

WESTWOOD ONE INC /DE/
Form 10-Q
November 09, 2009

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2009

OR

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

For the transition period from to

Commission file number 0-14691

WESTWOOD ONE, INC.

(Exact name of registrant as specified in its charter)

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| | |
|---|--|
| Delaware (State or other jurisdiction of incorporation or organization) | 95-3980449 (I.R.S. Employer Identification No.) |
| 40 West 57th Street, 5th Floor, New York, NY (Address of principal executive offices) | 10019 (Zip Code) |
| (212) 641-2000 (Registrant's telephone number, including area code) | |

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (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 No

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-X during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Number of shares of stock outstanding at November 6, 2009 (excluding treasury shares):

Common stock, par value \$.01 per share 20,312,000 shares

WESTWOOD ONE, INC.

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PART I. FINANCIAL INFORMATION**WESTWOOD ONE, INC.****CONSOLIDATED BALANCE SHEETS***(In thousands, except per share amounts)*

| | Successor Company September 30, 2009 (unaudited) | Predecessor Company December 31, 2008 (derived from audited) |
|--|--|--|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 4,568 | \$ 6,437 |
| Accounts receivable | 80,864 | 94,273 |
| Prepaid and other assets | 21,834 | 18,758 |
| Total Current Assets | 107,266 | 119,468 |
| Property and equipment, net | 34,385 | 30,417 |
| Goodwill | 35,752 | 33,988 |
| Intangible assets, net | 106,519 | 2,660 |
| Deferred tax asset | | 14,220 |
| Other assets | 2,498 | 4,335 |
| TOTAL ASSETS | \$ 286,420 | \$ 205,088 |
| LIABILITIES, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY (DEFICIT) | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 38,268 | \$ 27,807 |
| Amounts payable to related parties | 213 | 22,680 |
| Deferred revenue | 7,229 | 2,397 |
| Accrued expenses and other liabilities | 23,834 | 25,565 |
| Current maturity of long-term debt | | 249,053 |
| Total Current Liabilities | 69,544 | 327,502 |
| Long-term debt | 129,395 | |
| Deferred tax liability | 45,650 | |
| Due to Gores | 11,027 | |
| Other liabilities | 10,298 | 6,993 |
| TOTAL LIABILITIES | 265,914 | 334,495 |
| Redeemable Preferred Stock: \$.01 par value, authorized: 10,000 shares; issued and outstanding: 75 shares of 7.5% Series A Convertible Preferred Stock; liquidation preference \$1,000 per share, plus accumulated dividends | | 73,738 |
| TOTAL PREFERRED STOCK | | 73,738 |
| SHAREHOLDERS' (DEFICIT) EQUITY | | |
| Common stock, \$.01 par value: authorized: 5,000,000 shares (2009) and 300,000 (2008); issued and outstanding: 20,312 (2009) and | 203 | 1,013 |

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101,308 (2008)

Class B stock, \$.01 par value: authorized: 3,000 shares;
issued and outstanding: -0- (2009) and 292 (2008)

| | | |
|--|---------------|------------------|
| Additional paid-in capital | 80,076 | 293,120 |
| Net unrealized gain | (38) | 267 |
| Accumulated deficit | (59,735) | (497,548) |
| TOTAL SHAREHOLDERS EQUITY (DEFICIT) | 20,506 | (203,145) |

**TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK AND
SHAREHOLDERS EQUITY (DEFICIT)**

\$ 286,420 \$ 205,088

See accompanying notes to consolidated financial statements

WESTWOOD ONE, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

(In thousands, except per share amounts)

(unaudited)

| | Successor Company | | Predecessor Company | | |
|---|--|---|--|--|--|
| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | Three Months Ended September 30, 2008 | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| NET REVENUE | \$ 78,474 | \$ 136,518 | \$ 96,299 | \$ 111,474 | \$ 303,298 |
| Operating Costs | 74,922 | 127,039 | 86,142 | 111,580 | 265,782 |
| Depreciation and Amortization | 8,064 | 13,909 | 2,366 | 2,585 | 8,763 |
| Corporate General and Administrative Expenses | 2,930 | 5,337 | 4,049 | 4,248 | 8,510 |
| Goodwill and Intangible Impairment | 50,501 | 50,501 | | | 206,053 |
| Restructuring Charges | 1,372 | 2,826 | 10,598 | 3,976 | 10,598 |
| Special Charges | 820 | 1,188 | 699 | 12,819 | 9,756 |
| | 138,609 | 200,800 | 103,854 | 135,208 | 509,462 |
| OPERATING (LOSS) INCOME | (60,135) | (64,282) | (7,555) | (23,734) | (206,164) |
| Interest Expense | 4,925 | 9,618 | 3,758 | 3,222 | 13,509 |
| Other Expense (Income) | 70 | 66 | (12,453) | (359) | (12,538) |
| (Loss) Income before Income Tax | (65,130) | (73,966) | 1,140 | (26,597) | (207,135) |
| Income Tax (Benefit) Expense | (11,581) | (14,231) | 1,150 | (7,635) | (2,044) |
| NET (LOSS) | \$ (53,549) | \$ (59,735) | \$ (10) | \$ (18,962) | \$ (205,091) |
| NET (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS | \$ (131,686) | \$ (141,283) | \$ (1,451) | \$ (22,037) | \$ (206,720) |
| (Loss) per Share | | | | | |
| Common Stock | | | | | |
| Basic | \$ (10.03) | \$ (18.19) | \$ (2.88) | \$ (43.64) | \$ (426.03) |
| Diluted | \$ (10.03) | \$ (18.19) | \$ (2.88) | \$ (43.64) | \$ (426.03) |
| Class B Stock | | | | | |
| Basic | \$ | \$ | \$ | \$ | \$ |
| Diluted | \$ | \$ | \$ | \$ | \$ |
| Weighted Average Shares Outstanding: | | | | | |
| Common Stock | | | | | |
| Basic | 13,135 | 7,769 | 504 | 505 | 485 |
| Diluted | 13,135 | 7,769 | 504 | 505 | 485 |

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| | | | | |
|-----------------|-----|-----|-----|-----|
| Class B Stock * | | | | |
| Basic | 146 | 292 | 292 | 292 |
| Diluted | | 292 | 292 | 292 |

* Class B Stock was converted into Common Stock prior to effectiveness of reverse stock split
See accompanying notes to consolidated financial statements

WESTWOOD ONE, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

*(In thousands)**(unaudited)*

| | Successor Company For the Period April 24, 2009 to September 30, 2009 | Predecessor Company For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
|---|---|--|--|
| <u>CASH FLOW FROM OPERATING ACTIVITIES:</u> | | | |
| Net (loss) | \$ (59,735) | \$ (18,961) | \$ (205,091) |
| Adjustments to reconcile net (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | 13,909 | 2,585 | 8,763 |
| Goodwill and Intangible asset impairment | 50,501 | | 206,053 |
| Loss on disposal of property and equipment | 173 | 188 | |
| Deferred taxes | (15,824) | (6,874) | (10,149) |
| Non-cash stock compensation | 2,385 | 2,110 | 4,240 |
| Gain on sale of marketable securities | | | (12,420) |
| Amortization of deferred financing costs | | 331 | 1,272 |
| Net change in assets and liabilities (net of effect of Refinancing): | (7,887) | 19,844 | 16,533 |
| Net Cash (Used) in/Provided by Operating Activities | (16,478) | (777) | 9,201 |
| <u>CASH FLOW FROM INVESTING ACTIVITIES:</u> | | | |
| Capital expenditures | (2,355) | (1,384) | (6,222) |
| Proceeds from sale of marketable securities | | | 12,741 |
| Net Cash (Used) in/Provided by Investing Activities | (2,355) | (1,384) | 6,519 |
| <u>CASH FLOW FROM FINANCING ACTIVITIES:</u> | | | |
| Issuance of common stock | | | 22,750 |
| Issuance of series A convertible preferred stock and warrants | | | 74,178 |
| Issuance of series B convertible preferred stock | 25,000 | | |
| Debt repayments | (25,000) | | (113,000) |
| Payments of capital lease obligations | (376) | (271) | (358) |
| Proceeds from term loan | 20,000 | | |
| Deferred financing costs | | | (1,688) |
| Deferred stock issuance costs | (228) | | |
| Net Cash Provided by/(Used) in Financing Activities | 19,396 | (271) | (18,298) |
| Net Increase (Decrease) in Cash and Cash Equivalents | 563 | (2,432) | (2,578) |
| Cash and Cash Equivalents at Beginning of Period | 4,005 | 6,437 | 6,187 |
| Cash and Cash Equivalents at End of Period | \$ 4,568 | \$ 4,005 | \$ 3,609 |

