addition, our Senior Credit Facility and the Senior Notes restrict the payment of dividends.

Any issuance of shares of preferred stock by us could delay or prevent a change of control of our company, dilute the voting power of the common stockholders and adversely affect the value of our common stock.

Our Board has the authority to cause us to issue, without any further vote or action by the stockholders, up to 10,000 shares of preferred stock, in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. To the extent we choose to issue preferred stock, any such issuance may have the effect of delaying, deferring or preventing a change in control of our company without further action by the stockholders, even where stockholders are offered a premium for their shares.

The issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of our other classes of voting stock either by diluting the voting power of our other classes of voting stock if they vote together as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote even if the action were approved by the holders of our other classes of voting stock.

The issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. For example, investors in the common stock may not wish to purchase common stock at a price above the conversion price of a series of convertible preferred stock because the holders of the preferred stock would effectively be entitled to purchase common stock at the lower conversion price causing economic dilution to the holders of common stock.

The foregoing risk factors that appear above may affect future performance. The accuracy of the forward-looking statements included in the risk factors above are illustrative, but are by no means all-inclusive or exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

The following table sets forth, as of December 31, 2010, the Company s major facilities, all of which are leased.

Location	Use	Approximate Floor Space Sq. Ft.
New York, NY	Corporate Headquarters	39,000
New York, NY	Broadcasting Center	11,000
Silver Spring, MD	Broadcasting	21,000
Culver City, CA	Broadcasting	32,000

We believe that our facilities are adequate for our current level of operations.

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Item 3. Legal Proceedings

On September 12, 2006, Mark Randall, derivatively on behalf of Westwood One, Inc., filed suit in the Supreme Court of the State of New York, County of New York, against us and certain of our current and former directors and certain former executive officers. The complaint alleges breach of fiduciary duties and unjust enrichment in connection with the granting of certain options to our former directors and executives. Plaintiff seeks judgment against the individual defendants in favor of us for an unstated amount of damages, disgorgement of the options which are the subject of the suit (and any proceeds from the exercise of those options and subsequent sale of the underlying stock) and equitable relief. Subsequently, on December 15, 2006, Plaintiff filed an amended complaint which asserts claims against certain of our former directors and executives who were not named in the initial complaint filed in September 2006 and dismisses claims against other former directors and executives named in the initial complaint. On March 2, 2007, we filed a motion to dismiss the suit. On April 23, 2007, Plaintiff filed its response to our motion to dismiss. On May 14, 2007, we filed our reply in furtherance of our motion to dismiss Plaintiff s amended complaint. On August 3, 2007, the Court granted such motion to dismiss and denied Plaintiff s request for leave to replead and file a further amended complaint. On September 20, 2007, Plaintiff appealed the Court s dismissal of its complaint and moved for renewal under CPLR 2221(e). Oral argument on Plaintiff s motion for renewal occurred on October 31, 2007. On April 22, 2008, Plaintiff withdrew its motion for renewal, without prejudice to renew.

Item 4. [Removed and Reserved]

PART II

(In thousands, except per share amounts)

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

On February 28, 2011, there were approximately 196 holders of record of our common stock, several of which represent street accounts of securities brokers. We estimate that the total number of beneficial holders of our common stock exceeds 4,200**.**

The following table sets forth the range of high and low sales prices for the common stock for the calendar quarters indicated.

2010	**High**	**Low**
First Quarter	$ 14.82	$ 3.63
Second Quarter	17.99	7.06
Third Quarter	9.92	5.81
Fourth Quarter	11.60	7.90

2009(1)	**High**	**Low**
First Quarter	$ 0.12	$ 0.02
Second Quarter	0.12	0.05
Third Quarter (through August 4, 2009)	0.06	0.04
Third Quarter (from August 5, 2009 through September 30, 2009)(2)	11.00	3.25
Fourth Quarter	6.50	3.21

(1) Through March 16, 2009, our common stock traded on the New York Stock Exchange (NYSE) under the symbol WON . On November 20, 2009, we listed our common stock on the NASDAQ Global Market under the symbol WWON . In the intervening period, our common stock was traded on the Over the Counter Bulletin Board under the ticker WWOZ.

(2) Reflects the 200 for 1 reverse stock split that occurred on August 3, 2009 and was reflected in stock prices on August 5, 2009.

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The amounts in the table for the periods ending on or prior to August 4, 2009 do not reflect the 200 for 1 reverse stock split of our outstanding common stock and the conversion of all outstanding shares of Series A-1 Preferred Stock and Series B Preferred Stock into common stock that occurred on August 3, 2009. The closing price for our common stock on March 31, 2011 was $7.25.

The payment of dividends is prohibited by the terms of our Senior Notes and Senior Credit Facility, and accordingly, we do not plan on paying dividends for the foreseeable future.

Equity Compensation Plan Information (1)

The following table contains information as of December 31, 2010 regarding our equity compensation plans.

Plan Category	**Number of securities to be issued upon exercies of outstanding options, warrants and rights** (a)	**Weighted average exercise price of outstanding options, warrants and rights** (b)	**Number of securities remaining available for future issuance under equity compensation plus excluding securities reflected in Column (a)**
Equity compensation plans approved by security holders (1)			
Options (2)	1,631,300	$ 26.00	(3)
Restricted Stock Units	115,100	N/A	(3)
Restricted Stock		N/A	(3)
Equity compensation plans not approved by security holders			
Total	1,746,400		

(1) We amended and restated the 2005 Equity Compensation Plan (the 2005 Plan) because we had a limited number of shares available for issuance thereunder (such plan, as amended and restated, the 2010 Plan). The 2010 Plan became effective upon its adoption by the Board on February 12, 2010. Our stockholders approved the 2010 Plan on July 30, 2010 at our 2010 annual meeting of stockholders.

(2) Options included herein were granted or are available for grant as part of our 1999 Stock Incentive Plan (the 1999 Plan), the 2005 Plan and/or the 2010 Plan. The Compensation Committee of the Board oversees option grants to executive officers and other employees. The 2010 Plan provides for the granting of options, restricted stock, restricted stock units (RSUs) and other equity compensation. In 2010, our Compensation Committee determined that our independent non-employee directors should receive annual awards of RSUs valued in an amount of $35, which awards will vest over 2 years, beginning on the first anniversary of the grant date. The awards vest automatically upon a change in control (as defined in the 2010 Plan) and are otherwise be governed by the terms

of the 2010 Plan. Recipients of RSUs are entitled to receive dividend equivalents on the RSUs (subject to vesting) when and if we pay a cash dividend on our common stock. RSUs are payable in shares of our common stock. For a more complete description of the provisions of the 2010 Plan, refer to our proxy statement filed with the SEC on June 11, 2010, which includes the complete text of the 2010 Plan and a summary thereof. The 1989 Stock Incentive Plan expired in March 1999 and the 1999 Plan expired in March 2009.

(3) Under the 2010 Plan, a maximum of 2,650,000 shares of common stock (of which 697,834 remained available for issuance as of December 31, 2010) are authorized for issuance of equity compensation awards. Options, RSUs and restricted stock are deducted from this authorized total, with grants of RSUs, restricted stock and related dividend equivalents being deducted at the rate of three shares for every one share granted.

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The performance graph below compares the performance of our common stock to the Dow Jones US Total Market Index and the Dow Jones US Media Index for the last five calendar years. The graph assumes that $100 was invested in our common stock and each index on December 31, 2005.
The following tables set forth the closing price of our common stock at the end of each of the last five years.

CUMULATIVE TOTAL RETURN	2006	2007	2008	2009	2010
Westwood One, Inc.	**44.90**	**12.70**	**0.35**	**0.14**	**0.29**
Dow Jones US Total Market Index	**115.57**	**122.51**	**76.98**	**99.15**	**115.66**
Dow Jones US Media Industry Index	**126.45**	**110.51**	**65.05**	**94.55**	**118.34**
Westwood One Closing Stock Price (1)	**7.06**	**1.99**	**0.06**	**4.50**	**9.13**

(1) Stock prices prior to August 3, 2009 do not reflect the 200 for 1 reverse stock split that occurred on August 3, 2009 which was reflected in stock prices on and after August 5, 2009.

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Item 6. Selected Financial Data

	Successor Company(1)		Predecessor Company(1)			
	Year Ended December 31,	For the Period April 24, 2009 to December 31,	For the Period January 1, 2009 to April 23, 2009	Year Ended December 31,		
(In thousands)	2010	2009		2008	2007	2006
Consolidated Statements of Operations:						
Revenue	$ 362,546	$ 228,860	$ 111,474	$ 404,416	$ 451,384	$ 512,085
Operating costs	342,258	210,805	111,309	357,927	350,440	395,196
Depreciation and amortization	18,243	21,474	2,584	11,052	19,840	20,756
Corporate general and administrative expenses	13,369	10,398	4,519	16,007	13,171	14,618
Goodwill and intangible asset impairment		50,501		430,126		515,916
Restructuring charges	2,899	3,976	3,976	14,100		
Special charges	7,816	5,554	12,819	13,245	4,626	1,579
Operating (loss) income	(22,039)	(73,848)	(23,733)	(438,041)	63,307	(435,980)
Interest expense	23,251	14,781	3,222	16,651	23,626	25,590
Other expense (income)	1,688	(4)	(359)	(12,369)	(411)	(926)
Income tax (benefit) expense	(15,721)	(25,025)	(7,635)	(14,760)	15,724	8,809
Net (loss) income	$ (31,257)	$ (63,600)	$ (18,961)	$ (427,563)	$ 24,368	$ (469,453)

	Successor Company As of December 31,		Predecessor Company As of December 31,		
	2010	2009(1)	2008	2007	2006
Consolidated Balance Sheet Data:					
Current assets	$ 117,916	$ 125,741	$ 119,468	$ 138,154	$ 149,222
Working capital (deficit) (2)	30,595	40,132	(208,034)	47,294	29,313
Total assets	288,274	307,318	205,088	669,757	696,701
Long-term debt (2)	136,407	122,262		345,244	366,860
Due to Gores	10,222	11,165			
Total stockholders (deficit) equity	(5,992)	17,984	(203,145)	227,631	202,931

(1) As a result of the Refinancing, we adopted the acquisition method of accounting effective April 23, 2009. Accordingly, we have revalued our assets and liabilities using our best estimate of current fair value. Our

consolidated financial statements which present periods prior to the closing of the Refinancing reflect the historical accounting basis in our assets and liabilities and are labeled Predecessor Company, while the periods subsequent to the Refinancing are labeled Successor Company and reflect the push down basis of accounting for the fair values which were allocated to our segments based on the business enterprise value of each segment. Deferred tax liabilities have been recorded as a part of acquisition accounting to reflect the future taxable income to be recognized relating to the cancellation of indebtedness income as well as the deferred tax liability related to the acquisition accounting.

(2) On November 30, 2008, we failed to make the interest payment on our outstanding indebtedness which constituted an event of default under the credit agreements that pertain to the long-term debt outstanding at that time. Accordingly, $249,053 of debt previously considered long-term was then re-classified as short-term debt, which decreased our long-term debt and decreased our working capital from $41,019 to ($208,034) in 2008.

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations
(In thousands, except for per share amounts)

The following should be read in conjunction with the consolidated financial statements and related notes. Please see the section entitled Cautionary Statement regarding Forward-Looking Statements in Item 1- Business and Item 1A Risk Factors.

OVERVIEW

Revenue

For the year ended December 31, 2010, revenue was $362,546, an increase of $22,212 or 6.5% and reflects higher revenue in both segments of our business.

In 2010, our Network Radio revenue grew by 7.1%, outpacing the overall network market which grew by 2.5% according to the December 2010 Miller Kaplan report. We believe our increased revenue resulted from our focus on delivering the best sports, talk, and music and entertainment programming and other key services to our affiliate and advertising customers. Additionally, our advertising revenue increased in the areas of sports, music and news programming. These increases were partially offset by a decline in advertising revenue from our talk radio programs and the cancellation of certain talk programs.

In 2010, Metro Traffic Radio revenue grew by 9.2%, which outpaced the growth of combined local/national radio growth of 6.0% that was reported by the Radio Advertising Bureau. In Metro Traffic Radio, we believe such resulted from strength in key advertising categories, such as financial services, retail, automotive, and restaurants, as well as from new inventory we have obtained as a result of our new affiliate agreements. This increase was partially offset by decreases in the travel and entertainment and home services sectors and a decline in Metro Television advertising revenue.

Net Loss

Our net loss for the twelve months ended December 31, 2010 and for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 were $31,257, $63,600 and $18,961, respectively. Net loss per share attributable to common shareholders for basic and diluted shares for the twelve months ended December 31, 2010 and for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 were $(1.50), $(11.75) and $(43.64), respectively.

Operating Cash Flow

Net cash provided by operating activities was $8,136 for the twelve months ended December 31, 2010, an increase of $33,055 compared to the twelve months ended December 31, 2009. The increase was principally attributable to a 2010 federal tax refund of $12,940 in 2010, a lower net decrease in our deferred taxes of $14,453, a lower net loss of $51,304 (primarily from the absence of the 2009 impairment charge of $50,501) and an increase in the change in working capital of $11,557, partially offset by lower other non-cash adjustments of $6,698.

Adjusted EBITDA

Our Adjusted EBITDA was $12,138 for the year ended December 31, 2010, an increase of $1,765 compared to $10,373 for the year ended December 31, 2009. The increase in Adjusted EBITDA is the result of an increase in Network Radio OBIDA of $3,118, partially offset by a decrease in Metro Traffic OIBDA of $686 and an increase in corporate expense (less equity-based compensation and special charges classified as corporate, general and administrative) of $667. A description of OIBDA appears above (Item 1 Business Business Segments: Network Radio and Metro Traffic).

Adjusted EBITDA for Network Radio increased $3,118 as a result of increased revenues of $13,139, partially offset by increased operating costs of $10,021.

Adjusted EBITDA for Metro Traffic decreased $686 as a result of increased operating costs of $9,759, partially offset by an increase in revenue of $9,073.

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RESULTS OF OPERATION

Presentation of Results

Our consolidated financial statements and transactional records prior to the closing of the Refinancing reflect the historical accounting basis in our assets and liabilities and are labeled Predecessor Company, while such records subsequent to the Refinancing are labeled Successor Company and reflect the push down basis of accounting for the new fair values in our financial statements. This is presented in our consolidated financial statements by a vertical black line division which appears between the sections entitled Predecessor Company and Successor Company on the statements and relevant notes. The black line signifies that the amounts shown for the periods prior to and subsequent to the Refinancing are not comparable. For management purposes we continue to measure our performance against comparable prior periods.

We are organized into two business segments: Network Radio and Metro Traffic. Our Network Radio segment produces and distributes regularly scheduled and special syndicated programs, including exclusive live concerts, music and interview shows, national music countdowns, lifestyle short features, news broadcasts, talk programs, sporting events and sports features. Our Metro Traffic business produces and distributes traffic and other local information reports (such as news, sports and weather) to approximately 2,250 radio and 182 television stations. We evaluate segment performance based on segment revenue and OIBDA. Administrative functions such as finance, human resources and information systems are centralized. However, where applicable, portions of the administrative function costs are allocated between the operating segments. The operating segments do not share programming or report distribution. Operating costs are reported discretely within each segment. Our assets are reported discretely within each operating segment.

The principal components of our operating expenses are programming, production and distribution costs (including affiliate compensation and broadcast rights fees), selling expenses including commissions, promotional expenses and bad debt expenses, depreciation and amortization, and corporate general and administrative expenses. Corporate general and administrative expenses are primarily comprised of costs associated with corporate accounting, legal and administrative personnel costs, other administrative expenses, including those associated with corporate governance matters, and until its termination on March 3, 2008, the Management Agreement. Special charges include expenses associated with our debt agreements and amendments, the estimated cost accrued for settlement of the lawsuit filed by Triangle, corporate development, professional services rendered by various members of Gores and Glendon, Gores equity investments, the Refinancing, the stock offering undertaken by us in late 2009 that we have no immediate plans to further pursue, the renegotiation of the CBS agreements, write-down of certain costs associated with the TrafficLand arrangement, employment claim settlements and regionalization costs.

In those instances where we function as the principal in the transaction, the revenue and associated operating costs are presented on a gross basis in the Consolidated Statement of Operations. In those instances where we function as an agent or sales representative, our effective commission is presented within revenue with no corresponding operating expenses. Although no individual relationship is significant, the relative mix of such arrangements is significant when evaluating operating margin and/or increases and decreases in operating expenses.

We have identified certain immaterial errors in our financial statements, which we corrected in subsequent interim periods. Such items have been reported and disclosed in the financial statements for the periods ended December 31, 2010, 2009 and 2008, as applicable. We do not believe these adjustments are material to our current period consolidated financial statements or to any prior period s consolidated financial statements and accordingly we have not restated any prior period financial statements. In an ongoing effort to improve our control environment, we have made further enhancements to our financial reporting personnel in 2010 and intend to continue to evaluate our internal controls and make further improvements as necessary.

Goodwill and Intangible Asset Impairment

As part of our annual impairment tests of goodwill and indefinite lived intangible assets, at December 31, 2010, we performed a Step 1 analysis by comparing our calculated fair value based on our forecast to our current carrying value. The results indicated a potential impairment in our Metro Traffic segment and we performed a Step 2 analysis to compare the implied fair value of goodwill to the carrying value of its goodwill. As a result of the Step 2 analysis, we determined that there was no impairment to goodwill as of December 31, 2010. On April 1, 2011 we filed a notice of late filing on Form 12b-25 with the SEC, which estimated an impairment charge between $15,000 and $25,000 as of December 31, 2010. Subsequent to such filing we finalized our conclusion on the appropriate discount rate to be incorporated into our impairment model and concluded that we did not have an impairment as of December 31, 2010.

Restructuring

In the second quarter of 2010, we restructured certain areas of the Network Radio and Metro Traffic segments (the 2010 Program). The 2010 Program included charges related to the consolidation of certain operations that reduced our workforce levels during 2010, and additional actions to reduce our workforce as an extension of the Metro Traffic re-engineering. In connection with the 2010 Program, we recorded $1,198 of costs for the year ended December 31, 2010. All costs related to the 2010 Program were incurred by the end of 2010.

In the third quarter of 2008, we announced a plan to restructure our Metro Traffic business (commonly referred to by us as the Metro Traffic re-engineering) and to implement other cost reductions. The Metro Traffic re-engineering entailed reducing the number of our Metro Traffic operational hubs from 60 to 13 regional centers and produced meaningful reductions in labor expense, aviation expense, station compensation, program commissions and rent. Since the commencement of the Metro Traffic re-engineering, we recorded $23,753 including severance of $10,454, contract terminations of $6,751 and facilities consolidation costs of $6,548. All costs related to the Metro Traffic re-engineering were incurred by the end of 2010. Future expense related to the Metro Traffic re-engineering will be adjustments for changes, if any, resulting from revisions to our estimated sublease cash flows from facilities we closed in connection with the Metro Traffic re-engineering after the cease-use date (*i.e.,* the day we exited the facilities).

The savings generated by the restructuring programs were partially offset by specific strategic investments, including: strengthening our sales force in the Network Radio and Metro Traffic segments, new programming, digital and systems infrastructure, television inventory outlays and incremental costs related to our TrafficLand License Agreement (as described in more detail below in Investments), and expenses under the Company s distribution arrangement with CBS Radio, which partly resulted from increased clearance levels by CBS Radio.

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Twelve Months Ended December 31, 2010 Compared with the Periods April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009

Revenue

Revenue presented by operating segment for the twelve months ended December 31, 2010 and for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 is as follows:

	Revenue			
	Successor Company		Predecessor Company For the Period	Twelve
	Twelve Months Ended December 31, 2010	For the Period April 24 to December 31, 2009	January 1 to April 23, 2009	Month Change
Network Radio	$ 196,986	$ 119,852	$ 63,995	$ 13,139
Metro Traffic	165,560	109,008	47,479	9,073
Total (1)	$ 362,546	$ 228,860	$ 111,474	$ 22,212

(1) As described above, we currently aggregate revenue based on the operating segment. A number of advertisers purchase both local/regional and national commercial airtime in both segments. Our objective is to optimize total revenue from those advertisers.

For the twelve months ended December 31, 2010, revenue increased $22,212, or 6.5%, to $362,546 compared with the results for the twelve months ended December 31, 2009. The increase is the result of higher revenue in both segments of our business.

For the twelve months ended December 31, 2010, Network Radio revenue was $196,986, an increase of 7.1%, or $13,139 compared with the twelve months ended December 31, 2009. The increase resulted from increased advertising revenue in programming for sports of $12,716, music of $2,404 and news of $1,812. These increases were partially offset by decreases in advertising revenue from our talk radio programs of $2,374 and from the cancellation of certain talk programs of $1,665.

Metro Traffic revenue for the twelve months ended December 31, 2010 increased $9,073, or 5.8%, to $165,560 compared with the twelve months ended December 31, 2009. The increase in Metro Traffic revenue was principally related to an increase in the Metro Traffic radio advertising revenue of $10,968, primarily due to increases in the sectors of financial services of $7,195, quick service restaurants of $3,057, retail of $2,563 and automotive of $2,313, partially offset by decreases in the sectors of travel and entertainment of $2,611, home improvement services of $1,577 and telecommunication services of $1,386. Such increase was offset by a decrease in Metro Television advertising revenue of $1,835, or 4.9%.

Operating Costs

Operating costs for the twelve months ended December 31, 2010 and for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 are as follows:

	Operating Costs			
	Successor Company		Predecessor Company For the Period	Twelve
	Twelve Months Ended December 31, 2010	For the Period April 24 to December 31, 2009	January 1 to April 23, 2009	Month Change
Programming and operating	$ 123,569	$ 79,277	$ 40,854	$ (3,438)
Station compensation	95,533	55,402	29,951	(10,180)
Payroll and payroll related	84,859	51,703	26,576	(6,580)
Other operating expenses	38,297	24,423	13,928	54
	$ 342,258	$ 210,805	$ 111,309	$ (20,144)

Operating costs increased $20,144, or 6.3%, to $342,258 for the twelve months ended December 31, 2010 compared to the same period in 2009.

Programming and operating costs increased $3,438 for the twelve months ended December 31, 2010 compared to the same period in 2009, primarily due to increases in program commissions of $7,586 and broadcast rights of $3,751, partially offset by decreases in aviation expense of $3,290, news service fees of $2,025, talent fees of $1,584 and other production expenses of $999.

Station compensation costs, which represent costs associated with acquiring radio and television station inventory to support revenue, increased $10,180 for the twelve months ended December 31, 2010 compared to the same period in 2009, primarily as a result of increased inventory purchases from television and local radio stations in the amount of $8,819 and other station compensation costs of $1,361.

Payroll and payroll related costs increased $6,580 for the twelve months ended December 31, 2010 compared to the same period in 2009. The increases were primarily a result of sales commissions of $3,503 and other compensation of $2,902, reflecting additional sales force hires in 2010 and variable compensation tied to revenue, which were partially offset by the cost savings in payroll resulting from our 2009 re-engineering and cost reduction programs.

Other operating expenses decreased $54 for the twelve months ended December 31, 2010 compared to the same period in 2009, primarily from lower facility expenses of $1,134 and professional fees of $580, partially offset by an increase in travel and promotion expenses of $1,400.

Depreciation and Amortization

Depreciation and amortization decreased $5,815, or 24.2%, to $18,243 in the twelve months ended December 31, 2010 from the comparable period of 2009. The decrease is primarily attributable to the amortization expense in 2009 from insertion orders of $8,400 and amortization of other intangibles prior to the Refinancing of $231 (which has no counterpart in the 2010 results) and slightly lower depreciation of property and equipment of $705. These decreases were partially offset by increases in amortization of $3,290 recorded as a result of the Refinancing and our application of push down acquisition accounting and the amortization of intangibles of $459 related to the acquisition of Sigalert.

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Corporate General and Administrative Expenses

Corporate, general and administrative expenses decreased $1,548 or 10.4%, to $13,369 for the twelve months ended December 31, 2010 compared to the twelve months ended December 31, 2009. The decrease is principally due to decreases in equity-based compensation expense of $1,860 and the absence of $1,652 of asset write-offs that occurred in the fourth quarter of 2009, partially offset by increases in payroll and related expenses of $1,519 professional services fees of $613.

Restructuring Charges

During the twelve months ended December 31, 2010, we recorded $2,899 for restructuring charges. For the twelve months ended December 31, 2010, restructuring charges included Metro Traffic re-engineering costs for real estate expenses of $1,514 (including $1,162 from revisions to estimated cash flows from our closed facilities, including estimates for subleases), severance of $1,288 (including $1,198 for the 2010 Program) and $97 for contract terminations.

In connection with the Metro Traffic re-engineering and other cost reductions, which included the consolidation of leased offices, staff reductions and the elimination of underperforming programming, that commenced in the last half of 2008, we recorded $3,976 in restructuring charges for the period from April 24, 2009 to December 31, 2009 and $3,976 for the period from January 1, 2009 to April 23, 2009.

Special Charges

We incurred special charges aggregating $7,816 in the twelve months ended December 31, 2010. Special charges in 2010 included fees of $2,414 related to our debt agreements, including the cost to twice amend our Securities Purchase Agreement and Credit Agreement; $1,500 for the estimated cost of settlement of the lawsuit filed by Triangle (see Note 18 Commitments and Contingencies for additional information)*;* professional fees of $1,339 related to the evaluation of potential business development activities, including acquisitions and dispositions; Gores and Glendon fees of $1,009; and employment claim settlements of $493 related to employee terminations that occurred prior to 2008. There were no similar charges for the foregoing cost in the twelve months ended December 31, 2009. Special charges in 2010 also included: fees of $547 primarily related to regionalization costs (a decrease of $92 compared to the twelve months of 2009); asset write-downs of $321 associated with the TrafficLand arrangement (a decrease of $1,531 compared to the twelve months of 2009); and fees of $193 related to the finalization of the income tax treatment of the Refinancing, a decrease of $13,702 when compared to the fees incurred in connection with the Refinancing for the twelve months of 2009. Such Refinancing fees included transaction fees and expenses related to the negotiation of definitive documentation and fees of various legal and financial advisors and other professionals involved in the Refinancing.

Goodwill and Intangible Asset Impairment

During the third quarter of 2009, we incurred a goodwill impairment charge in our Metro Traffic segment of $50,401 as a result of a continued decline in our operating performance.

Operating Loss

The operating loss for the twelve months ended December 31, 2010 decreased by $75,542 to $22,039 from the same period in 2009. This decrease is primarily attributable to a decrease in goodwill and intangible asset impairment of $50,501, lower restructuring and special charges of $15,610, lower depreciation and amortization of $5,815, an increase in Network Radio OIBDA of $3,118 and lower corporate expense of $1,184, partially offset by a decrease in Metro Traffic OIBDA of $686.

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OIBDA

Beginning with the first quarter of 2010, we changed how we evaluate segment performance and now use segment revenue and segment operating (loss) income before depreciation and amortization (OIBDA) as the primary measure of profit and loss for our operating segments in accordance with FASB guidance for segment reporting. We have reflected this change in all periods presented in this report. We believe the presentation of OIBDA is relevant and useful for investors because it allows investors to view the performance of each of our operating segments in a manner similar to the primary method used by our management and enhances their ability to understand our operating performance.

OIBDA for the twelve months ended December 31, 2010 and for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 are as follows:

	OIBDA			
	Successor Company		Predecessor Company For the Period	Twelve
	Twelve Months Ended December 31, 2010	For the Period April 24 to December 31, 2009	January 1 to April 23, 2009	Month Change
Network Radio OIBDA	$ 12,147	$ 9,602	$ (573)	$ 3,118
Metro Traffic OIBDA	4,205	5,504	(613)	(686)
Corporate expenses	(9,433)	(7,449)	(3,168)	1,184
Goodwill and intangible asset impairment		(50,501)		50,501
Restructuring and special charges	(10,715)	(9,530)	(16,795)	15,610
OIBDA	(3,796)	(52,374)	(21,149)	69,727
Depreciation and amortization	18,243	21,474	2,584	(5,815)
Operating loss	$ (22,039)	$ (73,848)	$ (23,733)	$ 75,542

OIBDA was a loss of $3,796 for the twelve months ended December 31, 2010 a decrease of $69,727 from a loss for the same period in 2009. This decrease in OIBDA loss is primarily attributable to a decrease in goodwill and intangible asset impairment of $50,501, lower restructuring and special charges of $15,610, an increase in Network Radio OIBDA of $3,118 and a decrease in corporate expense of $1,184, partially offset by a decrease in Metro Traffic OIBDA of $686.

Network Radio

OIBDA in our Network Radio segment increased by $3,118 to $12,147 in 2010 compared to the same period in 2009. The increase in OIBDA was due to an increase in revenue of $13,139 and a decrease in programming and operating expenses for content agreements of $1,635, talent expense of $1,584 and producer expenses of $692; and a decrease in station compensation expense of $390. These increases in OIBDA were partially offset by increases in costs for the programming and operating expenses for program commissions and broadcast rights of $10,977 (for sports and music programs and broadcasts), payroll and payroll-related costs of $1,791 and other operating expenses of $1,554.

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Metro Traffic

OIBDA in our Metro Traffic segment decreased $686 to $4,205 in 2010 compared to the same period in 2009. The decrease was primarily due increased station compensation costs of $10,570 (resulting from cash buys for television and local radio inventory of $8,819 and other station compensation of $1,751) and payroll and payroll-related expenses of $4,789. The decrease was partially offset by an increase in revenue of $9,073 and by decreases in programming and operating costs of $3,862 (primarily aviation costs of $3,290) and other operating costs of $1,738 (primarily facility costs of $1,590).

Interest Expense

Interest expense increased $5,248, or 29.1%, to $23,251 in the twelve months ended December 31, 2010 from the comparable period of 2009. The increase is primarily attributable to the increase in costs related to the amendments to the Securities Purchase Agreements of $2,648, a higher rate of interest on a slightly lower average level of long-term debt outstanding of $1,759, primarily as a result of the Refinancing, and increased interest related to the Culver City financing of $679.

Other Expense

Other expense in the twelve months ended December 31, 2010 was $1,688 which primarily represents the fair market value adjustment related to the February 2011 Gores equity commitment of $1,538, a loss on the disposal of long-lived assets of $258 and the gain on sale of marketable securities in the fourth quarter of $98. The February 2011 Gores equity commitment constituted an embedded derivative and is valued in accordance with derivative accounting (see Note 8   Debt for additional detail).