See accompanying notes to consolidated financial statements

WESTWOOD ONE, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

*(In thousands, except per share amounts)***(unaudited)**

| | Successor Company For the Period April 24, 2009 to September 30, 2009 | Predecessor Company For the Period January 1, 2009 to April 23, 2009 | | Nine Months Ended September 30, 2008 |
|---|--|---|--|---|
| Supplemental disclosure of cash flow information: | | | | |
| Non-cash financing activities | | | | |
| Cancellation of long-term debt | | 252,060 | | |
| Issuance of new long-term debt | 117,500 | | | |
| Preferred stock conversion to common stock | (81,551) | | | |
| Class B conversion to common stock | (3) | | | |

(1) All of the Series A Preferred Stock was exchanged for all of the Series A-1 Preferred Stock.

(2) 34,962 shares of the Series B Preferred Stock was issued to our lenders in exchange in part for the cancellation of our prior indebtedness.

See accompanying notes to consolidated financial statements

WESTWOOD ONE, INC

CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY

(In thousands, except per share amounts)

| | Common Stock | | Predecessor Company Class B Stock | | | Additional Paid-in Capital | (Accumulated Deficit) Retained Earnings | Unrealized Gain (Loss) on Available for Sale Securities | Total Share- holders Equity | Accumulated Other Compre- hensive (Loss) |
|---|--------------|----------|--------------------------------------|--------|------------|----------------------------------|--|--|--------------------------------------|--|
| | Shares | Amount | Shares | Amount | | | | | | |
| | | | | | | | | | | |
| December 31, 2008 | 101,253 | \$ 1,013 | 292 | \$ 3 | \$ 293,120 | \$ (497,548) | \$ 267 | \$ (203,145) | \$ (433,251) | |
| Net (loss) | | | | | | (18,961) | | (18,961) | (18,961) | |
| Comprehensive income | | | | | | | 219 | 219 | 219 | |
| Equity based compensation | | | | | 2,110 | | | 2,110 | | |
| Issuance of common stock under equity based compensation plans | 777 | 7 | | | (939) | | | (932) | | |
| Issuance of common stock | | | | | | | | | | |
| Preferred stock accretion | | | | | (6,157) | | | (6,157) | | |
| Cancellations of vested equity grants | | | | | (890) | | | (890) | | |
| April 23, 2009 | 102,030 | \$ 1,020 | 292 | \$ 3 | \$ 287,244 | \$ (516,509) | \$ 486 | \$ (227,756) | \$ (451,993) | |

| | Common Stock | | Successor Company Class B Stock | | | Additional Paid-in Capital | (Accumulated Deficit) Retained Earnings | Unrealized Gain (Loss) on Available for Sale Securities | Total Share- holders Equity | Accumulated Other Compre- hensive (Loss) |
|---|--------------|--------|------------------------------------|--------|-----------|----------------------------------|--|--|--------------------------------------|--|
| | Shares | Amount | Shares | Amount | | | | | | |
| | | | | | | | | | | |
| Revalued Capital | 510 | \$ 5 | 292 | \$ 3 | \$ 2,256 | | | \$ 2,264 | | |
| Net loss | | | | | | (59,735) | | (59,735) | (59,735) | |
| Comprehensive (loss) | | | | | | | (38) | (38) | (38) | |
| Equity based compensation | | | | | 2,384 | | | 2,384 | | |
| Issuance of common stock under equity based compensation plans | | | | | (19) | | | (19) | | |
| Class B conversion | | | (292) | (3) | | | | (3) | | |
| Preferred stock conversion | 19,802 | 198 | | | 81,353 | | | 81,551 | | |
| Preferred stock accretion | | | | | (4,661) | | | (4,661) | | |
| Cancellations of vested equity grants | | | | | (1,237) | | | (1,237) | | |
| Beneficial conversion feature | | | | | 76,887 | | | 76,887 | | |
| Beneficial conversion feature accretion | | | | | (76,887) | | | (76,887) | | |
| September 30, 2009 | 20,312 | \$ 203 | | | \$ 80,076 | \$ (59,735) | \$ (38) | \$ 20,506 | \$ (59,773) | |

See accompanying notes to consolidated financial statements

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except per share amounts)

(unaudited)

NOTE 1 Basis of Presentation:

In this report, Westwood One, Company, registrant, we, us and our refer to Westwood One, Inc. The accompanying unaudited consolidated financial statements have been prepared by us pursuant to the rules of the Securities and Exchange Commission (SEC). These financial statements should be read in conjunction with the audited financial statements and footnotes included in our Current Report on Form 8-K filed on August 26, 2009.

In the opinion of management, all adjustments, consisting of normal and recurring adjustments necessary for a fair statement of the financial position, the results of operations and cash flows for the periods presented have been recorded. The results of operations for the periods ended April 23, 2009 and September 30, 2009 are not necessarily indicative of the operating results for a full fiscal year.

On April 23, 2009, we completed a refinancing of substantially all of our outstanding long-term indebtedness (approximately \$241,000 in principal amount) and a recapitalization of our equity (the Refinancing). As part of the Refinancing we entered into a Purchase Agreement (the Purchase Agreement) with Gores Radio Holdings, LLC (currently our ultimate parent) (together with certain related entities Gores). In exchange for the then outstanding shares of Series A Preferred Stock held by Gores, we issued 75,000 shares of 7.50% Series A-1 Convertible Preferred Stock, par value \$0.01 per share (the Series A-1 Preferred Stock). In addition Gores purchased 25,000 shares of 8.0% Series B Convertible Preferred Stock (the Series B Preferred Stock and together with the Series A-1 Preferred Stock, the Preferred Stock), for an aggregate purchase price of \$25,000.

Additionally and simultaneously, we entered into a Securities Purchase Agreement (Securities Purchase Agreement) with: (1) holders of our then outstanding Senior Notes (Old Notes) both series of which were issued under the Note Purchase Agreement, dated as of December 3, 2002 and (2) lenders under the Credit Agreement, dated as of March 3, 2004 (the Old Credit Agreement). Gores purchased at a discount approximately \$22,600 in principal amount of our then existing debt held by debt holders who did not wish to participate in the New Senior Notes, which upon completion of the Refinancing was exchanged for \$10,797 of the New Senior Notes. Gores also agreed to guarantee the Senior Credit Facility and a \$10,000 contractual commitment by one of our wholly owned subsidiaries. Gores currently holds \$11,027 (including PIK interest) of the New Senior Notes shown in the line item Due to Gores on our balance sheet. Pursuant to the Securities Purchase Agreement, in consideration for releasing all of their respective claims under the Senior Notes and the Old Credit Agreement, the participating debt holders collectively received in exchange for their outstanding debt: (1) \$117,500 of new senior secured notes maturing July 15, 2012 (the New Senior Notes); (2) 34,962 shares of Series B Preferred Stock, and (3) a one-time cash payment of \$25,000.

On July 9, 2009, Gores converted 3.5 shares of Series A-1 Convertible Preferred Stock into 103,513 shares of common stock (without taking into account the reverse stock split). Pursuant to the terms of our Certificate of Incorporation, the 292 outstanding shares of our Class B common stock were automatically converted into 292 shares of common stock (without taking into account the 200:1 reverse stock split that occurred on August 3, 2009 as described in more detail below) because as a result of such conversion by Gores the voting power of the Class B common stock, as a group, fell below ten percent (10%) of the aggregate voting power of issued and outstanding shares of common stock and Class B common stock.

On August 3, 2009, we held a special meeting of our stockholders to consider and vote upon, among other proposals, amending our Restated Certificate of Incorporation to increase the number of authorized shares of our common stock from 300,000 to 5,000,000 and to amend the Certificate of Incorporation to effect a 200 for 1

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

reverse stock split of our outstanding common stock (the Charter Amendments). On August 3, 2009, the stockholders approved the Charter Amendments, which resulted in the automatic conversion of all shares of preferred stock into common stock and the cancellation of warrants to purchase 50 shares of common stock issued to Gores as part of their investment in our Series A Preferred Stock. There are no longer any issued and outstanding warrants to purchase our common stock or any shares of our capital stock that have any preference over the common stock with respect to voting, liquidation, dividends or otherwise. Under the Charter Amendments, each of the newly authorized shares of common stock has the same rights and privileges as previously authorized common stock. Adoption of the Charter Amendments did not affect the rights of the holders of our currently outstanding common stock nor did it change the par value of the common stock.

As a result of the Refinancing, Gores acquired approximately 75.1% of our equity (in preferred and common stock) and our then existing lenders acquired approximately 23.0% of our equity (in Preferred and common stock). We have considered the ownership held by Gores and our existing debt holders as a collaborative group in accordance with the authoritative guidance, Push Down Accounting . As a result, we have followed the acquisition method of accounting, as required by the Business Combinations Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC 805), and have applied the SEC rules and guidance regarding push down accounting treatment. Accordingly, 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 columns 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.

References are made in this report to a potential offering by us. On June 22, 2009, we filed a Registration Statement on Form S-1 with the SEC for an offering of our common stock in an amount of up to \$50,000. We amended the S-1 on August 24, 2009, October 16, 2009, October 30, 2009 and November 4, 2009, respectively. There can be no assurance that such offering will occur on the terms described or at all.

Based on the complex structure of the Refinancing described above, a valuation was performed to determine the acquisition price using the Income Approach employing a Discounted Cash Flow (DCF) methodology. The DCF method explicitly recognizes that the value of a business enterprise is equal to the present value of the cash flows that are expected to be available for distribution to the equity and/or debt holders of a company. In the valuation of a business enterprise, indications of value are developed by discounting future net cash flows available for distribution to their present worth at a rate that reflects both the current return requirements of the market and the risk inherent in the specific investment.

We used a multi-year DCF model to derive a Total Invested Capital (TIC) value which was adjusted for cash, non-operating assets and any negative net working capital to calculate a Business Enterprise Value (BEV) which was then used to value our equity. In connection with the Income Approach portion of this exercise, we made the following assumptions: (a) the discount rate was based on an average of a range of scenarios with rates between 15% and 16%; (b) management's estimates of future performance of our operations; and (c) a terminal growth rate of 2%. The discount rate and market growth rate reflect the risks associated with the general

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)***(unaudited)**

economic pressure impacting both the economy in general and more specifically and substantially the advertising industry. All costs and professional fees incurred as part of the Refinancing totaling approximately \$15,777 have been expensed as special charges in periods ended April 23, 2009 and prior (the predecessor company).

The allocation of Business Enterprise Value at April 24, 2009 is as follows:

| | |
|--|------------------|
| Current Assets | \$ 104,902 |
| Goodwill | 86,153 |
| Intangibles | 116,910 |
| Property, Plant and Equipment, Net | 36,270 |
| Other Assets | 21,913 |
| Current Liabilities | 81,160 |
| Deferred Income Taxes | 77,879 |
| Due to Gores | 10,797 |
| Other Liabilities | 10,458 |
| Long-term Debt | 106,703 |
| Total Business Enterprise Value | \$ 79,151 |

We expect to finalize the valuation and complete the allocation of the Business Enterprise Value as soon as practicable but no later than one year from the acquisition date of April 23, 2009.

In 2009, the television upfronts (where advertisers purchase commercial airtime for the upcoming television season several months before the season begins), which in prior years concluded in the second quarter, were extended through August to complete the upfront advertising sales. During this period, advertisers were slow to commit to buying commercial airtime for the third quarter of 2009. We believed that the conclusion of the television upfronts would help bring more clarity to both purchasers and sellers of advertising; however, once such upfronts concluded in August, it became increasingly evident from our quarterly bookings, backlog and pipeline data that the downturn in the economy was continuing and affecting advertising budgets and orders. The decrease in advertising budgets and orders is evidenced by our revenue decreasing to \$78,474 in the third quarter of 2009 from \$96,299 in the third quarter of 2008, which represents a decrease of approximately 18.5%. These conditions, namely the weak third quarter and the likely continuation of the current economic conditions into the fourth quarter and the immediate future, caused us to reduce our forecasted results for the remainder of 2009 and 2010. We believe these new forecasted results constituted a triggering event and therefore we conducted a goodwill impairment analysis. The new forecast would more likely than not reduce the fair value of one or more of our reporting units below its carrying value. Accordingly, we performed a Step 1 analysis in accordance with Accounting Standards Codification 350 Intangible, Goodwill and Others (ASC 350) by comparing our recalculated fair value based on our new forecast to our current carrying value. The results indicated an impairment in our Metro Traffic segment and we performed a Step 2 analysis to compare the implied fair value of goodwill for Metro Traffic with the carrying value of its goodwill. As a result of the Step 2 analysis we recorded a non-cash charge of \$50,401. The majority of the goodwill impairment charge is not deductible for income tax purposes.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)***(unaudited)**

The following unaudited pro forma financial summary for the three and nine months ended September 30, 2008 and 2009 gives effect to the Refinancing, and the resultant acquisition accounting. The 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 applicable dates of the pro forma financial information.

| | Unaudited Pro Forma | | | |
|----------|----------------------------------|-----------|---------------------------------|------------|
| | Three Months ended September 30, | | Nine Months ended September 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| Revenue | \$ 78,474 | \$ 96,299 | \$ 247,992 | \$ 303,298 |
| Net Loss | (53,483) | (9,259) | (93,207) | (234,289) |

In the 23-day period ended April 23, 2009, we determined that we had incorrectly recorded a credit to interest expense, which should have been recorded in the three month period ended March 31, 2009, for the settlement of an amount owed to a former employee. We determined that this error was not significant to any prior period results and accordingly reduced the 23-day period's interest expense by \$754. Also in the period ended April 23, 2009, we determined that we incorrectly calculated the accretion of our preferred shares to redemption value which should have been recorded in the three-month period ended March 31, 2009. We determined that this error was not significant to any prior results and does not affect our Net (Loss) Income. However, it does reduce the 23-day period's Net Loss attributable to Common Stockholders by \$1,262.

Additionally, in the 23-day period ended April 23, 2009, we recorded a charge to special charges for insurance expense of \$261 which should have been capitalized and expensed through April 2010. The amount of insurance expense that should have been recorded in the period ended June 30, 2009 was \$43. For the period April 24, 2009 to June 30, 2009, we failed to record the added depreciation expense for the increase in fixed assets values associated with our purchase accounting. The amount of depreciation expense that should have been recorded in the period ended June 30, 2009 was \$401. Additionally, for the period ended June 30, 2009, we failed to accrue severance costs of \$145 for employees terminated in June 2009. These correcting adjustments were recorded in the three months ending September 30, 2009. We do not believe these adjustments are material to our current period consolidated financial statements or to any prior period's consolidated financial statements. As a result, we have not restated any prior period amounts.