Provision for Income Taxes

Income tax benefit for the twelve months ended December 31, 2010 and for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 were $15,721, $25,025 and $7,635, respectively. Our effective tax rate for the twelve months ended December 31, 2010 and for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 were 33.5%, 28.2% and 28.7%, respectively. Our effective tax rate for 2009 was affected by the goodwill impairment charges, which for were substantially non-deductible for tax purposes. The 2009 effective rates were also lower due to certain special charges and restructuring charges. An additional tax benefit of $590 was recorded in the twelve months ended December 31, 2010 related to an increase in our federal income tax refund arising from a change in the determination of the deductibility of certain costs for the twelve months ended December 31, 2009. These additional income tax benefits are primarily related to deductions taken in U.S. federal filings for which it is more likely than not that those deductions would be sustained on their technical merits.

Net Loss

Our net loss for the twelve months ended December 31, 2010 and for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 were $31,257, $63,600 and $18,961, respectively. Net loss per share attributable to common shareholders for basic and diluted shares for the twelve months ended December 31, 2010 and for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 were $(1.50), $(11.75) and $(43.64), respectively. Net loss per share amounts reflected the effect of the 200-for-1 reverse stock split of our common stock that occurred on August 3, 2009. Average share amounts for the April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 periods were significantly lower than the year ended December 31, 2010 as a result of the conversions of shares of preferred stock into common stock in July and August 2009.

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The Periods April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 Compared With Twelve Months Ended December 31, 2008

Revenue

Revenue for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 and the twelve months ending December 31, 2008 are as follows:

	Revenue			
	Successor Company	Predecessor Company		
	For the Period April 24 to December 31, 2009	For the Period January 1 to April 23, 2009	Twelve Months Ended December 31, 2008	Twelve Month Change
Network Radio	$ 119,852	$ 63,995	$ 209,532	$ (25,685)
Metro Traffic	109,008	47,479	194,884	(38,397)
Total (1)	$ 228,860	$ 111,474	$ 404,416	$ (64,082)

(1) As described above, we currently aggregate revenue data based on the operating segment. A number of advertisers purchase both local/regional and national or Network Radio commercial airtime in both segments. Our objective is to optimize total revenue from those advertisers.

Revenue for twelve months ended December 31, 2009 decreased $64,082, or 15.8%, from $404,416 for the twelve months ended December 31, 2008. The decrease in 2009 was principally attributable to the ongoing economic downturn and, in particular, the general decline in advertising spending, which started to contract in the second half of 2008 and continued in 2009. Revenue for all periods was adversely affected by increased competition and lower audience levels.

For the twelve months ended December 31, 2009, Network Radio revenue decreased $25,685, compared to $209,532 for the twelve months ended December 31, 2008, a 12.3% decline. The declines in 2009 were primarily the result of the cancellation of certain programs of $8,619, absence of the summer Olympics of $1,286 declines in audience, lower revenue from our RADAR network inventory and the general decline in advertising spending which began to contract in 2008 and continued throughout much of 2009 that affected our programming for news $10,407, sports of $3,211 and music of $2,536.

For the twelve months ended December 31, 2009, Metro Traffic revenue decreased $38,397, a decline of 19.7%, from $194,884 for the twelve months ended December 31, 2008. The 2009 decrease is principally related to a weak local advertising marketplace spanning various sectors and categories including retail of $6,657, automotive of $5,942, quick serve restaurants of $3,427, communications and advertising of $5,171, financial services of $3,738 and travel and entertainment of $1,997, which placed an overall downward pressure on advertising sales and rates.

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Expenses

Operating costs

Operating costs for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 and the twelve months ending December 31, 2008 are as follows:

	Operating Costs			
	Successor Company	Predecessor Company		
	For the Period April 24 to December 31, 2009	For the Period January 1 to April 23, 2009	Twelve Months Ended December 31, 2008	Twelve Month Change
Programming and operating	$ 79,277	$ 40,854	$ 139,886	$ 19,755
Station compensation	55,402	29,951	82,015	(3,338)
Payroll and payroll related	51,703	26,576	98,645	20,366
Other operating expenses	24,423	13,928	37,381	(970)
	$ 210,805	$ 111,309	$ 357,927	$ 35,813

For the twelve months ended December 31, 2009, operating costs decreased $35,813, or 10.0%, from $357,927 for the twelve months ended December 31, 2008. The decrease reflects the benefit of the Metro Traffic re-engineering and cost reduction programs, which began in the last half of 2008 and continued through 2009, and which were partially offset by increases in TV inventory purchases of $4,848 that are included in station compensation costs.

For the twelve months ended December 31, 2009, programming and operating costs decreased by $19,755 compared to $139,886 for the twelve months ended December 31, 2008, primarily due to lower aviation expense $5,851, talent fees of $4,037 and reduced revenue sharing expense from broadcast rights of $3,929 and program commissions of $6,245 as a result of our lower revenue.

For the twelve months ended December 31, 2009, station compensation expense increased by $3,338 compared to $82,015 for the twelve months ended December 31, 2008, primarily due to increases in TV inventory purchases of $4,848, partially offset by decreases in certain affiliate costs of $1,510, primarily from the renegotiation and cancellation of certain affiliate arrangements.

For the twelve months ended December 31, 2009, payroll and payroll related costs decreased $20,366 or 20.6% compared to $98,645 for the twelve months ended December 31, 2008, as a result of the salary reductions and decreased headcount of approximately 8%.

For the twelve months ended December 31, 2009, other operating expenses increased $970 compared to $37,381 for the twelve months ended December 31, 2008, reflecting a 2009 asset write-off of $1,652 and increased accounting and audit fees of $609, partially offset by the benefit of the Metro Traffic re-engineering program, primarily related to facilities of $1,501.

Depreciation and Amortization

Depreciation and amortization for the twelve months ended December 31, 2009 increased $13,006, or 118%, compared to $11,052 for the twelve months ended December 31, 2008. The increase is primarily attributable to the increase in amortization expense of $14,736 from the fair value of amortizable intangibles that were recorded as a result of the Refinancing and our application of push down acquisition accounting and by increased depreciation and amortization from our additional investments in systems and infrastructure of $440. This was partially offset by a decrease in warrant amortization expense of $1,618 as a result of the cancellation on March 3, 2008 of all outstanding warrants previously granted to CBS Radio and lower amortization from predecessor period intangible assets of $552.

Corporate General and Administrative Expenses

Corporate, general and administrative expenses decreased $1,090 for the twelve months ended December 31, 2009 as compared to $16,007 for the twelve months ended December 31, 2008. The decrease is due to reduced legal fees for normal operations of $949 and reduced consulting fees of $767, partially offset by increases in accounting and auditing fees of $609.

Goodwill and Intangible Asset Impairment

In September 2009, a triggering event occurred as a result of updated forecasted results for 2009 and 2010, and therefore, we conducted impairment tests. The results indicated impairment in our Metro Traffic segment. As a result of the analysis, we recorded an impairment charge of $50,401 to Metro Traffic goodwill and $100 to Metro Traffic s trademarks.

Restructuring Charges

In connection with the Metro Traffic re-engineering and other cost reductions, which included the consolidation of leased offices, staff reductions and the elimination of underperforming programming that commenced in the last half of 2008. Restructuring charges decreased $6,148 for the twelve months ended December 31, 2009 as compared to $14,100 for the twelve months ended December 31, 2008 as a result of decreased contract terminations of $6,354 and decreased severance costs of $3,166, partially offset by increased facilities costs of $3,372. The charges for the twelve months ended December 31, 2008 included severance of $6,765, contract terminations of $6,504 and the consolidation of leased offices of $831.

Special Charges

Special charges for the period from April 24, 2009 to December 31, 2009 included: Refinancing costs of $1,196, including transaction fees and expenses related to negotiation of the definitive documentation, fees of various legal and financial advisors for the constituents involved in the Refinancing (*e.g.,* Westwood One, Gores, Glendon Partners, the banks, noteholders and the lenders of the Senior Credit Facility); asset write-down associated with the TrafficLand arrangement of $1,852; professional fees and other costs related to the S-1 stock offering that we currently have no immediate plans to further pursue of $1,698; and costs related to the regionalization program, Culver City financing costs and costs associated with the acquisition of Jaytu (d/b/a Sigalert) totaling $808.

Special charges for the period from January 1, 2009 to April 23, 2009 included: Refinancing costs of $12,699, including transaction fees and expenses related to negotiation of the definitive documentation, fees of various legal and financial advisors for the constituents involved in the Refinancing (*e.g.,* Westwood One, Gores, Glendon Partners, the banks, noteholders and the lenders of the Senior Credit Facility); and costs related to the regionalization program of $120.

Special charges for the period from April 24, 2009 to December 31, 2009 and for the period from January 1, 2009 to April 23, 2009 had no corresponding charges in the comparable twelve month period in 2008.

Special charges for 2008 consisted of associated legal and professional fees of $6,624 incurred in connection with the new CBS arrangement, contract termination costs of $5,000, and re-engineering expenses of $1,621.

Operating Loss

The operating loss for the twelve months ended December 31, 2009 decreased by $340,460 from $438,041 for the same period in 2008. This decrease is primarily due to the higher goodwill impairment charges in 2008 of $430,126 versus the goodwill impairment charge of $50,401 in 2009, partially offset by the decline in OIBDA in the Metro Traffic of $25,806 and Network Radio of $9,019 and higher depreciation and amortization of $13,006 as noted above.

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OIBDA

OIBDA for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 and the twelve months ending December 31, 2008 are as follows:

	OIBDA			
	Successor Company	Predecessor Company		
	For the Period April 24 to December 31, 2009	For the Period January 1 to April 23, 2009	Twelve Months Ended December 31, 2008	Twelve Month Change
Network Radio OIBDA	$ 9,602	$ (573)	$ 18,048	$ (9,019)
Metro Traffic OIBDA	5,504	(613)	30,697	(25,806)
Corporate expenses	(7,449)	(3,168)	(18,263)	7,646
Goodwill and intangible asset impairment	(50,501)		(430,126)	379,625
Restructuring and special charges	(9,530)	(16,795)	(27,345)	1,020
OIBDA	(52,374)	(21,149)	(426,989)	353,466
Depreciation and amortization	21,474	2,584	11,052	13,006
Operating loss	$ (73,848)	$ (23,733)	$ (438,041)	$ 340,460

OIBDA loss for the twelve months ended December 31, 2009 decreased $353,466 from the twelve months ended December 31, 2008 due primarily to the higher goodwill impairment charges in 2008 of $430,126 versus the goodwill impairment charge of $50,401 in the third quarter of 2009. The decline in OIBDA between 2009 and 2008, absent the goodwill impairment charge, is primarily related to a weak advertising marketplace spanning various sectors and categories including automotive, retail and telecommunications, which placed an overall downward pressure on advertising sales and rates. The decline in revenue was partially offset by the realignment of our cost base, net of restructuring charges, which actions were taken as part of our Metro Traffic re-engineering and other reduction initiatives.

Network Radio

OIBDA in our Network Radio segment decreased by $9,019 for the twelve months ended December 31, 2009 compared to the twelve months ended December 31, 2008 of $18,048. The decrease was due to lower revenue of $25,685 and higher accounting and audit fees of $1,452. These expense increases were partially offset by decreases in salary and related costs of $3,458, program commissions of $6,245, talent costs of $4,037, broadcast rights of $3,929 and CBS fees of $2,583. We allocate certain operating costs to each segment. During 2009, we refined our allocation of accounting and auditing fees to the Network Radio segment, which resulted in an increase of expense for the Network Radio segment in 2009 of $1,452 compared to 2008. Our total accounting and audit fees increased by $609 during 2009.

Metro Traffic

OIBDA in our Metro Traffic segment decreased by $25,806 for the twelve months ended December 31, 2009 compared to the twelve months ended December 31, 2008 of $30,697, primarily due to lower revenue of $38,397 and higher program and operating costs, primarily television inventory purchases, of $9,299. These increases were partially offset by reductions in the following areas: salaries and related expenses of $13,223, aviation expense of $5,818, station compensation of $1,913 and rent of $1,455, as well as, a general decrease in other operating expenses due to cost saving measures. We allocate certain operating costs to each segment. During 2009, we refined our allocation of accounting and auditing fees to the Metro Traffic segment, which resulted in an increase of expense for the Metro Traffic segment in 2009 of $1,394 compared to 2008. Our total accounting and audit fees increased by $609 during 2009.

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Interest Expense

Interest expense increased $1,353, or 8%, for the twelve months ended December 31, 2009 from $16,651 in the comparable period of 2008. The increase reflects higher average interest rates on the Senior Notes and Senior Credit Facility, partially offset by the lower average debt levels during 2009 as a result of our Refinancing that closed on April 23, 2009. As a result of our Refinancing, the interest payments on our debt on an annualized basis (*i.e.*, from April 23, 2009 to April 23, 2010 and subsequent annual periods thereafter) increased from approximately $12,000 to $19,000, $6,000 of which will be PIK (such interest accrues on a quarterly basis and is added to the principal amount of our debt). The increase was partially offset by a one-time reversal of interest expense in 2009 from the settlement of an amount owed to a former employee of $754.

Other (Income) Expense

Other income decreased $12,005 for the twelve months ended December 31, 2009 to compared to $12,369 in 2008 principally due to a 2008 gain on the sale of securities of $12,420.

Provision for Income Taxes

Income tax benefits for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 and for the twelve months ended December 31, 2008 were $25,025, $7,635 and $14,760, respectively. Income tax benefit for the twelve months ended December 31, 2009 increased $17,900, or 121%, from $14,760 for the twelve months ended December 31, 2008, primarily due to the operating loss and higher deductible expenses in 2009. Our effective 2009 income tax rates was impacted by the 2009 goodwill impairment charge, which for the most part was substantially non-deductible for tax purposes. The effective 2008 income tax rate was impacted by the 2008 goodwill impairment charge, which was substantially non-deductible for tax purposes.

Our effective tax rate for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 and the twelve months ended December 31, 2008 were 28.2%, 28.7% and 3.3%, respectively. The change in the effective tax rate is the result of large non-deductible expenses in 2008 for goodwill impairments, compared to a smaller impairment in 2009 and other items.

Net Loss

Our net losses for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 and for the twelve months ended December 31, 2008 were $63,600, $18,961 and $427,563. The decrease for the twelve months ended December 31, 2009 of $345,002 from a net loss of $427,563 in the comparable period of 2008, was primarily attributable to the decrease in charges for goodwill and intangible impairment of $379,625. Net losses per share attributable to common shareholders for basic and diluted shares was $(11.75), $(43.64) and $(878.73), respectively. Average share amounts for the April 24, 2009 to December 31, 2009 period were significantly higher than the January 1, 2009 to April 23, 2009 period and the twelve months ended December 31, 2008 as a result of the conversions of shares of preferred stock into common stock in July and August 2009. Net loss per share amounts reflected the effect of the 200-for-1 reverse stock split of our common stock that occurred on August 3, 2009.