NOTE 2 Earnings Per Share:

Prior to the Refinancing described in Note 1 Basis of Presentation, we had outstanding two classes of common stock (common stock and Class B stock) and a class of preferred stock (7.5% Series A Convertible Preferred Stock, referred to herein as the Series A Preferred Stock). Both the Class B stock and the Series A Preferred Stock were convertible into common stock. To the extent declared by our board of directors, the common stock was entitled to cash dividends of at least ten percent higher than those declared and paid on our Class B stock, and the Series A Preferred Stock was also entitled to receive such dividends on an as-converted basis if and when declared by the Board.

As described in more detail above, as part of the Refinancing, we issued Series A-1 Preferred Stock and Series B Preferred Stock. To the extent declared by our board of directors, the Series A Preferred Stock and Series B Preferred Stock were also entitled to receive such dividends on an as-converted basis if and when

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

declared by the board of directors. The Series A Preferred Stock, Series A-1 Preferred Stock and Series B Preferred Stock are considered participating securities requiring use of the two-class method for the computation of basic net income (loss) per share as required by the Earnings per Share Topic of the FASB Accounting Standards Codification (ASC 260). Losses were not allocated to the Series A Preferred Stock, Series A-1 Preferred Stock or Series B Preferred Stock in the computation of basic earnings per share (EPS) as the Series A Preferred Stock, Series A-1 Preferred Stock and the Series B Preferred Stock were not obligated to share in losses. Diluted earnings per share is computed using the if-converted method.

Basic EPS excludes the effect of common stock equivalents and is computed using the two-class computation method, which divides the sum of distributed earnings to common and Class B stockholders and undistributed earnings allocated to common stockholders and preferred stockholders on a pro rata basis, after Series A Preferred Stock dividends, by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share reflects the potential dilution that could result if securities or other contracts to issue common stock were exercised or converted into common stock. Diluted earnings per share assumes the exercise of stock options using the treasury stock method and the conversion of Class B stock, Series A Preferred Stock, Series A-1 Preferred Stock and Series B Preferred Stock using the if-converted method.

Common equivalent shares are excluded in periods in which they are anti-dilutive. Options, restricted stock, restricted stock units, warrants (see Note 11 Equity Based Compensation) and Series A Preferred Stock were excluded from the predecessor company calculations of diluted earnings per share because the conversion price, combined exercise price, unamortized fair value and excess tax benefits were greater than the average market price of our common stock for the periods presented. Options, restricted stock, restricted stock units, warrants, Series A-1 Preferred Stock and Series B Preferred Stock were excluded from the successor company calculations of diluted earnings per share because the conversion price, combined exercise price, unamortized fair value and excess tax benefits were greater than the average market price of our common stock for the periods presented. EPS calculations for all periods reflect the effects of the 200:1 reverse stock split.

A special meeting of stockholders to consider certain amendments to our Certificate of Incorporation (the Charter Amendments) was held on August 3, 2009 where such amendments were approved by our stockholders. The Charter Amendments: (1) increased the number of authorized shares of our common stock from 300,000 to 5,000,000 (2) effected a reverse stock split of our outstanding common stock at a ratio of two hundred to one (200:1), (3) defined the term Continuing Directors that was used but not defined in the Certificate of Incorporation, (4) amended the Certificate of Incorporation to delete Article Sixteenth of the Certificate of Incorporation that set forth higher approval thresholds than those required under the Delaware General Corporation Law with respect to certain amendments of the Certificate of Incorporation and (5) amended the Certificate of Incorporation to delete the provision in Article Seventeenth relating to Article Sixteenth.

The Charter Amendments were made in connection with the refinancing of our debt which closed on April 23, 2009. On such date, the Series A-1 Convertible Preferred Stock and Series B Convertible Preferred Stock (collectively, the Preferred Stock) was issued but not converted because we did not have sufficient authorized shares of common stock into which the Preferred Stock could be converted. The Certificates of Designation for the Series A-1 Preferred Stock and Series B Preferred Stock, state that when the authorized shares of common stock were increased by a sufficient amount to allow the conversion of all Preferred Stock, the Preferred Stock would convert automatically, without further action required by us or any shareholder, into shares of common stock.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

As previously disclosed, on July 9, 2009, Gores converted 3.5 shares of Series A-1 Convertible Preferred Stock into 103,513 shares of common stock. Such conversion triggered the conversion of 292 shares of Class B Common into 292 shares of common stock pursuant to the terms of our Charter.

The conversion of Preferred Stock that occurred on August 3, 2009 increased the number of shares of common stock issued and outstanding from 206,263 to 4,062,446 on a pre-split basis, which was reduced to 20,312 shares after the 200:1 reverse stock split. While such technically resulted in substantial dilution to our common stockholders, the ownership interest of each of our common stockholders did not change substantially after the conversion of the Preferred Stock into common stock as the Preferred Stock that was issued on April 23, 2009 when our Refinancing closed from the time of its issuance participated on an as-converted basis with respect to voting, dividends and other economic rights as the common stock. Effective August 3, 2009, when the Charter Amendments were approved, the warrants issued to Gores on June 19, 2008 were cancelled.

In connection with the Refinancing and the issuance of the preferred shares, we had determined that the preferred shares contained a beneficial conversion feature (BCF), that was partially contingent. The BCF is measured as the spread between the effective conversion price and the market price of common stock on the commitment date and then multiplying this spread by the number of conversion shares, as adjusted for the contingent shares. A portion of the BCF had been recognized at issuance and was being amortized using the effective yield method over the period until conversion. The total BCF, which was limited to the carrying value of the preferred stock, was \$76,455, prior to conversion and upon conversion resulted in, among other effects, a deemed dividend that is included in the earnings per share calculation.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

| | Successor Company | | Predecessor Company | | |
|--|---------------------------------------|---|---------------------------------------|--|--------------------------------------|
| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | Three Months Ended September 30, 2008 | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| Net (Loss) | \$ (53,549) | \$ (59,735) | \$ (10) | \$ (18,961) | \$ (205,091) |
| Less: Accumulated Preferred Stock dividends and accretion | (1,682) | (4,661) | (1,441) | (3,076) | (1,629) |
| Less: Deemed dividends from Beneficial Conversion Feature | (76,455) | (76,887) | | | |
| Less: Distributed earnings to common stockholders | | | | | |
| Less: Distributed earnings to Class B stockholders | | | | | |
| Undistributed earnings | \$ (131,686) | \$ (141,283) | \$ (1,451) | \$ (22,037) | \$ (206,720) |
| Earnings common stock | | | | | |
| Basic | | | | | |
| Distributed earnings to common stockholders | \$ | \$ | \$ | \$ | \$ |
| Undistributed earnings allocated to common stockholders | (131,686) | (141,283) | (1,451) | (22,037) | (206,720) |
| Total Earnings common stock, basic | \$ (131,686) | \$ (141,283) | \$ (1,451) | \$ (22,037) | \$ (206,720) |
| Diluted | | | | | |
| Distributed earnings to common stockholders | \$ | \$ | \$ | \$ | \$ |
| Distributed earnings to Class B stockholders | | | | | |
| Undistributed earnings allocated to common stockholders | (131,686) | (141,283) | (1,451) | (22,037) | (206,720) |
| Total Earnings common stock, diluted | \$ (131,686) | \$ (141,283) | \$ (1,451) | \$ (22,037) | \$ (206,720) |
| Weighted average common shares outstanding, basic | | | | | |
| Share-based compensation | 13,135 | 7,769 | 504 | 505 | 485 |
| Warrants | | | | | |
| Weighted average Class B shares | | | | | |
| Weighted average common shares outstanding, diluted | 13,135 | 7,769 | 504 | 505 | 485 |

(Loss) Earnings per common share, basic

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| | | | | | |
|------------------------------|------------|------------|-----------|------------|-------------|
| Distributed earnings, basic | \$ | \$ | \$ | \$ | \$ |
| Undistributed earnings basic | (10.03) | (18.19) | (2.88) | (43.64) | (426.03) |
| Total | \$ (10.03) | \$ (18.19) | \$ (2.88) | \$ (43.64) | \$ (426.03) |

**(Loss) Earnings per common share,
diluted**

| | | | | | |
|--------------------------------|------------|------------|-----------|------------|-------------|
| Distributed earnings, diluted | \$ | \$ | \$ | \$ | \$ |
| Undistributed earnings diluted | (10.03) | (18.19) | (2.88) | (43.64) | (426.03) |
| Total | \$ (10.03) | \$ (18.19) | \$ (2.88) | \$ (43.64) | \$ (426.03) |

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

| | Successor Company | | Predecessor Company | | |
|---|---------------------------------------|---|---------------------------------------|--|--------------------------------------|
| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | Three Months Ended September 30, 2008 | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| Earnings per share Class B Stock | | | | | |
| <i>Basic</i> | | | | | |
| Distributed earnings to Class B stockholders | \$ | \$ | \$ | \$ | \$ |
| Undistributed earnings allocated to Class B stockholders | | | | | |
| Total Earnings Class B Stock, basic | \$ | \$ | \$ | \$ | \$ |
| <i>Diluted</i> | | | | | |
| Distributed earnings to Class B stockholders | \$ | \$ | \$ | \$ | \$ |
| Undistributed earnings allocated to Class B stockholders | | | | | |
| Total Earnings Class B Stock, diluted | \$ | \$ | \$ | \$ | \$ |
| Weighted average Class B shares outstanding, basic | | 146 | 292 | 292 | 292 |
| Share-based compensation | | | | | |
| Warrants | | | | | |
| Weighted average Class B shares outstanding, diluted | | | 292 | 292 | 292 |
| Earnings per Class B share, basic | | | | | |
| Distributed earnings, basic | \$ | \$ | \$ | \$ | \$ |
| Undistributed earnings basic | | | | | |
| Total | \$ | \$ | \$ | \$ | \$ |
| Earnings per Class B share, diluted | | | | | |
| Distributed earnings, diluted | \$ | \$ | \$ | \$ | \$ |
| Undistributed earnings diluted | | | | | |
| Total | \$ | \$ | \$ | \$ | \$ |

NOTE 3 Related Party Transactions:

On March 3, 2008, we closed the new Master Agreement with CBS Radio, which documents a long-term arrangement through March 31, 2017. As part of the new arrangement, CBS Radio agreed to broadcast certain of our local/regional and national commercial inventory through March 31, 2017 in exchange for certain programming and/or cash compensation. Additionally, the News Programming Agreement, the Technical Services Agreement and the Trademark License Agreement were amended and restated and extended through March 31, 2017. The previous Management Agreement and Representation Agreement were cancelled on March 3, 2008 and \$16,300 of compensation previously paid to CBS Radio under those agreements, was added to the maximum potential compensation CBS Radio affiliate stations could earn pursuant

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to their affiliations with us. In addition, all warrants previously granted to CBS Radio were cancelled on March 3, 2008.

Expenses incurred for the Representation Agreement and programming and affiliate arrangements are included as a component of operating costs in the accompanying Consolidated Statement of Operations. Expenses incurred for the Management Agreement (excluding warrant amortization) and amortization of the

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)***(unaudited)**

warrants granted to CBS Radio under the Management Agreement are included as a component of corporate general and administrative expenses and depreciation and amortization, respectively, in the accompanying Consolidated Statement of Operations. The expense incurred upon closing of the Master Agreement is included as a component of special charges in the accompanying Consolidated Statement of Operations. The description and amounts regarding related party transactions set forth in these consolidated financial statements and related notes, also reflect transactions between us and Viacom. Viacom is an affiliate of CBS Radio, as National Amusements, Inc. beneficially owns a majority of the voting power of all classes of common stock of each of CBS Corporation and Viacom. As a result of the Charter Amendments approved on August 3, 2009, CBS Radio which previously owned approximately 15.8% of our common stock, now owns less than 1% of our common stock. As a result of this change in ownership and the fact that CBS Radio ceased to manage us in March 2008, we no longer consider CBS Radio to be a related party effective as of August 3, 2009 and are no longer recording payments to CBS as related party expenses or amounts due to related parties effective August 3, 2009.

We incurred the following expenses relating to transactions with CBS Radio and/or its affiliates:

| | Successor Company | | Predecessor Company | | |
|--|---|---|---|--|--|
| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | Three Months Ended September 30, 2008 | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| Representation Agreement | \$ | \$ | \$ | \$ | \$ 2,583 |
| News Agreement | 1,121 | 3,623 | 3,247 | 4,107 | 9,609 |
| Programming and Affiliate Arrangements | 4,189 | 13,877 | 14,444 | 20,884 | 41,819 |
| Management Agreement (excluding warrant amortization) | | | | | 610 |
| Warrant Amortization | | | | | 1,618 |
| Payment upon closing of Master Agreement | | | | | 5,000 |
| | \$ 5,310 | \$ 17,500 | \$ 17,691 | \$ 24,991 | \$ 61,239 |

Gores Radio Holdings

We have a related party relationship with Gores. As a result of our Refinancing, Gores created a holding company which owns approximately 75.1% of our equity and is our ultimate parent company. Gores currently also holds \$11,027 (including PIK interest) of our New Senior Notes as a result of purchasing debt from certain of our former debt holders who did not wish to participate in the issuance of the New Senior Notes on April 23, 2009 in connection with our Refinancing. Such debt is classified as Due to Gores on our balance sheet.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

We recorded fees related to consultancy and advisory services rendered by, and incurred on behalf of, Gores and Glendon Partners, an operating group associated with Gores as follows:

| | Successor Company | | Predecessor Company | | |
|-------------------------------|---|---|---|--|--|
| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | Three Months Ended September 30, 2008 | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| Consultancy and Advisory Fees | \$ | \$ 227 | \$ | \$ 1,533 | \$ |
| Gores Radio Holdings, LLC | | | 250 | 230 | 250 |
| Glendon Partners Fees | 514 | 810 | | 754 | |
| | \$ 514 | \$ 1,037 | \$ 250 | \$ 2,517 | \$ 250 |

POP Radio

We also have a related party relationship, including a sales representation agreement, with our investee, POP Radio, L.P. We recorded fees as follows:

| | Successor Company | | Predecessor Company | | |
|----------------------------|---|---|---|--|--|
| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | Three Months Ended September 30, 2008 | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| Program commission expense | \$ 333 | \$ 581 | \$ 218 | \$ 416 | \$ 1,398 |
| | \$ 333 | \$ 581 | \$ 218 | \$ 416 | \$ 1,398 |

Summary of Related Party Expense by Category:

| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | Three Months Ended September 30, 2008 | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
|--|---|---|---|--|--|
| Operating Costs | \$ 5,643 | \$ 18,081 | \$ 17,909 | \$ 25,407 | \$ 55,409 |
| Depreciation and Amortization | | | | | 1,618 |
| Corporate, General and Administrative | | | | | 610 |
| Consulting Fees | 514 | 1,037 | 250 | 2,517 | 250 |
| Special Charges | | | | | 5,000 |
| | \$ 6,157 | \$ 19,118 | \$ 18,159 | \$ 27,924 | \$ 62,887 |

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)**(unaudited)***NOTE 4 Property and Equipment:**

Property and equipment is recorded at cost and is summarized as follows:

| | Successor Company September 30, 2009 | Predecessor Company December 31, 2008 |
|--|--|--|
| Land, buildings and improvements | \$ 15,186 | \$ 11,999 |
| Recording, broadcasting and studio equipment | 72,834 | 75,907 |
| Furniture, equipment and other | 13,997 | 18,445 |
| | \$ 102,017 | \$ 106,351 |
| Less: Accumulated depreciation | 67,632 | 75,934 |
| Property and equipment, net | \$ 34,385 | \$ 30,417 |

Depreciation expense is recorded as follows:

| | Successor Company | | Predecessor Company | | |
|----------------------|--|---|--|--|---|
| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | Three Months Ended September 30, 2008 | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| Depreciation Expense | 2,791 | 4,113 | 2,171 | 2,354 | 6,559 |

Also we have a capital lease for satellite transponders totaling \$7,355. Accumulated amortization related to the capital lease was \$5,552 for the period ended September 30, 2009 and \$4,930 for the period ended December 31, 2008.