Liquidity, Cash Flow and Debt

Cash flows for the twelve months ended December 31, 2010 and for the periods from April 24, 2009 to December 31, 2009 and January 1, 2009 to April 23, 2009 are as follows:

	Cash Flow			
	Successor Company		Predecessor Company For the Period	Twelve Month Change
	Twelve Months Ended December 31, 2010	For the Period April 24 to December 31, 2009	January 1 to April 23, 2009	
Net cash provided by (used in) operating activities	$ 8,136	$ (24,142)	$ (777)	$ 33,055
Net cash used in investing activities	(7,957)	(6,434)	(1,384)	(139)
Net cash (used in) provided by financing activities	(2,065)	31,395	(271)	(33,189)
Net (decrease) increase in cash and cash equivalents	(1,886)	819	(2,432)	$ (273)
Cash and cash equivalents, beginning of period	4,824	4,005	6,437	
Cash and cash equivalents, end of period	$ 2,938	$ 4,824	$ 4,005	

Net cash provided by operating activities was $8,136 for the twelve months ended December 31, 2010 an increase of $33,055 compared to the twelve months ended December 31, 2009. The increase was principally attributable to an increase in the change in accounts payable, accrued liabilities and amounts payable to related parties of $21,536, a lower net decrease in our deferred taxes of $14,453, a 2010 federal tax refund of $12,940 in 2010, a lower net loss of $51,304 (primarily from the absence of the 2009 impairment charge of $50,501), a decrease in the change in prepaid and other assets of $4,154 and an increase in the change in deferred revenue of $1,769. These items were partially offset by an increase in the change in accounts receivable of $15,694, lower other non-cash adjustments of $6,698 and a decrease in the change in taxes payable of $208.

While our business at times does not require significant cash outlays for capital expenditures, capital expenditures for the twelve months ended December 31, 2010 increased $2,275 to $8,843, compared to the twelve months ended December 31, 2009, primarily as a result of payments related to investment in internal use software we installed. In the fourth quarter of 2010, we received proceeds from the sale of marketable securities of $886.

Cash used in financing activities was $2,065 for the twelve months ended December 31, 2010, a decrease of $33,189 compared to the twelve months ended December 31, 2009. As part of the Securities Purchase Agreement amendments, we paid down our Senior Notes by $16,032 during 2010. We borrowed $10,000 under our revolving credit facility during 2010, received $5,000 in proceeds from the issuance of common stock to Gores and paid $1,033 under our capital leases. During the period from April 24, 2009 to December 31, 2009, we received $20,000 in proceeds from a term loan, $25,000 from the issuance of preferred stock to Gores and $6,998 from the Culver City building financing, all of which were partially offset by a repayment of the old senior debt of $25,000, repayment of the revolving credit facility of $11,000 and payments of $603 under our capital leases. During the period from January 1, 2009 to April 23, 2009, we paid $271 under our capital leases.

Liquidity and Capital Resources

We continually project anticipated cash requirements, which may include requirements for potential M&A activity, capital expenditures, principal and interest payments on our outstanding indebtedness, dividends and working capital requirements. To date, funding requirements have been financed through cash flows from operations, the issuance of equity to Gores and the issuance of long-term debt.

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At December 31, 2010, our principal sources of liquidity were our cash and cash equivalents of $2,938 and borrowing availability of $3,781 under our revolving credit facility, which equaled $6,719 in total liquidity. Cash flow from operations is also a principal source of funds. We have experienced significant operating losses since 2005 as a result of increased competition in our local and regional markets, reductions in national audience levels, and reductions in our local and regional sales force, and more recently, as a result of higher programming fees and station compensation costs. As described in more detail below, as a result of our waiver and fourth amendment to our debt agreements entered into on April 12, 2011 and based on our 2011 projections, which we believe use reasonable assumptions regarding the current economic environment, we estimate that cash flows from operations will be sufficient to fund our cash requirements, including scheduled interest and required principal payments on our outstanding indebtedness and projected working capital needs, and provide us sufficient Adjusted EBITDA to comply with our amended debt covenants for at least the next 12 months.

Our Senior Credit Facility and Senior Notes mature on July 15, 2012. If we are unable to meet our debt service and repayment obligations under the Senior Notes or the Senior Credit Facility, we would be in default under the terms of the agreements governing our debt, which if uncured, would allow our creditors at that time to declare all outstanding indebtedness to be due and payable and materially impair our financial condition and liquidity. If financing is limited or unavailable to us upon the maturity of the Senior Credit Facility and Senior Notes, the Company may not have the financial means be able to repay the debt, which would have a material adverse effect on our business continuity, our financial condition and our results of operations.

Existing Indebtedness

Our existing debt totaling $146,629 consists of: $111,629 under the Senior Notes maturing July 15, 2012 (which includes $10,222 due to Gores) and the Senior Credit Facility, consisting of a $20,000 unsecured, non-amortizing term loan and $15,000 outstanding under our revolving credit facility as of March 31, 2011. The term loan and revolving credit facility (i.e., the Senior Credit Facility) mature on July 15, 2012 and are guaranteed by subsidiaries of the Company and Gores. The Senior Notes bear interest at 15.0% per annum, payable 10% in cash and 5% PIK interest. The PIK interest accretes and is added to principal quarterly, but is not payable until maturity. As of December 31, 2010, the accrued PIK interest was $10,161. As a result of the waiver and fourth amendments to the debt agreements we entered into on April 12, 2011, a 5% leverage fee will be imposed effective October 1, 2011 , subject to the potential elimination of such as described below. The 5% leverage fee will be equal to 5% of the Senior Notes outstanding for the period beginning October 1, 2011, and shall accrue on a daily basis from such date until the fee amount is paid in full. The fee shall be payable on the earlier of maturity (July 15, 2012) or the date on which the Senior Notes are paid. Accrued and unpaid leverage fee amounts shall be added to the principal amount of the Senior Notes at the end of each calendar quarter (as is the case with PIK interest on the Senior Notes which accretes to the principal amount). The Senior Notes may be prepaid at any time, in whole or in part, without premium or penalty. Payment of the Senior Notes is mandatory upon, among other things, certain asset sales and the occurrence of a change of control (as such term is defined in the Securities Purchase Agreement governing the Senior Notes). The Senior Notes are guaranteed by the subsidiaries of the Company and are secured by a first priority lien on substantially all of the Company s assets. Effective as of the date of the waiver and fourth amendments to the credit agreements, the Senior Notes held by Gores were fully subordinated to the Senior Notes held by non-Gores holders, including in connection with any future pay down of Senior Notes from the proceeds of any asset sale. Notwithstanding the foregoing, if at any time, the Company provides satisfactory documentation to its lenders that its debt leverage ratio for any LTM period complies with the following debt covenant levels for the five quarters beginning on June 30, 2011: 5.00, 5.00, 4.50, 3.50 and 3.50, and provided more than 50% of the outstanding amount of non-Gores Senior Notes (i.e., Senior Notes held by the non-Gores holders) shall have been repaid as of such date, then the 5% leverage fee would be eliminated on a prospective basis. The foregoing levels represent the same covenant levels set forth in the Second Amendment to the Securities Purchase Agreement entered into on March 30, 2010, except that the debt covenant level for June 30, 2011 was 5.50 in the Second Amendment. As part of the waiver and fourth amendment, the Company agreed it would need to comply with a 5.00 covenant level on June 30, 2011, on an LTM basis, for the 5% leverage fee to be eliminated.

Loans under our existing Credit Agreement (which govern the Senior Credit Facility) bear interest at our option at either LIBOR plus 4.5% per annum (with a LIBOR floor of 2.5%) or a base rate plus 4.5% per annum (with a base rate floor of the greater of 3.75% and the one-month LIBOR rate).

Both the Securities Purchase Agreement (governing the Senior Notes) and Credit Agreement (governing the Senior Credit Facility) contain restrictive covenants that, among other things, limit our ability to incur debt, incur liens, make investments, make capital expenditures, consummate acquisitions, pay dividends, sell assets and enter into mergers and similar transactions beyond specified baskets and identified carve-outs. Additionally, we may not exceed the maximum senior leverage ratio (the principal amount outstanding under the Senior Notes over our Adjusted EBITDA) referred to in this report as our debt leverage covenant. The Securities Purchase Agreement contains customary representations and warranties and affirmative covenants. The Credit Agreement contains substantially identical restrictive covenants (including a maximum senior leverage ratio calculated in the same manner as with the Securities Purchase Agreement), affirmative covenants and representations and warranties like those found in the Securities Purchase Agreement, modified, in the case of certain covenants, for a cushion on basket amounts and covenant levels from those contained in the Securities Purchase Agreement.

Since the time of our Refinancing, we have entered into four amendments to our debt agreements with our lenders (on October 14, 2009, March 30, 2010, August 17, 2010 and most recently, April 12, 2011). In each case, our underperformance against our financial projections caused us to reduce our forecasted results. With the exception of our revised projections at the time of our October 2009 amendment and at the time of our April 2011 amendment (where we requested and received a waiver of our debt leverage covenants to be measured on December 31, 2009 and March 31, 2011, respectively, on a trailing four-quarter basis), our projections have indicated that we would attain sufficient Adjusted EBITDA to comply with the debt leverage covenants then in place. Notwithstanding this, in both of the 2010 amendments, management did not believe there was sufficient cushion in our projections of Adjusted EBITDA to predict with any certainty that we would satisfy such covenants given the unpredictability in the economy and our business. Additionally, given our constrained liquidity on June 30, 2010 and our revised projections in place at such time, management believed it was prudent to renegotiate amendments to our debt agreements to enhance our available liquidity in addition to modifying our debt leverage covenants. These negotiations resulted in the August 17, 2010 amendment in which Gores agreed to purchase an additional $15,000 of common stock. As a result thereof, 769,231 shares were issued to Gores on September 7, 2010 for approximately $5,000 and 1,186,240 shares were issued to Gores on February 28, 2011 for approximately $10,000. Because the $10,000 investment by Gores was to be made based on a trailing 30-day weighted average of our common stock s closing share price for the 30 consecutive days ending on the tenth day immediately preceding the date of the stock purchase, and additionally included a collar (e.g., a $4.00 per share minimum and a $9.00 per share maximum price), the Gores $10,000 equity commitment was deemed to contain embedded features having the characteristics of a derivative to be settled in our common stock. Accordingly, pursuant to authoritative guidance, we determined the fair value of this derivative by applying the Black-Scholes model using the Monte Carlo simulation to estimate the price of our common stock on the derivative s expiration date and estimated the expected volatility of the derivative by using the aforementioned trailing 30-day weighted average. On August 17, 2010, we recorded an asset of $442 related to the aforementioned $10,000 Gores equity commitment. On December 31, 2010, the fair market value of such Gores equity commitment was a liability of $1,096 resulting in other expense of $1,538 for the year ended December 31, 2010. The derivative expired on February 28, 2011, the date Gores satisfied the $10,000 Gores equity commitment by purchasing 1,186,240 shares of common stock at a per share price of $8.43, calculated in accordance with the trailing 30-day weighted average of our common stock s closing price as described above. We accrued additional fees of $2,433 related to amending our credit agreements in the year ended December 31, 2010 recorded as interest expense.

As a result of the most recent amendments to our principal debt agreement, the waiver and fourth amendment to the Securities Purchase Agreement entered into on April 12, 2011, our previously existing maximum senior leverage ratios (expressed as the principal amount of Senior Notes over our Adjusted EBITDA (as defined in our lender agreements) measured on a trailing, four-quarter basis) of 11.25, 11.0 and 10.0 times for the first three quarters of 2011 were replaced by a covenant waiver for the first quarter of 2011 and minimum LTM EBITDA thresholds of $4,000 and $7,000 respectively, for the second and third quarters of 2011. Debt leverage covenants for the last quarter of 2011 and the first two quarters in 2012 (the Senior Notes mature on July 15, 2012) remain unchanged. The quarterly debt leverage covenants that appear in the Credit Agreement (governing the Senior Credit Facility) were also amended to reflect a change to minimum LTM EBITDA thresholds and maintain the additional 15% cushion that exists between the debt leverage covenants applicable to the Senior Credit Facility and the corresponding covenants applicable to the Senior Notes. By way of example, the minimum LTM EBITDA thresholds of $4,000 and $7,000 for the second and third quarters of 2011 in the Securities Purchase Agreement (applicable to the Senior Notes) are $3,400 and $5,950, respectively, in the Credit Agreement (governing the Senior Credit Facility). The Senior Notes held by Gores were also subordinated to the Senior Notes held by non-Gores holders, effective October 1, 2011, a 5% leverage fee will be imposed and we agreed to report the status of any M&A discussions/activity on a bi-weekly basis. As noted above, if at any time, we provide satisfactory documentation to our lenders that our debt leverage ratio for any LTM period complies with the following debt covenant levels for the five quarters beginning on June 30, 2011: 5.00, 5.00, 4.50, 3.50 and 3.50, and provided more than 50% of the outstanding amount of non-Gores Senior Notes (i.e., Senior Notes held by the non-Gores holders) shall have been repaid as of such date, then the 5% leverage fee would be eliminated on a prospective basis.

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On March 31, 2010, June 4, 2010 and November 30, 2010, we repaid $3,500, $12,000 and $532, respectively, of the Senior Notes in accordance with the agreements related to our debt covenants.

Adjusted EBITDA for the nine months ended September 30, 2010 was $11,269. Under the terms of our Senior Notes, in order to have satisfied our 11.25 to 1.00 covenant for the twelve month period ended December 31, 2010, we had to realize Adjusted EBITDA (loss) for the three months ended December 31, 2010 of no more than $(1,346). For the three months ended December 31, 2010 our Adjusted EBITDA was $869, which was $2,215 in excess of the required Adjusted EBITDA. As a point of reference, our Adjusted EBITDA for the three months ended December 31, 2009 was $6,089.

We have obtained from our lenders a debt covenant waiver for the first quarter of 2011 and accordingly, there is no minimum LTM EBITDA threshold or debt covenant level that we must satisfy for this period.

In order to satisfy our minimum LTM EBITDA threshold of $4,000 for the twelve month period ending June 30, 2011, we must realize a minimum Adjusted EBITDA loss of $(1,359) for the six months ended June 30, 2011. This compares to our Adjusted EBITDA for the six months ended June 30, 2010 of $6,779. Adjusted EBITDA for the six months ended December 31, 2010 was $5,359.

In order to satisfy our minimum LTM EBITDA threshold of $7,000 for the twelve month period ending September 30, 2011, we must realize a minimum Adjusted EBITDA of $6,131 for the nine months ended September 30, 2011. This compares to our Adjusted EBITDA for the nine months ended September 30, 2010 of $11,269. Adjusted EBITDA for the three months ended December 31, 2010 was $869.

In order to satisfy our 9.00 to 1.00 covenant for the twelve month period ending December 31, 2011, we must realize a minimum Adjusted EBITDA of $13,035 for the twelve months ended December 31, 2011. This compares to our Adjusted EBITDA for the twelve months ended December 31, 2010 of $12,138.

Our minimum LTM EBITDA thresholds (for the second and third quarter of 2011) and our maximum senior leverage ratios for the last quarter of 2011 and first two quarters of 2012 (each referred to herein as our debt leverage covenant), defined as the principal amount of Senior Notes over our Adjusted EBITDA (defined below), are measured on a trailing, four-quarter basis. The covenants are the same under our Securities Purchase Agreement, governing the Senior Notes, and our Senior Credit Facility, governing the Senior Credit Facility, except that they have different maximum levels. We have presented the more restrictive of the two levels below.