For the period April 24, 2009 to June 30, 2009, we failed to record the added depreciation expense for the increase in fixed assets values associated with our purchase accounting. The amount of depreciation expense that should have been recorded was \$401. This amount was recorded in the three months ended September 30, 2009.

NOTE 5 Goodwill

Goodwill represents the excess of cost over fair value of net assets of businesses acquired. In accordance with ASC 350 the value assigned to goodwill and indefinite lived intangible assets is not amortized to expense, but rather the estimated fair value of the reporting unit is compared to its carrying amount on at least an annual basis to determine if there is a potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the reporting unit goodwill and intangible assets is less than their carrying value. 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, which testing could impact the value of our business.

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Prior to the fourth quarter 2008, we operated as a single reportable operating segment: the sale of commercial time. As part of our Metro re-engineering initiative implemented in the fourth quarter of 2008, we installed separate management for the Network and Metro Traffic businesses in order to provide discrete financial information and management oversight. Accordingly, we have determined that each business is an operating segment. A reporting unit is the operating segment or a business which is one level below the operating segment. Our reporting units are consistent with our operating segments and impairment is assessed at this level.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

As a result of the Refinancing described in Note 1 Basis of Presentation, we have followed the acquisition method of accounting, as described by Accounting Standards Codification 805 Business Combinations (ASC 805). Accordingly, we have revalued our assets and liabilities using our best estimate of current fair value which was calculated using the income approach and were based on our then most current forecast. The assumptions underlying our forecasted values were derived from the Company's then best estimates including the industry's general forecast of the advertising market which assumed an improvement in the economy and in advertising market conditions in the later half of 2009. The majority of goodwill is not expected to be tax deductible. The increase in the value of goodwill was primarily attributable to deferred taxes associated with the fair value of our intangible assets (see Note 6 Intangibles) and deferred taxes arising from the cancellation of our prior indebtedness. The value assigned to goodwill is not amortized but rather the estimated fair value of the reporting unit is compared to its carrying amount on at least an annual basis to determine if there is a potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the reporting unit's goodwill and intangible assets is less than its carrying value. Our consolidated financial statements 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.

In 2009, the television upfronts (where advertisers purchase commercial airtime for the upcoming television season several months before the season begins), which in prior years concluded in the second quarter, were extended through August to complete the upfront advertising sales. During this period, advertisers were slow to commit to buying commercial airtime for the third quarter of 2009. We believed that the conclusion of the television upfronts would help bring more clarity to both purchasers and sellers of advertising; however, once such upfronts concluded in August, it became increasingly evident from our quarterly bookings, backlog and pipeline data that the downturn in the economy was continuing and affecting advertising budgets and orders. The decrease in advertising budgets and orders is evidenced by our revenue decreasing to \$78,474 in the third quarter of 2009 from \$96,299 in the third quarter of 2008, which represents a decrease of approximately 18.5%. These conditions, namely the weak third quarter and the likely continuation of the current economic conditions into the fourth quarter and the immediate future, caused us to reduce our forecasted results for the remainder of 2009 and 2010. We believe these new forecasted results constituted a triggering event and therefore we conducted a goodwill impairment analysis. The new forecast would more likely than not reduce the fair value of one or more of our reporting units below its carrying value. Accordingly, we performed a Step 1 analysis in accordance with ASC 350 by comparing our recalculated fair value based on our new forecast to our current carrying value. The results indicated an impairment in our Metro Traffic segment and we performed a Step 2 analysis to compare the implied fair value of goodwill for Metro Traffic with the carrying value of its goodwill. As a result of the Step 2 analysis we recorded a non-cash impairment charge of \$50,401. The majority of the goodwill impairment charge is not deductible for income tax purposes.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)***(unaudited)**

The fair values in our financial statements including goodwill as presented in the table below.

| | Total | Metro | Network |
|-------------------------------|-----------|-----------|-----------|
| GOODWILL | | | |
| <u>Predecessor Company</u> | | | |
| Balance at April 23, 2009 | \$ 33,988 | \$ 23,792 | \$ 10,196 |
| <u>Successor Company</u> | | | |
| Balance at April 24, 2009 | \$ 86,414 | \$ 61,354 | \$ 25,060 |
| Accumulated Impairment Losses | | | |
| Balance at April 24, 2009 | 86,414 | 61,354 | 25,060 |
| Adjustments | (261) | (261) | |
| Goodwill Impairment Losses | (50,401) | (50,401) | |
| Balance at September 30, 2009 | 86,153 | 61,093 | 25,060 |
| Accumulated Impairment | (50,401) | (50,401) | |
| Balance at September 30, 2009 | \$ 35,752 | \$ 10,692 | \$ 25,060 |

In the 23-day period ended April 23, 2009, we recorded a charge to special charges for insurance expense of \$261 which should have been capitalized and expensed through April 2010. The correcting adjustments, including an adjustment to our opening balance of goodwill at April 24, 2009, were recorded in the three months ended September 30, 2009.

NOTE 6 Intangibles

In accordance with ASC 805 which is applicable to the Refinancing described in Note 1 Basis of Presentation, we have revalued our intangibles using our best estimate of current fair value. The value assigned to our only indefinite lived intangible assets, our trademarks, are not amortized to expense but tested at least annually for impairment or upon a triggering event. Our identified definite lived intangible assets are: our relationship with radio and television affiliates, or other distribution partners from which we obtain commercial airtime we sell to advertisers; internally developed software for systems unique to our business; contracts which provide information and talent for our programming; real estate leases; and insertion order commitments from advertisers. The values assigned to definite lived assets are amortized over their estimated useful life using, where applicable, contract completion dates, lease expiration dates, historical data on affiliate relationships and software usage. 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, which testing could impact the value of our business.

As a result of the conditions described in Note 5 Goodwill above, namely the weak third quarter and the likely continuation of the current economic conditions into the fourth quarter and the immediate future, we reduced our forecasted results for the remainder of 2009 and 2010. We believe these new forecasted results constituted a triggering event and therefore we conducted an impairment analysis of our indefinite and definite lived intangible assets. A fair value appraisal, using the discounted cash flow method, was conducted on our trademarks, our only indefinite lived intangible assets, and an impairment of \$100 was recorded for the reduction in the value of the Metro Traffic trademark.