Quarter Ending	**Maximum Senior Leverage Ratio Covenant / Minimum LTM EBITDA Thresholds**	**Principal Amount of Senior Notes Estimated Outstanding (Includes PIK) ***	**Required Last Twelve Months (LTM) Minimum Adjusted EBITDA**
12/31/2010	11.25 to 1.0	111,629	9,923
3/31/2011	Waived	113,024	Waived
6/30/2011	4,000**	114,437	4,000
9/30/2011	7,000**	115,868	7,000
12/31/2011	9.00 to 1.0	117,316	13,035
3/31/2012	8.00 to 1.0	118,801	14,850
6/30/2012	7.50 to 1.0	120,322	16,043

* The above table reflects PIK of 5% through September 30, 2011 and PIK a debt leverage fee equal to 5% that becomes payable beginning October 1, 2011 (assuming no paydown of more than 50% of the principal amount of the non-Gores Senior Notes and compliance with certain covenants as described above) in connection with the waiver and fourth amendment to the debt agreements.

** The April 12, 2011 waiver and fourth amendment set forth minimum LTM EBITDA thresholds of $4,000 and $7,000 for the second and third quarters of 2011 to replace Maximum Senior Leverage Ratio Covenant / Minimum LTM EBITDA Thresholds

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Adjusted EBITDA has the same definition in both of our borrowing agreements and means Consolidated Net Income adjusted for the following: (1) minus any net gain or plus any loss arising from the sale or other disposition of capital assets; (2) plus any provision for taxes based on income or profits; (3) plus consolidated net interest expense; (4) plus depreciation, amortization and other non-cash losses, charges or expenses (including impairment of intangible assets and goodwill); (5) minus any extraordinary, unusual, special or non-recurring earnings or gains or plus extraordinary, unusual, special or non-recurring losses, charges or expenses; (6) plus restructuring expense charges; (7) plus non-cash compensation recorded from grants of stock appreciation or similar rights, stock options, restricted stock or other rights; (8) plus any Permitted Glendon/Affiliate Payments (as described below); (9) plus any Transaction Costs (as described below); (10) minus any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person; and (11) minus any other non-cash items increasing such Consolidated Net Income (including, without limitation, any write-up of assets); in each case to the extent taken into account in the determination of such Consolidated Net Income, and determined without duplication and on a consolidated basis in accordance with GAAP.

Permitted Glendon/Affiliate Payments means payments made at our discretion to Gores and its affiliates including Glendon Partners for consulting services provided to Westwood One and Transaction Costs refers to the fees, costs and expenses incurred by us in connection with the Refinancing.

Adjusted EBITDA, as we calculate it, may not be comparable to similarly titled measures employed by other companies. While Adjusted EBITDA does not necessarily represent funds available for discretionary use, and is not necessarily a measure of our ability to fund our cash needs, we use Adjusted EBITDA as defined in our lender agreements as a liquidity measure, which is different from operating cash flow, the most directly comparable financial measure calculated and presented in accordance with GAAP. We have provided below the requisite reconciliation of operating cash flow to Adjusted EBITDA.

Adjusted EBITDA for the years ended December 31, 2010, 2009 and 2008 is as follows:

	Twelve Months Ended December 31,		
Adjusted EBITDA	**2010**	**2009**	**2008**
Net cash provided by (used in) operating activities	$ 8,136	$ (24,919)	$ 2,038
Interest expense	23,251	18,003	16,651
Income taxes benefit	(15,721)	(32,660)	(14,760)
Deferred taxes	17,458	31,911	13,907
Federal tax refund	(12,940)		
Special charges and other (1)	8,413	20,025	16,517
Restructuring	2,899	7,952	14,100
Paid-in-kind interest	(5,734)	(4,427)	
Change in assets and liabilities	(14,333)	(2,778)	(6,376)
Other non-operating income	1,688	(363)	(998)
Change in fair value of derivative liability	(1,538)		
Sigalert earn-out (2)	1,063		
Traffic land write-down	(321)	(1,852)	
Amortization of deferred financing costs	(23)	(331)	(1,674)
Losses (gains) on sales of securities	98	2	(1)
Loss on disposal of property and equipment	(258)	(190)	(206)
Adjusted EBITDA	$ 12,138	$ 10,373	$ 39,198

(1) Special charges and other includes expense of $918, $1,652 and $3,272 are classified as general and administrative expense on the Statement of Operations for the years ended December 31, 2010, 2009 and 2008,

respectively.

(2) Sigalert earn-out refers to additional earn-outs to members of Jaytu under the acquisition agreements in connection with the delivery and acceptance of certain traffic products in accordance with specifications mutually agreed upon by the parties.

We did not pay dividends to our stockholders during 2010, 2009 or 2008. In May 2007, our Board elected to discontinue the payment of a dividend on our common stock. The payment of dividends on our common stock is prohibited by the terms of our Senior Notes and Senior Credit Facility. There are no plans to declare dividends on our common stock for the foreseeable future. Additionally, our Senior Credit Facility and Senior Notes contain covenants that restrict our ability to repurchase shares of our common stock.

Goodwill

The estimates and assumptions used in our impairment analysis vary between our reporting units depending on the facts and circumstances specific to each unit. We believe that the estimates and assumptions we made are reasonable, but they are susceptible to change from period to period. Actual results of operations, cash flows and other factors will likely differ from the estimates used in our valuation, and it is possible that differences and changes could be material. A deterioration in profitability, adverse market conditions and a slower or weaker economic recovery than currently estimated by management could have a significant impact on the estimated fair value of our reporting units and could result in an impairment charge in the future.

On April 1, 2011 we filed a notice of late filing on Form 12b-25 with the SEC, which estimated an impairment charge between $15,000 and $25,000 as of December 31, 2010. Subsequent to such filing we finalized our conclusion on the appropriate discount rate to be incorporated into our impairment model and concluded that we did not have an impairment as of December 31, 2010.

We have performed a sensitivity analysis to detail the impact that changes in assumptions may have on the outcome of the impairment test. Our sensitivity analysis provides a range of potential impairment for each reporting unit, where the starting point of the range is our selected discount rate for the 2010 annual impairment test and increases the discount rate in increments of 1.0% until the rate of 15.5,%, which was the discount rate used in our 2009 annual impairment test.

The following table reflects our sensitivity analysis.

	Network Radio	Metro Traffic	Total
Discount rate			
10.0%	$	$	$
11.0%			
12.0%		1,292	1,292
13.0%		8,193	8,193
14.0%	1,932	13,821	15,753
15.5%	8,211	20,466	28,677

Pro Forma Information 2009 and 2008

The following unaudited pro forma condensed financial information has been prepared to give effect to the Refinancing, as if the Refinancing had been completed on the first day of the earliest period presented. As a result of the Refinancing, a change in control occurred, which required us to account for the change of control with a revaluation of our balance sheet to a fair-value basis from a historical cost basis.

The actual results reported in periods following the Refinancing may differ significantly from those reflected in these pro forma financial statements for a number of reasons, including, but not limited to, differences between the assumptions used to prepare these pro forma financial statements and actual amounts. In addition, no adjustments have been made for non-recurring items related to the Refinancing. As a result, this pro forma information does not purport to be indicative of what the financial condition or results of operations would have been had the Refinancing been completed on the first day of the earliest period presented. These pro forma financial statements are based upon historical financial statements and do not purport to project the future financial condition and results of operations after giving affect to the Refinancing.

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The pro forma adjustments described below have been developed based on assumptions and adjustments, including assumptions relating to the purchase price and the allocation thereof to the assets acquired and liabilities assumed based on preliminary estimates of fair value.

The following unaudited pro forma condensed financial information for the twelve months ended December 31, 2009 and 2008 should be read in conjunction with, and is qualified by reference to, our consolidated income statements for the period from April 24, 2009 to December 31, 2009, the period from January 1, 2009 to April 23, 2009 and the year ended December 31, 2008.

	Pro Forma For the Twelve Months Ended December 31, 2009			
	For the Period April 24 to December 31, 2009	For the Period January 1 to April 23, 2009	Pro Forma Adjustments	Pro Forma
Revenue	$ 228,860	$ 111,474	$	$ 340,334
Operating costs	210,805	111,309		322,114
Depreciation and amortization	21,474	2,584	(4,909)(A)	19,149
Corporate general and administrative expenses	10,398	4,519		14,917
Goodwill impairment	50,501			50,501
Restructuring charges	3,976	3,976		7,952
Special charges	5,554	12,819		18,373
Total Expenses	302,708	135,207	(4,909)	433,006
Operating (loss) income	(73,848)	(23,733)	4,909	(92,672)
Interest expense	14,781	3,222	2,401(B)	20,404
Other expense (income)	(4)	(359)		(363)
Loss before income tax	(88,625)	(26,596)	2,508	(112,713)
Income tax benefit	(25,025)	(7,635)	711(C)	(31,949)
Net loss	$ (63,600)	$ (18,961)	$ 1,797	$ (80,764)

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	Pro Forma For the Twelve Months Ended December 31, 2008		
	Historical	Pro Forma Adjustments	Pro Forma
Revenue	$ 404,416	$	$ 404,416
Operating costs	357,927		357,927
Depreciation and amortization	11,052	17,399(A)	28,451
Corporate general and administrative expenses	16,007		16,007
Goodwill impairment	430,126		430,126
Restructuring charges	14,100		14,100
Special charges	13,245		13,245
Total Expenses	842,457	17,399	859,856
Operating loss	(438,041)	(17,399)	(455,440)
Interest expense	16,651	1,717(B)	18,368
Other expense (income)	(12,369)		(12,369)
Loss before income tax	(442,323)	(19,116)	(461,439)
Income tax benefit	(14,760)	(5,706)(C)	(20,466)
Net loss	$ (427,563)	$ (13,410)	$ (440,973)

Notes to the Unaudited Pro Forma Adjustments

The Unaudited Pro Forma Statements of Operations for the years ended December 31, 2008 and 2009 reflect the Refinancing and the resultant acquisition accounting and gives effect to these events as if each had occurred on January 1, 2008:

Note A - In accordance with authoritative guidance, which is applicable to the Refinancing and the change of control, we have revalued our goodwill and intangibles using our best estimate of current fair value. The value assigned to goodwill and indefinite lived intangible assets is not amortized to expense and the majority is not expected to be tax deductible. Our client contracts are typically exclusive agreements with our partners and/or talent to provide programming and content over a specified period of time. The values assigned to definite lived assets are amortized over their estimated useful life.

Also, in accordance with authoritative guidance, we have identified property and equipment which we valued using our best estimate of current fair value. Accordingly, an asset for property and equipment of $6,750 has been recorded to reflect the estimated fair value of the property and equipment and such amount is being depreciated to expense over the remaining lives of the assets.

Similarly, in accordance with authoritative guidance, we have identified leases and client contracts which we valued below market. Accordingly, a liability of $3,460 has been recorded to reflect the estimated fair value of the leases and client contracts and such amount is being taken to income over the remaining life of the contract.

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The following table summarizes the pro forma charges for amortization and depreciation expense for the twelve months ended December 31, 2009 and 2008.

Pro Forma Changes for Long Lived Assets For the Twelve Months ended December 31, 2009

Intangibles	Estimated life	Opening Balance	Amortization	Ending Balance
Trademarks	Indefinite	$ 20,800	$	$ 20,800
Affiliate relationships	10 years	64,890	7,210	57,680
Software and technology	5 years	4,480	1,120	3,360
Client contracts	5 years	6,946	1,984	4,962
Leases	7 years	840	140	700
Insertion orders	9 months			
Subtotal Intangible Assets		97,956	10,454	87,502
Property and equipment	Various lives	6,220	366	5,854
Subtotal Assets		104,176	10,820	93,356
Client Contracts	1.5 years	(470)	(470)	
Leases	7 years	(1,757)	(293)	(1,464)
Subtotal Liabilities		(2,227)	(763)	(1,464)
Net Total			10,057	
Amortization expense			14,966	
			$ (4,909)	

Pro Forma Changes for Long Lived Assets For the Twelve Months ended December 31, 2008

Intangibles	Estimated life	Opening Balance	Amortization	Ending Balance
Trademarks	Indefinite	$ 20,800	$	$ 20,800
Affiliate relationships	10 years	72,100	7,210	64,890
Software and technology	5 years	5,600	1,120	4,480
Client contracts	5 years	8,930	1,984	6,946
Leases	7 years	980	140	840
Insertion orders		8,400	8,400	

	9 months			
Subtotal Intangible Assets		116,810	18,854	97,956
Property and equipment	Various lives	6,750	530	6,220
Subtotal Assets		123,560	19,384	104,176
Client contracts	1.5 years	(1,410)	(940)	(470)
Leases	7 years	(2,050)	(293)	(1,757)
Subtotal Liabilities		(3,460)	(1,233)	(2,227)
Net Total			18,151	
Amortization expense			752	

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Research and development expense

1.3

1.2

2.5

2.2

Total stock-based compensation expense

$

6.5

$

6.9

$

13.4

$

12.7

At June 30, 2007, the total remaining compensation cost related to unvested stock options, restricted stock units and employee stock purchase subscription awards amounted to $56.4 million and will be amortized on a straight-line basis over a weighted average vesting period of approximately 34 months.

During the six months ended June 30, 2007, the Company granted 1.0 million stock options at a weighted average exercise price of $49.03 and 0.3 million shares of restricted stock units at a weighted average grant-date fair value of $49.28.

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Fair Value Disclosures

The Black-Scholes option pricing model was used with the following weighted average assumptions for options granted during the following periods:

Option Awards

	Three Months Ended June 30, 2007		2006		Six Months Ended June 30, 2007		2006	
Risk-free interest rate	4.6	%	5.0	%	4.6	%	5.0	%
Expected dividend yield	None		None		None		None	
Expected volatility	18.5	%	22.6	%	18.8	%	22.6	%
Expected term (years)	4.9		4.8		4.9		4.8	
Fair value, per share	$ 12.94		$ 13.12		$ 13.07		$ 13.08	

The Black-Scholes option pricing model was used with the following weighted average assumptions for employee stock purchase plan (ESPP) subscriptions granted during the following periods:

ESPP

	Three Months Ended June 30, 2007		2006		Six Months Ended June 30, 2007		2006	
Risk-free interest rate	5.0	%	4.7	%	5.0	%	4.7	%
Expected dividend yield	None		None		None		None	
Expected volatility	35.8	%	30.8	%	35.0	%	30.6	%
Expected term (years)	0.3		0.8		0.3		0.8	
Fair value, per share	$ 11.43		$ 10.33		$ 11.31		$ 10.39	

8. COMMITMENTS AND CONTINGENCIES

On May 9, 2007, Edwards Lifesciences filed a lawsuit against CoreValve, Inc. (CoreValve), alleging that CoreValve s ReValving System infringes on a European patent exclusively licensed to the Company. The lawsuit was filed in the District Patent Court in Dusseldorf, Germany, seeking injunctive and declaratory relief. On May 11, 2007, and June 20, 2007, respectively, CoreValve filed lawsuits in London, United Kingdom, and Munich, Germany, against the three inventor-owners of this patent alleging that the patent is invalid.

On August 18, 2003, Edwards Lifesciences filed a lawsuit against Medtronic, Inc. and its affiliate, Medtronic Vascular, Inc. (collectively, Medtronic), Cook, Inc. and W.L. Gore & Associates alleging infringement of a patent exclusively licensed to the Company. The lawsuit was filed in the United States District Court for the Northern District of California, seeking monetary damages and injunctive relief. On September 2, 2003, a second patent exclusively licensed to the Company was added to the lawsuit. As announced on January 23, 2006, Edwards Lifesciences settled this litigation with Medtronic. In exchange for a cash payment of $37.5 million from Medtronic to Edwards Lifesciences and Australian-based Endogad Research Pty., Ltd. (the company formed by the clinician-inventors of the patents), Medtronic was granted nonexclusive licenses to the patents involved in the litigation, as well as to certain other related patents. The Company recorded a gain of $20.2 million in January 2006, which consists of the $37.5 million cash, offset by the settlement paid to Endogad, capitalized patent enforcement costs of $2.9 million and current legal fees. Edwards Lifesciences remains in litigation with Cook, Inc. and W.L. Gore & Associates, each of which has answered and asserted various affirmative defenses and counterclaims.

In addition, Edwards Lifesciences is or may be a party to, or may be otherwise responsible for, pending or threatened lawsuits related primarily to products and services currently or formerly manufactured or performed, as applicable, by Edwards Lifesciences. Such cases and claims raise difficult and complex factual and legal issues and are subject to many uncertainties and complexities, including, but not limited to, the facts and circumstances of each particular case or claim, the jurisdiction in which each suit is brought, and differences in applicable law. Upon resolution of any such legal matter or other claims, Edwards Lifesciences may incur charges in excess of established reserves. While any such charge could have a material adverse impact on Edwards Lifesciences net income or cash flows in the period in which it is recorded or paid, management does not believe that any such charge relating to any currently pending lawsuit would have a material adverse effect on Edwards Lifesciences financial position, results of operations or liquidity.

Edwards Lifesciences is also subject to various environmental laws and regulations both within and outside of the United States. The operations of Edwards Lifesciences, like those of other medical device companies, involve the use of substances regulated under environmental laws, primarily in manufacturing and sterilization processes. While it is difficult to quantify the potential impact of compliance with environmental protection laws, management believes that such compliance will not have a material impact on Edwards Lifesciences financial position, results of operations or liquidity.

9. COMPREHENSIVE INCOME

Reconciliation of net income to comprehensive income is as follows (in millions):

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2007	**2006**	**2007**	**2006**
Net income	$ 34.9	$ 36.1	$ 68.1	$ 82.0
Other comprehensive income:				
Currency translation adjustments, net of tax	2.8	1.9	5.4	4.3
Unrealized net gain on investments in unconsolidated affiliates, net of tax	1.4	0.9	1.6	4.1
Unrealized net gain (loss) on cash flow hedges, net of tax	0.7	(3.7)	(0.1)	(6.6)
Comprehensive income	$ 39.8	$ 35.2	$ 75.0	$ 83.8

10. EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income by the weighted average common shares outstanding during a period. SFAS No. 128, *Earnings per Share*, requires that employee equity share options, nonvested shares and similar equity instruments granted by the Company are treated as potential common shares in computing diluted earnings per share. Diluted shares outstanding include the dilutive effect of the conversion of contingently convertible senior debentures, restricted stock units and in-the-money options. The dilutive impact of the restricted stock units and in-the-money options is calculated based on the average share price for each fiscal period using the treasury stock method. Under the treasury stock method, the amount that the employee must pay for exercising stock options, the amount of compensation expense for future service that the Company has not yet recognized, and the amount of tax benefits that would be recorded in additional paid-in capital when the award becomes deductible are assumed to be used to repurchase shares. Potential common share equivalents have been excluded where their inclusion would be anti-dilutive.

The table below presents the computation of basic and diluted earnings per share (in millions, except per share information):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
Basic:				
Net income	$ 34.9	$ 36.1	$ 68.1	$ 82.0
Weighted average shares outstanding	57.5	58.8	57.7	59.0
Basic earnings per share	$ 0.61	$ 0.61	$ 1.18	$ 1.39
Assuming dilution:				
Net income	$ 34.9	$ 36.1	$ 68.1	$ 82.0
Interest expense related to contingently convertible debt, net of tax	1.0	1.0	2.0	2.0
Net income applicable to diluted shares	$ 35.9	$ 37.1	$ 70.1	$ 84.0
Weighted average shares outstanding	57.5	58.8	57.7	59.0
Dilutive effect of contingently convertible debt	2.7	2.7	2.7	2.7
Dilutive effect of stock plans	2.8	2.7	2.8	2.7
Dilutive weighted average shares outstanding	63.0	64.2	63.2	64.4
Diluted earnings per share	$ 0.57	$ 0.58	$ 1.11	$ 1.30

Stock options and restricted stock units to purchase approximately 2.2 million and 2.7 million shares for the three months ended June 30, 2007 and 2006, respectively, and 2.4 million and 2.2 million for the six months ended June 30, 2007 and 2006, respectively, were outstanding, but were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive.

11. INCOME TAXES

Beginning in 2002 through 2005, the Company recorded other-than-temporary impairments and unrealized losses related to certain of its investments in unconsolidated affiliates. The tax benefits that result from reductions in the value of these investments are subject to the Company realizing sufficient capital gains with which to offset these capital losses. Due to the uncertainty of the Company realizing future capital gains, the Company has consistently recorded valuation allowances against these deferred tax assets as they have accumulated. During the second quarter of 2006, the Company realized a capital gain related to a sale of a non-strategic pharmaceutical product line (see Note 2). This capital gain allowed the Company to utilize a portion of the accumulated losses related to the reduced values of certain investments in unconsolidated affiliates. As a result, valuation allowances of $3.7 million were reversed, reducing income tax expense during the three months ended June 30, 2006.

12. SEGMENT INFORMATION

Edwards Lifesciences conducts operations worldwide and is managed in four geographical regions: North America, Europe, Japan and Intercontinental. The North America region includes the United States, Canada and Puerto Rico. The Intercontinental region covers primarily Latin America, Asia and the rest of the world (excluding North America, Europe and Japan). All regions sell products that are used to treat advanced cardiovascular disease.

The Company evaluates the performance of its segments based on net sales and income before provision for income taxes (pre-tax income). The accounting policies of the segments are substantially the same as those described in Note 2, Summary of Significant Accounting Policies, in the Company s

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Annual Report on Form 10-K for the year ended December 31, 2006. Net sales and pre-tax income of reportable segments are based on internally derived standard foreign exchange rates, which may differ from year to year, and do not include inter-segment profits. Because of the interdependence of the reportable segments, the operating profit as presented may not be representative of the geographical distribution that would occur if the segments were not interdependent.

Certain items are maintained at the corporate level and are not allocated to the segments. The non-allocated items include most of the Company s amortization expense, net interest expense, global marketing expenses, corporate research and development expenses, United States manufacturing variances, corporate headquarters costs, in-process research and development, special charges (gains), stock-based compensation, foreign currency and interest rate hedging activities and certain litigation costs. Although most of the Company s depreciation expense is included in segment pre-tax income, due to the Company s methodology for cost build-up it is impractical to determine the amount of depreciation expense included in each segment. The Company neither discretely allocates assets to its operating segments, nor evaluates the operating segments using discrete asset information.

The table below presents information about Edwards Lifesciences reportable segments (in millions):

	Three Months Ended June 30, 2007	2006	Six Months Ended June 30, 2007	2006
Net Sales				
North America	$ 125.8	$ 128.0	$ 255.2	$ 254.1
Europe	60.4	57.4	118.5	112.8
Japan	45.9	44.6	88.0	88.9
Intercontinental	22.4	26.1	42.5	48.9
Total segment net sales	$ 254.5	$ 256.1	$ 504.2	$ 504.7
Pre-Tax Income				
North America	$ 66.7	$ 68.9	$ 137.4	$ 137.1
Europe	16.4	14.4	31.6	28.6
Japan	18.0	16.5	33.0	33.6
Intercontinental	4.5	4.9	6.7	6.2
Total segment pre-tax income	$ 105.6	$ 104.7	$ 208.7	$ 205.5

The table below presents reconciliations of segment net sales to consolidated net sales and segment pre-tax income to consolidated pre-tax income (in millions):

	Three Months Ended June 30, 2007	2006	Six Months Ended June 30, 2007	2006
Net Sales Reconciliation				
Segment net sales	$ 254.5	$ 256.1	$ 504.2	$ 504.7
Foreign currency	18.1	11.2	32.5	19.3
Consolidated net sales	$ 272.6	$ 267.3	$ 536.7	$ 524.0
Pre-Tax Income Reconciliation				
Segment pre-tax income	$ 105.6	$ 104.7	$ 208.7	$ 205.5
Unallocated amounts:				
Corporate items	(64.6)	(67.3)	(127.9)	(130.9)
Special gains, net		0.7		24.5
Interest expense, net	(0.4)	(0.6)	(0.6)	(1.5)
Foreign currency	6.2	8.0	11.2	14.3
Consolidated pre-tax income	$ 46.8	$ 45.5	$ 91.4	$ 111.9

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Enterprise-Wide Information

Enterprise-wide information is based on foreign exchange rates used in the Company s consolidated financial statements.

	Three Months Ended June 30, 2007 (in millions)	2006	Six Months Ended June 30, 2007	2006
Net Sales by Geographic Area				
United States	$ 120.5	$ 122.6	$ 244.6	$ 243.7
Other countries	152.1	144.7	292.1	280.3
	$ 272.6	$ 267.3	$ 536.7	$ 524.0
Net Sales by Major Product and Service Area				
Heart Valve Therapy	$ 131.3	$ 127.8	$ 260.8	$ 252.9
Critical Care	97.4	89.6	188.3	170.7
Cardiac Surgery Systems	15.2	24.3	32.0	47.6
Vascular	22.3	19.1	42.5	37.3
Other Distributed Products	6.4	6.5	13.1	15.5
	$ 272.6	$ 267.3	$ 536.7	$ 524.0

	June 30, 2007 (in millions)	December 31, 2006
Long-Lived Tangible Assets by Geographic Area		
United States	$ 195.0	$ 186.0
Other countries	65.6	60.9
	$ 260.6	$ 246.9

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

This report contains 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. The Company intends the forward-looking statements contained in this report to be covered by the safe harbor provisions of such Acts. All statements other than statements of historical fact in this report or referred to or incorporated by reference into this report are forward-looking statements for purposes of these sections. These statements include, among other things, any predictions of earnings, revenues, expenses or other financial items, any statements of plans, strategies and objectives of management for future operations, any statements concerning the Company s future operations, financial conditions and prospects, and any statement of assumptions underlying any of the foregoing. These statements can sometimes be identified by the use of the forward-looking words such as may, believe, will, expect, project, estimate, should, anticipate, plan, continue, seek, pro forma, forecast, or intend or other similar words or expressions of the negative thereof. Investors are cautioned not to unduly rely on such forward-looking statements. These forward-looking statements are subject to substantial risks and uncertainties that could cause the Company s future business, financial condition, results of operations, or performance to differ materially from the Company s historical results or those expressed in any forward-looking statements contained in this report. Investors should carefully review the information contained in, or incorporated by reference into, the Company s annual report on Form 10-K for the year ended December 31, 2006 for a description of certain of these risks and uncertainties.

Overview

Edwards Lifesciences is a global provider of technologies that are designed to treat advanced cardiovascular disease. Edwards Lifesciences focuses on providing products and technologies to address specific cardiovascular conditions including heart valve disease, critical care technologies and peripheral vascular disease.

The products and services provided by Edwards Lifesciences to treat cardiovascular disease are categorized into five main areas: Heart Valve Therapy, Critical Care, Cardiac Surgery Systems, Vascular and Other Distributed Products.

Edwards Lifesciences **Heart Valve Therapy** portfolio is comprised of tissue heart valves and heart valve repair products. A pioneer in the development and commercialization of heart valve products, Edwards Lifesciences is the world s leading manufacturer of tissue heart valves and repair products used to replace or repair a patient s diseased or defective heart valve. In the **Critical Care** area, Edwards Lifesciences is a world leader in hemodynamic monitoring systems used to measure a patient s heart function and in disposable pressure transducers, and also provides central venous access products for fluid and drug delivery. The Company s **Cardiac Surgery Systems** portfolio comprises a diverse line of products for use during cardiac surgery including cannula, *EMBOL-X* technologies and other disposable products used during cardiopulmonary bypass procedures (in March 2007 the Company sold the distribution rights to its transmyocardial revascularization (TMR) products). Edwards Lifesciences **Vascular** portfolio includes a line of balloon catheter-based products, surgical clips and inserts, artificial implantable grafts, and stents used in the treatment of peripheral vascular disease. Lastly, **Other Distributed Products** include sales of intra-aortic balloon pumps and other products sold primarily through the Company s distribution network in Japan.

The healthcare marketplace continues to be competitive with strong global and local competitors. The Company competes with many companies, ranging from small start-up enterprises to companies that are larger and more established than Edwards Lifesciences with access to significant financial resources. Furthermore, rapid product development and technological change characterize the market in which the Company competes. Global demand for healthcare is increasing as the population ages. There is mounting pressure to contain healthcare costs in the face of this increasing demand, which has resulted in pricing and market share pressures. The cardiovascular segment of the medical device industry is dynamic and currently undergoing significant change due to cost-of-care considerations, regulatory reform, industry and customer consolidation and evolving patient needs. Management expects these trends to continue.

As previously discussed in the Company s annual report on Form 10-K, the Company in February 2007 received a Warning Letter resulting from a United States Food and Drug Administration (the FDA) inspection of the Irvine facility that concluded in August of 2006. The Warning Letter related specifically to elements of the Company s quality systems, including complaint handling, documentation and quality systems training. The Company submitted a written response to the FDA in March 2007. As announced on April 23, 2007, the FDA has notified the Company that its response to the Warning Letter has adequately addressed the FDA s concerns. As a result, the FDA will not defer approval of pending pre-market submissions or export certificates for products manufactured at the Company s Irvine, California, facility.

Recently Adopted Accounting Standards

On January 1, 2007, the Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48). Differences between the amounts reported as a result of adoption have been accounted for as a cumulative effect adjustment to the January 1, 2007 retained earnings balance.

The cumulative effect of adopting FIN 48 was a $1.7 million decrease in tax reserves and increase in the January 1, 2007 retained earnings balance. As of the adoption date of January 1, 2007, the liability for income taxes associated with uncertain tax positions was $24.6 million which is included in Other Long-Term Liabilities. This liability can be reduced by $3.4 million of offsetting tax benefits associated with the correlative effects of potential transfer pricing adjustments, state income taxes and timing adjustments. The net amount of $21.2 million, if recognized, would favorably affect the Company s effective tax rate.

As of June 30, 2007, the liability for income taxes associated with uncertain tax positions was $33.7 million. This liability can be reduced by $8.9 million of offsetting tax benefits associated with the correlative effects of potential transfer pricing adjustments, state income taxes and timing adjustments. The net amount of $24.7 million, if recognized, would favorably affect the Company s effective tax rate.

The Company recognizes interest and penalties, if any, related to uncertain tax positions in the provision for income taxes. At adoption, the Company had accrued $1.1 million (net of tax benefits) of interest related to uncertain tax positions and as of June 30, 2007, the Company had accrued $2.1 million (net of tax benefits) of interest related to uncertain tax positions.