Based on a comparison of carrying values to undiscounted cash flows for our definite lived assets, we have concluded there was no impairment on our definitive lived assets.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

| | Estimated Life | Successor Company | | Predecessor Company | | |
|-------------------------------|-------------------|---|---|---|--|--|
| | | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | Three Months Ended September 30, 2008 | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| Trademarks | Indefinite | \$ 20,900 | \$ 20,900 | \$ | \$ | \$ |
| Affiliate Relationships | 10 years | 70,752 | 72,100 | 3,040 | 2,661 | 3,407 |
| Internally Developed Software | 5 years | 5,270 | 5,600 | | | |
| Client Contracts | 5 years | 8,560 | 8,930 | | | |
| Leases | 7 years | 950 | 980 | | | |
| Insertion Orders | 9 months | 5,600 | 8,400 | | | |
| Opening Balance | | 112,032 | 116,910 | 3,040 | 2,661 | 3,407 |
| Amortization Expense | | 5,413 | 10,291 | 184 | 231 | 551 |
| Trademark Impairment | | 100 | 100 | | | |
| Ending Balance | | \$ 106,519 | \$ 106,519 | \$ 2,856 | \$ 2,430 | \$ 2,856 |

NOTE 7 Acquisitions and Investments:**TrafficLand**

On December 22, 2008, Metro Networks Communications, Inc. entered into a License and Services Agreement with TrafficLand (the License Agreement) which provides us with a three-year license to market and distribute TrafficLand services and products. Concurrent with the execution of the License Agreement, Westwood One, Inc. (Metro's parent), TLAC, Inc. (a wholly-owned subsidiary of Westwood formed for such purpose) and TrafficLand entered into an option agreement with TrafficLand granting us the right to acquire 100% of the stock of TrafficLand pursuant to the terms of a Merger Agreement which the parties have negotiated and placed in escrow. As a result of payments previously made under the License Agreement, we have the right to cause the Merger Agreement to be released from escrow at any time on or prior to December 1, 2009 (such date has been extended from the original date of March 31, 2009). The Merger Agreement, if released, would remain subject to closing conditions, including the consent of our lenders. Upon consummation of the closing of the merger, the License Agreement would terminate.

As TrafficLand qualifies as a variable interest entity, we have considered qualitative and quantitative factors to determine if we are the primary beneficiary pursuant to FIN 46(R) of this variable interest entity. In connection with the TrafficLand arrangement, as of September 30, 2009, we did not hold an equity interest or a debt interest in the variable interest entity, and we did not absorb a majority of the expected losses or residual returns. Therefore, we do not qualify as the primary beneficiary and, accordingly, we have not consolidated TrafficLand.

NOTE 8 Debt:

On April 23, 2009, we completed the Refinancing of our outstanding long-term indebtedness and the recapitalization of our equity with our existing lenders and Gores (see Note 1 Basis of Presentation) and entered into a Securities Purchase Agreement with: (1) holders of our Old Notes, (the two series of which were issued under the Note Purchase Agreement, dated as of December 3, 2002) and (2) certain participating lenders under the Old Credit Agreement, dated as of March 3, 2004. Gores purchased at a discount approximately \$22,600 in principal amount of our then existing debt held by debt holders who did not wish to participate in the New Senior Notes which upon completion of the Refinancing was exchanged for \$10,757 of the New Secured Notes. Gores currently holds \$11,027

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

(including PIK interest) of the New Senior Notes shown in the line item Due to Gores on our balance sheet. Pursuant to the Securities Purchase Agreement, in consideration for releasing all of their respective claims under the Senior Notes and the Old Credit Agreement, the debt holders collectively received in exchange for their then outstanding debt: (1) \$117,500 of New Senior Notes; (2) 34,962 shares of Series B Preferred Stock and (3) a one-time cash payment of \$25,000. We also entered into a senior credit facility pursuant to which we have a \$15,000 revolving line of credit (which includes a \$1,500 letter of credit sub-facility that was increased to \$2,000 as described below) on a senior unsecured basis and a \$20,000 unsecured non-amortizing term loan (collectively, the Senior Credit Facility), the obligations in respect of which are subordinated to obligations in respect of the New Senior Notes. As of September 30, 2009, we had borrowed the entire amount under the term loan but had not borrowed under the revolving line of credit.

Our present financial condition has caused us to obtain waivers to the agreements governing our indebtedness and to institute certain cost saving measures. If our financial condition does not improve, we may need to take additional actions designed to respond to or improve our financial condition and we cannot assure you that any such actions would be successful in improving our financial position. As a result of our current financial position we have taken certain actions designed to respond to and improve our current financial position. On October 14, 2009, we entered into separate agreements with the holders of our Senior Notes and Wells Fargo Foothill to amend the terms of our Securities Purchase Agreement (governing the Senior Notes) and Senior Credit Facility, respectively, to waive compliance with our debt leverage covenants which were to be measured on December 31, 2009 on a trailing four-quarter basis. In addition, we have implemented and continue to implement cost saving measures which include compensation reduction and furlough actions (aggregating 10 days of pay per each participating full-time employee) that we announced on September 29, 2009.

As of December 31, 2008, prior to the Refinancing our debt consisted of an unsecured, five-year \$120,000 term loan and a five-year \$75,000 revolving credit facility (collectively, the Old Facility). Interest on the facility was variable and payable at a maximum of the prime rate plus an applicable margin of up to 0.75% or LIBOR plus an applicable margin of up to 1.75%, at our option. The Old Facility contained covenants relating to dividends, liens, indebtedness, capital expenditures and restricted payments, as defined, interest coverage and leverage ratios. As a result of an amendment to our Old Facility in the first quarter of 2008, we provided security to our lenders (including holders of our Old Notes) on substantially all of our assets and amended our allowable total debt covenant to 4.0 times Annualized Consolidated Operating Cash Flow through the remaining term of the Old Facility.

Prior to April 23, 2009, we also had \$200,000 in Old Notes which we issued on December 3, 2002, which consisted of: 5.26% Senior Notes due November 30, 2012 (in an aggregate principal amount of \$150,000) and 4.64% Senior Notes due November 30, 2009 (in an aggregate principal amount of \$50,000). Interest on the Old Notes was payable semi-annually in May and November. The Old Notes contained covenants relating to leverage and interest coverage ratios that were identical to those contained in our Old Facility.

At December 31, 2008, we had approximately \$9,000 outstanding under our revolving credit facility and \$32,000 outstanding under the term loan. In the fourth quarter of 2008, we did not make a semi-annual interest payment on our Old Notes and the amount of the unpaid interest is included in the debt balance at December 31, 2008.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)**(unaudited)*

The following table summarizes our debt:

| | Successor Company September 30, 2009 | Predecessor Company December 31, 2008 |
|---|--|--|
| Revolving Credit Facility/Term Loan | \$ 20,000(1) | \$ 41,000 |
| 4.64% Senior Notes due on November 30, 2009 | | 51,475 |
| 15.0% Senior Secured Notes due on July 15, 2012 (2) | 109,395 | |
| 5.26% Senior Notes due on November 30, 2012 | | 154,503 |
| Due to Gores (2) | 11,027 | |
| Deferred Derivative Gain | | 2,075 |
| | \$ 140,422 | \$ 249,053 |

(1) Interest rate of 7.0% on Term Loan.

(2) Includes 5.0% PIK interest which accrues on a quarterly basis

Our Senior Credit Facility and New Senior Notes require us to comply with certain financial and operational covenants. These covenants include, without limitation: 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, and a maximum senior leverage ratio expressed as the principal amount of the New Senior Notes divided by our consolidated Adjusted EBITDA (defined as operating income (loss) from our Statement of Operations adjusted to exclude depreciation and amortization, stock-based stock compensation, special charges and goodwill impairment and certain other income and expense amounts). This financial covenant, prior to its being waived in October 2009 as described below, was to be measured every quarter beginning on December 31, 2009 on a trailing, four-quarter basis. The covenant is 6.25 to 1.0 on December 31, 2009 and declines on a quarterly basis thereafter, including to a 4.5 to 1.0 ratio on December 31, 2010 and a 3.5 to 1.0 ratio on December 31, 2011. Failure to comply with these covenants would result in a default under our Senior Credit Facility and New Senior Notes.