During the fourth quarter ended December 31, 2006, the Company settled several of its ongoing tax examinations in various jurisdictions. The Company strives to resolve open matters with each tax authority at the examination level and could reach agreement with a tax authority at any time. While the Company has accrued for amounts it believes are the expected outcomes, the final outcome with a tax authority may result in a tax liability that is more or less than that reflected in the financial statements. Furthermore, the Company may later decide to challenge any assessments, if made, and may exercise its right to appeal. The unrecognized tax positions are reviewed quarterly and adjusted as events occur that affect potential liabilities for additional taxes, such as lapsing of applicable statutes of limitations, proposed assessments by tax authorities, negotiations between tax authorities, identification of new issues and issuance of new legislation, regulations or case law. Management believes that adequate amounts of tax and related interest have been provided for any adjustments that may result from these uncertain tax positions.

The total liability for unrecognized tax benefits may change within the next twelve months due to either settlement of audits or expiration of statutes of limitations. Quantification of those potential changes cannot be estimated at this time. At June 30, 2007, the Company has concluded all United States federal income tax matters for years through 2004. All material state and local, and foreign income tax matters have been concluded for years through 2002.

Results of Operations

Net Sales Trends

The following is a summary of United States and international net sales (dollars in millions):

	Three Months Ended June 30, 2007	2006	Change	Percent Change	Six Months Ended June 30, 2007	2006	Change	Percent Change
United States	$ 120.5	$ 122.6	$ (2.1)	(1.7)%	$ 244.6	$ 243.7	$ 0.9	0.4 %
International	152.1	144.7	7.4	5.1 %	292.1	280.3	11.8	4.2 %
Total net sales	$ 272.6	$ 267.3	$ 5.3	2.0 %	$ 536.7	$ 524.0	$ 12.7	2.4 %

In the United States, the $2.1 million decrease in net sales for the three months ended June 30, 2007 was due primarily to:

- decreased sales of TMR products of $3.4 million (the Company sold its distributions rights in March 2007);

- Heart Valve Therapy products, which decreased net sales by $2.8 million, due primarily to decreased mitral valve sales related to competitive pressures resulting in a loss of market share;

partially offset by:

- Critical Care products, which increased net sales by $2.9 million, driven primarily by sales of the *FloTrac* minimally invasive monitoring system and pressure monitoring products; and

- Vascular products, which increased net sales by $1.6 million, driven primarily by an increase in *LifeStent* product sales.

The $0.9 million increase in net sales in the United States for the six months ended June 30, 2007 was due primarily to increased sales of Critical Care and Vascular products of $6.7 million and $2.7 million, respectively, partially offset by decreased sales of TMR products of $5.8 million and Heart Valve Therapy products of $2.1 million.

International net sales increased $7.4 million and $11.8 million for the three and six months ended June 30, 2007, respectively, due primarily to:

- Heart Valve Therapy products, which increased net sales by $4.2 million and $6.5 million, respectively, driven primarily by increases in sales of the Company s *Carpentier-Edwards PERIMOUNT Magna* valve, *Magna* with *ThermaFix* valve and *Magna Ease* valve;

- Critical Care products, which increased net sales by $2.8 million and $6.5 million, respectively, driven primarily by increases in net sales of the *FloTrac* minimally invasive monitoring system in Europe and Japan, and hemofiltration products;

- Vascular products, which increased net sales by $1.2 million and $1.9 million, respectively, driven primarily by an increase in *LifeStent* product sales; and

- foreign currency exchange rate fluctuations, which increased net sales by $5.5 million and $11.2 million, respectively, due primarily to the strengthening of the Euro against the United States dollar, partially offset by the weakening of the Japanese yen against the United States dollar.

These increases in international net sales were partially offset by decreases of $7.0 million and $15.1 million for the three and six months ended June 30, 2007, respectively, related to (1) the discontinuation of the Brazil-based perfusion product line, (2) the Company s decision to exit the mechanical valve market during 2007, and (3) a reduction of distributed sales in Japan of intra-aortic balloon pumps.

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The impact of foreign currency exchange rate fluctuations on net sales would not necessarily be indicative of the impact on net income due to the corresponding effect of foreign currency exchange rate fluctuations on international manufacturing and operating costs and the Company s hedging activities. For more information see Quantitative and Qualitative Disclosure About Market Risk.

Net Sales by Product Line

The following table is a summary of net sales by product line (dollars in millions):

	Three Months Ended June 30, 2007	2006	Change	Percent Change	Six Months Ended June 30, 2007	2006	Change	Percent Change
Heart Valve Therapy	$ 131.3	$ 127.8	$ 3.5	2.7 %	$ 260.8	$ 252.9	$ 7.9	3.1 %
Critical Care	97.4	89.6	7.8	8.7 %	188.3	170.7	17.6	10.3 %
Cardiac Surgery Systems	15.2	24.3	(9.1)	(37.4)%	32.0	47.6	(15.6)	(32.8)%
Vascular	22.3	19.1	3.2	16.8 %	42.5	37.3	5.2	13.9 %
Other Distributed Products	6.4	6.5	(0.1)	(1.5)%	13.1	15.5	(2.4)	(15.5)%
Total net sales	$ 272.6	$ 267.3	$ 5.3	2.0 %	$ 536.7	$ 524.0	$ 12.7	2.4 %

Heart Valve Therapy

The $3.5 million and $7.9 million increases in net sales of Heart Valve Therapy products for the three and six months ended June 30, 2007, respectively, were due primarily to:

- pericardial tissue valves, which increased net sales by $1.0 million and $4.5 million, respectively, primarily as a result of the Company s premium *Carpentier-Edwards PERIMOUNT Magna* aortic valve and *Magna* with *ThermaFix* valves, partially offset by decreased sales in the United States resulting from competitive pressures;

- heart valve repair products, which increased net sales by $1.2 million and $2.1 million, respectively, driven primarily by the continuing adoption of the Company s disease-specific products including the *Edwards MC3* and *GeoForm* rings; and

- a favorable impact of foreign currency exchange rates of $2.9 million and $5.8 million, respectively, due primarily to the strengthening of the Euro against the United States dollar, partially offset by the weakening of the Japanese yen against the United States dollar.

These increases were further offset by decreases in net sales of $1.3 million and $3.9 million for the three and six months ended June 30, 2007, respectively, due to the the Company s exit from the mechanical valve market commencing in the first quarter of 2007 and the continuing decline of porcine valve sales.

The Company expects that its *PERIMOUNT Magna* and *Magna* with *ThermaFix* valves will continue to be strong contributors to 2007 sales. In January 2007, the Company launched two new products in the United States. The new *PERIMOUNT Theon* aortic valve offers clinicians the durability and hemodynamics of the Company s *PERIMOUNT* technology with the addition of the *ThermaFix* tissue treatment, and the new *Myxo ETlogix* annuloplasty ring is the first mitral repair product specifically designed to address myxomatous disease. In May 2007, the Company launched its next generation aortic valve, the *Magna Ease*, in Europe and is expecting to introduce this product into the United States by the end of 2008. The Company s new *PERIMOUNT Magna* mitral valve is gaining physician acceptance in Europe, and the Company anticipates United States Food and Drug Administration (FDA) approval in the United States by the end of 2007. In Japan, the Company received regulatory approval for a new *PERIMOUNT* mitral valve and began sales during the second quarter of 2007.

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Critical Care

The $7.8 million and $17.6 million increases in net sales of Critical Care products for the three and six months ended June 30, 2007, respectively, were due primarily to:

- increased net sales of *FloTrac* systems of $3.7 million and $7.7 million, respectively;
- core Critical Care products, which increased net sales by $1.8 million and $4.0 million, respectively, driven primarily by market share gains in pressure monitoring products and advanced hemodynamic monitoring systems;
- hemofiltration products, which increased net sales by $0.2 million and $1.4 million, respectively; and
- foreign currency exchange rate fluctuations, which increased net sales by $1.7 million and $3.6 million, respectively, due primarily to the strengthening of the Euro against the United States dollar, partially offset by the weakening of the Japanese yen against the United States dollar.

The Company continues to expect worldwide *FloTrac* system sales to be a significant contributor to Critical Care sales growth in 2007.

Cardiac Surgery Systems

The $9.1 million and $15.6 million decreases in net sales of Cardiac Surgery Systems products for the three and six months ended June 30, 2007, respectively, were due primarily to the impact of the sale of the Company s Brazil-based perfusion product line in December 2006, which resulted in net sales decreases of $5.7 million and $10.1 million for the three and six months ended June 30, 2007, respectively. In addition, the Company s recent exit from the TMR product line in March 2007 contributed to a decrease in net sales of $3.4 million and $5.8 million, respectively. Cardiac Surgery Systems now consists of the Company s core Research Medical cannula and *EMBOL-X* technologies.

Vascular

The $3.2 million and $5.2 million increases in net sales of Vascular products for the three and six months ended June 30, 2007, respectively, were due primarily to increased sales of *LifeStent* products. In addition, foreign currency exchange rate fluctuations had a favorable impact on net sales of $0.7 million and $1.4 million, respectively, due primarily to the strengthening of the Euro against the United States dollar.

The Company launched its *FlexStar* system in Europe during the second quarter of 2007. Also during the quarter, the Company submitted its six-month data set from its *RESILIENT* trial to the FDA as part of its pre-market approval for a superficial femoral artery indication, and anticipates approval by the end of 2007. The Company continues to expect *LifeStent* product sales to be a significant contributor to Vascular sales in 2007.

Other Distributed Products

The $0.1 million and $2.4 million decreases in net sales of Other Distributed Products for the three and six months ended June 30, 2007, respectively, were due primarily to the divestiture in 2006 of a non-strategic pharmaceutical product, a reduction of distributed sales in Japan of intra-aortic balloon pumps, and the unfavorable impact of foreign currency exchange rate fluctuations due to the weakening of the Japanese yen against the United States dollar.

Gross Profit

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	2006	Change	2007	2006	Change
Gross profit as a percentage of net sales	65.3 %	64.2 %	1.1 pts.	65.0 %	64.0 %	1.0 pts.

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For the three and six months ended June 30, 2007, the United States gross profit as a percentage of net sales increased 0.2 and 0.5 percentage points, respectively, due to a more profitable product mix, resulting primarily from higher sales of *FloTrac* systems and the Company s recent exit from the TMR product line. The international gross profit as a percentage of net sales increased 1.3 and 1.2 percentage points, respectively, due to a more profitable product mix, related primarily to higher sales of Heart Valve Therapy products and *FloTrac* systems, combined with the discontinuation of lower margin perfusion products. These increases were partially offset by increased investments in quality systems and 0.5 and 0.6 percentage point decreases for the three and six months ended June 30, 2007, respectively, from the unfavorable impact of foreign currency, including the expiration of currency hedging contracts.

Selling, General and Administrative (SG&A) Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	**2006**	**Change**	**2007**	**2006**	**Change**
	(dollars in millions)					
SG&A expenses	$ 101.7	$ 97.0	$ 4.7	$ 200.3	$ 189.2	$ 11.1
SG&A expenses as a percentage of net sales	37.3 %	36.3 %	1.0 pts.	37.3 %	36.1 %	1.2 pts.

The $4.7 million and $11.1 million increases in selling, general and administrative expenses and the 1.0 and 1.2 percentage point increases in selling, general and administrative expenses as a percentage of net sales for the three and six months ended June 30, 2007, respectively, were due primarily to (1) higher sales-related spending in the Heart Valve Therapy, Critical Care and Vascular product lines, primarily in the United States, and (2) the impact of foreign currency (primarily the strengthening of the Euro against the United States dollar) in the amounts of $2.2 million and $4.2 million, respectively.

Research and Development Expenses

	Three Months Ended June 30,			Six Months Ended June 30,		
	2007	**2006**	**Change**	**2007**	**2006**	**Change**
	(dollars in millions)					
Research and development expenses	$ 29.1	$ 28.9	$ 0.2	$ 57.9	$ 56.1	$ 1.8
Research and development expenses as a percentage of net sales	10.7 %	10.8 %	(0.1) pts.	10.8 %	10.7 %	0.1 pts.

The increases in research and development expenses for the three and six months ended June 30, 2007 were due primarily to additional investments in the Company s transcatheter valve development programs.

In the Company s transcatheter aortic valve replacement program, the Company received conditional Investigational Device Exemption (IDE) approval from the FDA in March 2007 to initiate its PARTNER trial, a pivotal clinical trial of the Company s *Edwards SAPIEN Transcatheter Heart Valve (THV)* technology. The PARTNER trial began enrollment during the second quarter of 2007 and will evaluate the *Edwards SAPIEN THV* valve in patients who are considered at high risk for conventional open-heart valve surgery. The Company expects to complete enrollment by middle to late 2008. All of the *SAPIEN* valves in the PARTNER trial have been delivered transfemorally using the *RetroFlex* delivery system. The Company introduced its *RetroFlex II* delivery system in Canada in the first quarter of 2007. *RetroFlex II* further enhances the ease-of-use benefits of *RetroFlex I* by adding a customized atraumatic tip to enable clinicians to more easily navigate across the native stenotic aortic valve. The Company is currently awaiting regulatory approval to add *RetroFlex II* to both the United States and European trials.

The Company completed enrollment in its United States feasibility study of the *Ascendra* transapical delivery system in April 2007. The Company is working to gain IDE FDA approval to add *Ascendra* to the PARTNER trial in the third quarter of 2007.

In the Company s transcatheter mitral valve repair program, the Company had two programs: the *Edwards MONARC* mitral repair system, a coronary sinus technology, and the *Edwards MOBIUS* leaflet repair system. In connection with the *Edwards MONARC* system, the Company completed enrollment of its 60-patient EVOLUTION I feasibility study during the first quarter of 2007 and initiated the EVOLUTION II follow-on trial in Europe and Canada during the second quarter of 2007. Data gathered from EVOLUTION II will measure clinical and quality-of-life endpoints. In addition, this study will facilitate European reimbursement and commercialization efforts, and also help to support a United States pivotal trial, which could start as early as 2008.

For the *Edwards MOBIUS* technology, the Company s feasibility work was completed in Europe and Canada in the first quarter of 2007. After completing the clinical feasibility studies, the Company determined that it would take considerable additional resources and time to affect durable and long-lasting repair results with the *Edwards MOBIUS* device. Therefore, the Company has discontinued work on the *MOBIUS* technology and redirected resources into other advance technology development programs.

Special Gains, net

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(in millions)			
Gain on patent settlement	$	$	$	$ (20.2)
Gain on sale of product lines		(4.5)		(10.2)
Impairment of assets held for sale		2.6		2.6
Realignment expenses, net				2.1
Litigation reserve		1.2		1.2
Special gains, net	$	$ (0.7)	$	$ (24.5)

Gain on Patent Settlement

In January 2006, the Company recorded a patent dispute settlement gain of $20.2 million, which consisted of a net payment of $23.8 million received from Medtronic, Inc., offset by patent enforcement costs.

Gain on Sale of Product Lines

In May 2006, the Company sold a non-strategic pharmaceutical product line to Bioniche Teoranta for $9.0 million. The sale of the assets resulted in a $4.5 million gain, consisting of cash proceeds of $9.0 million, offset by $4.5 million related primarily to the net book value of intangible assets and inventory that were sold.

During the first quarter of 2005, the Company sold its perfusion product line in Japan to Terumo Corporation for cash consideration of $14.9 million, of which $9.2 million was received in January 2005 and $5.7 million was received in March 2006 as an earn-out payment. In the first quarter of 2006, the Company recorded a gain of $5.7 million related to the receipt of the earn-out payment.

Impairment of Assets Held for Sale

In the second quarter of 2006, the Company agreed to sell most of its assets related to its remaining international cardiopulmonary perfusion product line. The Company determined that the carrying values of the underlying assets exceeded their fair values. Consequently, in accordance with Statements of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, in the second quarter of 2006, the Company recorded an impairment loss of $2.6 million, which represented the excess of the carrying values of the assets over their fair values, and included direct incremental costs to transact the sale of $1.5 million. The sale was completed in December 2006 and no additional gain or loss was recorded.

Realignment Expenses, net

In December 2006, the Company recorded a $7.3 million charge related primarily to severance expenses associated with a global reduction in workforce of approximately 70 employees, primarily in the United States and Europe. As of June 30, 2007, the Company had paid $4.6 million of severance with the remaining amount expected to be substantially paid by the end of 2007.

During the first quarter of 2006, the Company recorded realignment expense of $2.1 million related primarily to severance expenses associated with the planned closure of a manufacturing facility in Japan (impacting 92 employees). As of June 30, 2007, remaining payments of approximately $1.3 million are expected to be paid during the third quarter of 2007.

In December 2005, the Company recorded a charge of $3.9 million related to severance resulting from a resource realignment. The charge was related primarily to the severance costs associated with reducing the Company s workforce by 52 employees, primarily in Puerto Rico, Europe and the United States. As of June 30, 2007, the payments related to the realignment were substantially complete.

Interest Expense, net

	Three Months Ended June 30,			**Six Months Ended June 30,**		
	2007	**2006**	**Change**	**2007**	**2006**	**Change**
	(in millions)					
Interest expense	$ 2.3	$ 2.7	$ (0.4)	$ 4.6	$ 5.5	$ (0.9)
Interest income	(1.9)	(2.1)	0.2	(4.0)	(4.0)	
Interest expense, net	$ 0.4	$ 0.6	$ (0.2)	$ 0.6	$ 1.5	$ (0.9)

The decrease in interest expense for the three and six months ended June 30, 2007 resulted primarily from a lower average debt balance as compared to the prior year periods. The decrease in interest income for the three months ended June 30, 2007 resulted primarily from lower average investment balances as compared to the prior year quarter, partially offset by higher interest rates.

Other (Income) Expense, net

The following is a summary of other (income) expense, net (in millions):

	Three Months Ended June 30, 2007	2006	Six Months Ended June 30, 2007	2006
Foreign exchange gain, net	$ (0.4)	$ (0.3)	$ (1.1)	$ (0.4)
Investment loss (gain)	0.4		(0.3)	
Gain on sale of product line	(0.9)		(1.5)	
Accounts receivable securitization costs	0.8	0.6	1.5	1.2
Other				0.2
Other (income) expense, net	$ (0.1)	$ 0.3	$ (1.4)	$ 1.0

The net foreign exchange gains for the three and six months ended June 30, 2007 and 2006 relate primarily to foreign currency fluctuations on the Company s global trade and intercompany receivable and payable balances. The increase in foreign exchange gains in 2007 was due primarily to the strengthening of various Asia currencies.

The investment gain and investment loss for the three and six months ended June 30, 2007 and 2006, respectively, primarily represents the Company s share of gains and losses in technology investments accounted for under the equity method.

In March 2007, the Company sold the United States distribution rights and inventory associated with the TMR laser product line to Novadaq Technologies, Inc. for up-front consideration of $5.4 million, which consisted of $2.4 million in cash and a $3.0 million senior secured promissory note due March 2008. This resulted in a gain of $0.3 million. In connection with the transaction, the Company is entitled to earn-out payments based on Novadaq s TMR sales for the remainder of 2007. For the three and six months ended June 30, 2007, the Company earned $0.9 million and $1.2 million, respectively, recorded in Other (Income) Expense, Net, and for the remainder of 2007, the Company expects to earn approximately $1 million per quarter from similar earn-out payments.

Provision for Income Taxes

The provision for income taxes consists of provisions for federal, state and foreign income taxes. The Company operates in an international environment with significant operations in various locations outside the United States, which have statutory tax rates lower than the United States tax rate. Accordingly, the consolidated income tax rate is a composite rate reflecting the earnings in the various locations and the applicable rates. The effective income tax rates were 25.4% and 25.5% for the three and six months ended June 30, 2007, respectively, and 20.7% and 26.7% for the three and six months ended June 30, 2006, respectively. The 2006 income tax rates were impacted by the favorable resolution of a patent dispute, which was tax effected at the Company s blended United States federal and state statutory tax rate of 39.4%, and a $3.7 million release of valuation allowances against deferred tax assets in the second quarter of 2006. The valuation allowances were no longer necessary because of the recognition of a taxable gain from the May 2006 sale of a non-strategic product line.

The Company adopted the provisions of FIN 48 on January 1, 2007 (see Recently Adopted Accounting Standards).

Liquidity and Capital Resources

The Company s sources of cash liquidity include cash on hand and cash equivalents, amounts available under credit facilities, accounts receivable securitization facilities and cash from operations. The Company believes that these sources are sufficient to fund the current requirements of working capital, capital expenditures and other financial commitments. The Company further believes that it has the financial flexibility to attract long-term capital to fund short-term and long-term growth objectives. However, no assurances can be given that such long-term capital will be available to Edwards Lifesciences on favorable terms, or at all.

The Company has a Five-Year Unsecured Revolving Credit Agreement (the Credit Agreement), which matures on September 29, 2011. The Credit Agreement provides up to an aggregate of $500.0 million in one-to-six month borrowings in multiple currencies. Borrowings currently bear interest at LIBOR plus 0.40%, which includes a facility fee subject to adjustment for leverage ratio changes as defined in the Credit Agreement. The Company pays a facility fee regardless of available or outstanding borrowings, currently at an annual rate of 0.075%. All amounts outstanding under the Credit Agreement have been classified as long-term obligations, as these borrowings will continue to be refinanced pursuant to the Credit Agreement. As of June 30, 2007, borrowings of $57.6 million were outstanding under the Credit Agreement. The Credit Agreement contains various financial and other covenants, all of which the Company was in compliance with at June 30, 2007.

In addition to the Credit Agreement, as of June 30, 2007, the Company had outstanding $150.0 million of convertible senior debentures, issued at par, bearing an interest rate of 3.875% per annum due May 15, 2033 (the Notes). Interest is payable semi-annually in May and November. Issuance costs of approximately $4.4 million are being amortized to interest expense over 5 years. The Notes are convertible, as defined per the agreement, into 18.29 shares of the Company s common stock for each $1,000 principal amount of Notes (conversion price of $54.66 per share), subject to adjustment. Holders of the Notes have the right to require the Company to purchase all or a portion of their Notes at a price equal to 100% of the principal amount of the Notes, plus any accrued and unpaid interest, on May 15, 2008, 2013, and 2018. The Company will pay cash for all Notes so purchased on May 15, 2008. For any Notes purchased by the Company on May 15, 2013 or 2018, the Company may, at its option, choose to pay the purchase price in cash, in shares of the Company s common stock, or any combination thereof. The Notes have been reclassified as a current liability from long-term debt on the Consolidated Condensed Balance Sheet as of June 30, 2007 given their potential redemption for cash by the holders on May 15, 2008.

The Company has two securitization programs whereby certain subsidiaries in the United States and Japan sell, without recourse, on a continuous basis, an undivided interest in certain eligible pools of accounts receivable. As of June 30, 2007, the Company had sold a total of $87.1 million of trade accounts receivable and received funding of $78.0 million. The securitization program in the United States will expire on September 18, 2007, but is renewable for one-year periods at the Company s option. The securitization program in Japan will expire on December 3, 2008.

In May 2006, the Board of Directors approved a stock repurchase program authorizing the Company to purchase on the open market and in privately negotiated transactions up to 4.0 million shares of the Company s common stock through December 31, 2008. During the six months ended June 30, 2007, the Company repurchased 1.2 million shares under the stock repurchase program at an aggregate cost of $59.8 million and as of June 30, 2007 had remaining authority under the program to purchase 1.5 million shares.

At June 30, 2007, there had been no material changes in the Company s significant contractual obligations and commercial commitments as disclosed in its Annual Report on Form 10-K for the year ended December 31, 2006, except for the presentation of our liability for unrecognized tax benefits due to the adoption of FIN 48. As of June 30, 2007, we had a liability of $33.7 million for unrecognized tax benefits. We are unable to determine when cash settlement with taxing authorities will occur.

Net cash flows provided by **operating activities** of $73.9 million for the six months ended June 30, 2007 decreased $26.7 million from the same period a year ago. This decrease was due primarily to cash received during the first quarter of 2006 for the patent litigation settlement of $23.8 million and higher tax payments in 2007, partially offset by an increase in accounts receivables in 2007.

Net cash used by **investing activities** of $37.4 million in the six months ended June 30, 2007 consisted primarily of capital expenditures of $27.4 million and a $9.6 million milestone payment associated with the Percutaneous Valve Technologies, Inc. acquisition in 2004.

Net cash used by investing activities of $12.6 million in the six months ended June 30, 2006 consisted primarily of capital expenditures of $24.0 million and investments in intangible assets of $2.0 million, partially offset by proceeds from the sale of product lines of $14.7 million.

Net cash used in **financing activities** of $53.7 million for the six months ended June 30, 2007 consisted primarily of purchases of treasury stock of $59.8 million and net payments on long-term debt of $25.6 million, partially offset by the proceeds from stock plans of $26.0 million.

Net cash used in financing activities of $100.5 million in the six months ended June 30, 2006 consisted primarily of purchases of treasury stock of $85.9 million and net payments on long term debt of $41.5 million, partially offset by the proceeds from stock plans of $17.9 million.

Critical Accounting Policies

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States which require the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and revenues and expenses during the periods reported. Actual results could differ from those estimates. Information with respect to the Company s critical accounting policies which the Company believes could have the most significant effect on the Company s reported results and require subjective or complex judgments by management is contained on pages 42-45 in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, of the Company s Annual Report on Form 10-K for the year ended December 31, 2006. Management believes that at June 30, 2007 there had been no material changes to this information.

On January 1, 2007, the Company adopted FIN 48 which establishes a single model to address accounting for uncertain tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition. See Recently Adopted Accounting Standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

For a complete discussion of the Company s exposure to interest rate risk, refer to Item 7A Quantitative and Qualitative Disclosures About Market Risk on pages 48-50 of the Company s Annual Report on Form 10-K for the year ended December 31, 2006. There have been no significant changes from the information discussed therein.

Currency Risk

For a complete discussion of the Company s exposure to foreign currency risk, refer to Item 7A Quantitative and Qualitative Disclosures About Market Risk on pages 48-50 of the Company s Annual Report on Form 10-K for the year ended December 31, 2006. There have been no significant changes from the information discussed therein.

Credit Risk

For a complete discussion of the Company s exposure to credit risk, refer to Item 7A Quantitative and Qualitative Disclosures About Market Risk on pages 48-50 of the Company s Annual Report on Form 10-K for the year ended December 31, 2006. There have been no significant changes from the information discussed therein.

Concentrations of Credit Risk

In the normal course of business, Edwards Lifesciences provides credit to customers in the healthcare industry, performs credit evaluations of these customers and maintains allowances for potential credit losses which have historically been adequate compared to actual losses.

Investment Risk

Edwards Lifesciences is exposed to investment risks related to changes in the fair values of its investments. The Company invests in equity instruments of public and private companies. These investments are classified in Investments in unconsolidated affiliates on the consolidated condensed balance sheets.

As of June 30, 2007, Edwards Lifesciences had approximately $25.1 million of investments in equity instruments of other companies and had recorded unrealized gains of $3.1 million on these investments in Accumulated Other Comprehensive Income (Loss), net of tax. Should these companies experience a decline in financial condition or fail to meet certain development milestones, the investments values may decline and be considered other than temporary. As a result, impairment charges may be necessary.

Item 4. Controls and Procedures

The Company s management, including the Chief Executive Officer and the Chief Financial Officer, conducted an evaluation of the effectiveness of the Company s disclosure controls and procedures as of June 30, 2007. Based on this evaluation, the Chief Executive Officer and the Chief Financial Officer have determined that such controls and procedures are effective to provide reasonable assurance that information relating to the Company, including its consolidated subsidiaries required to be disclosed in reports that it files or submits under the Securities Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure. There have been no changes in the Company s internal controls over financial reporting that were identified during this evaluation that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

On May 9, 2007, Edwards Lifesciences filed a lawsuit against CoreValve, Inc. (CoreValve), alleging that CoreValve s ReValving System infringes on a European patent exclusively licensed to the Company. The lawsuit was filed in the District Patent Court in Dusseldorf, Germany, seeking injunctive and declaratory relief. On May 11, 2007, and June 20, 2007, respectively, CoreValve filed lawsuits in London, United Kingdom, and Munich, Germany, against the three inventor-owners of this patent alleging that the patent is invalid.

For additional information on the Company s legal proceedings, refer to Item 3 Legal Proceedings in Part I on page 22 of the Company s Annual Report on Form 10-K for the year ended December 31, 2006.

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

Period	Total Number of Shares (or Units) Purchased	Average Price Paid per Share (or Unit)	(a)Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
April 1, 2007 through April 30, 2007	200,000	$ 51.10	200,000	1,975,000
May 1, 2007 through May 31, 2007	500,000	49.45	500,000	1,475,000
June 1, 2007 through June 30, 2007				1,475,000
Total	700,000	$ 49.92	700,000	1,475,000

(a) On May 11, 2006, the Company announced that the Board of Directors approved a stock repurchase program authorizing the Company to purchase on the open market and in privately negotiated transactions, up to 4.0 million shares of the Company s common stock.

Item 4. Submission of Matters to a Vote of Security Holders

The Company s annual meeting of stockholders was held on May 10, 2007. Each of the nominees for directors, as listed in the proxy statement, was elected with the number of votes set forth below:

	In Favor	Withheld
Robert A. Ingram	50,206,577	3,255,543
Vernon R. Loucks Jr.	51,781,522	1,680,598

In addition, the following directors terms of office are continuing:

Mike R. Bowlin
John T. Cardis
Barbara J. McNeil, M.D., Ph.D.
Michael A. Mussallem
Philip M. Neal
David E.I. Pyott

The results of the other matters voted upon at the annual meeting are as follows:

	In Favor	Against	Abstain
Amendment and restatement of the Company s Long-Term Stock Incentive Compensation Program	35,858,924	13,140,513	155,897
Amendment and restatement of the Company s 2001 Employee Stock Purchase Plan for United States employees	45,200,179	3,845,491	109,664
Ratification of the appointment of PricewaterhouseCoopers LLP as the independent registered public accounting firm for fiscal year 2007	53,124,326	277,564	60,230

Item 6. Exhibits

Exhibits required by Item 601 of Regulation S-K are listed in the Exhibit Index hereto and include the following:

31.1 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURE

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.

		EDWARDS LIFESCIENCES CORPORATION (Registrant)
Date: August 8, 2007	By:	/s/ Thomas M. Abate Thomas M. Abate Corporate Vice President, Chief Financial Officer and Treasurer (Chief Accounting Officer)

EXHIBITS FILED WITH SECURITIES AND EXCHANGE COMMISSION

Exhibit No.	**Description**
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