On October 14, 2009, we entered into separate agreements with the holders of our New Senior Notes and Wells Fargo Foothill to amend the terms of our Securities Purchase Agreement (governing the New Senior Notes) and Senior Credit Facility, respectively, to waive compliance with our debt leverage covenants which were to be measured on December 31, 2009 on a trailing four-quarter basis. As part of the Securities Purchase Agreement amendment, we have agreed to pay down our New Senior Notes by using the gross proceeds of the anticipated equity offering and additional cash on hand, if necessary by: (i) \$15,000 if the gross proceeds of an anticipated equity offering are less than \$40,000 and (ii) \$20,000 (or more at our sole discretion) if the gross proceeds of the offering are equal to or greater than \$40,000. If neither an offering of capital stock nor the proposed sale-leaseback of our Culver City properties occurs on or prior to March 31, 2010, we have agreed to pay down \$3,500 of our New Senior Notes. Any such prepayments would be deemed optional prepayments under the Securities Purchase Agreement and made within 5 business days of the date the offering is consummated or April 7, 2010 in the event no offering or sale-leaseback was consummated. The amendments also included consents by holders of the New Senior Notes and Wells Fargo Foothill regarding the potential Culver City sale-leaseback and in the case of the amendment to the Senior Credit Facility, an increase in the letters of credit sublimit from \$1,500 to \$2,000.

Gores, our ultimate parent company as a result of the Refinancing, currently holds \$11,027 (including PIK interest) of our New Senior Notes because it purchased debt from certain of our former debt holders who did not wish to participate in the issuance of the New Senior Notes in connection with our Refinancing. The debt is classified as Due to Gores on our balance sheet.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)***(unaudited)**

We determined that in the 23-day period ended April 23, 2009, we incorrectly recorded a credit to interest expense, which should have been recorded in the first quarter, for the settlement of an amount owed to a former employee. We determined that this error was not significant to any prior period results and accordingly reduced the 23-day period's interest expense by \$754. We do not believe this adjustment is material to our Consolidated Financial Statements for the 23-day period ended April 23, 2009 or to any prior period's Consolidated Financial Statements. As a result, we have not restated any prior period amounts.

Our weighted average interest rate is as follows:

| | Successor Company | | Predecessor Company | | |
|--------------------------------------|--|---|--|--|---|
| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | Three Months Ended September 30, 2008 | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| Weighted Average Interest Rate | 11.0% | 13.0% | 5.4% | 6.6% | 5.1% |

NOTE 9 Fair Value Measurements:*Fair Value of Financial Instruments*

Our financial instruments include cash, cash equivalents, receivables, accounts payable, borrowings and interest rate contracts. At September 30, 2009 and December 31, 2008, the fair values of cash and cash equivalents, receivables and accounts payable approximated carrying values because of the short-term nature of these instruments. At September 30, 2009 the estimated fair value of the borrowings was based on estimated rates for long-term debt with similar debt ratings held by comparable companies. In 2008, the estimated fair values of the borrowings were valued based on the then current agreement in principle related to the Refinancing:

| | September 30, 2009 | | December 31, 2008 | |
|----------------------------------|--------------------|---------------|--------------------|---------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Borrowings (Short and Long Term) | 140,422 | 135,500 | 249,053 | 158,100 |
| Series A Preferred Stock | | | 75,000 | 50,000 |

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standard Codification (ASC 820) establishes a common definition of fair value to be applied to U.S. generally accepted accounting principles (GAAP) which requires the use of fair value, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. ASC 820 was effective for fiscal years beginning after November 15, 2007.

There was no change recorded in our opening balance of Retained Earnings as of January 1, 2009 as we did not have any financial instruments requiring retroactive application per the provisions of ASC 820.

We endeavor to utilize the best available information in measuring fair value. Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)***(unaudited)*****Fair Value Hierarchy***

ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs) or reflect our own assumptions of market participant valuation (unobservable inputs). In accordance with ASC 820, these two types of inputs have created the following fair value hierarchy:

Level 1 Quoted prices in active markets that are unadjusted and accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly;

Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable. ASC 820 requires the use of observable market data if such data is available without undue cost and effort.

Items Measured at Fair Value on a Recurring Basis

The following table sets forth our financial assets and liabilities that were accounted for, at fair value on a recurring basis as of September 30, 2009:

| | Level 1 Quoted Prices in Active Markets for Identical Assets | Level 2 Significant Other Observable Inputs | Level 3 Significant Unobservable Inputs |
|----------------|---|--|--|
| Assets: | | | |
| Investments | 726 | | |
| Total | \$ 726 | \$ | \$ |

In addition to assets and liabilities recorded at fair value on a recurring basis, we are also required to record assets and liabilities at fair value on a nonrecurring basis. Generally, assets are recorded at fair value on a nonrecurring basis as a result of impairment charges or similar adjustments made to the carrying value of the applicable assets. Assets measured at fair value on a nonrecurring basis are as follows:

Items Measured at Fair Value on a Non-Recurring Basis

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| | Level 1 Quoted Prices in Active Markets for Identical Assets | Level 2 Significant Other Observable Inputs | Level 3 Significant Unobservable Inputs |
|--------------------------------|---|--|--|
| Other Long-term Assets: | | | |
| Trademarks | | | 20,800 |
| Goodwill | | | 35,752 |
| Total | \$ | \$ | \$ 56,552 |

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

We recorded a \$100 charge for the write-down of our trademark in the Metro Traffic segment based on an appraisal performed at September 30, 2009 (see Note 6 Intangibles). The charge is included in Goodwill and Intangible Impairment in our consolidated statements of operations for the periods ended September 30, 2009. In addition, during the periods ended September 30, 2009, we recorded a goodwill impairment charge of \$50,401 (see Note 5 Goodwill).

NOTE 10 Shareholders Equity and Preferred Stock:

On each of March 3, 2008 and March 24, 2008, respectively, we closed the sale and issuance of 7,143 shares (14,286 shares in the aggregate) of our common stock to Gores at a price of \$1.75 per share for an aggregate purchase amount of \$25,000 less issuance costs of \$2,250.

On June 19, 2008, we completed a \$75,000 private placement to Gores of our Series A Preferred Stock with an initial conversion price of \$3.00 per share and four-year warrants to purchase an aggregate of 10,000 shares of our common stock in three, approximately equal tranches with exercise prices of \$5.00, \$6.00 and \$7.00 per share.

On April 23, 2009, we entered into a Purchase Agreement with Gores pursuant to which Gores purchased 25,000 shares of Series B Preferred Stock for an aggregate purchase price of \$25,000. In exchange for the then outstanding shares of Series A Preferred Stock held by Gores, we issued 75,000 shares of Series A-1 Preferred Stock. On April 23, 2009, we also closed the refinancing of our outstanding debt whereby participating debt holders exchanged their outstanding debt for: (1) \$117,500 of New Senior Notes, (2) 34,962 shares of Series B Preferred Stock and (3) a one-time cash payment of \$25,000.

On July 9, 2009, Gores converted 3.5 shares of Series A-1 Preferred Stock into 103,513 shares of common stock (without taking into account the reverse stock split). Also on July 9, 2009, pursuant to the terms of our Certificate of Incorporation, the 292 outstanding shares of our Class B stock were automatically converted into 292 shares of common stock (without taking into account the reverse stock split) because as a result of such conversion by Gores, the voting power of the Class B stock, as a group, fell below ten percent of the aggregate voting power of issued and outstanding shares of common stock and Class B stock.

On August 3, 2009 at a special meeting of stockholders, certain amendments to our Charter were approved by our stockholders. Such amendments consist of an increase in the number of authorized shares of our common stock from 300,000 to 5,000,000 and a two hundred to one (200:1) reverse stock split which was approved and effective on August 3, 2009. Accordingly, the reverse stock split is reflected retrospectively in EPS for all periods presented herein. As contemplated by the terms of our Refinancing, the 71.5 outstanding shares of Series A-1 Preferred Stock and the 60.0 outstanding shares of Series B Preferred Stock converted into 3,856,184 shares of our common stock, in the aggregate, pursuant to the terms of the Certifications of Designation for the Series A-1 Preferred Stock and Series B Preferred Stock.

In accordance with Distinguishing Liabilities from Equity of the FASB Accounting Standards Codification (ASC 480), the Series A Preferred Stock is required to be classified as mezzanine equity because a change on control of the Company could occur without our approval. Accordingly, the redemption of the Series A Preferred Stock is not solely under our control. When the Series A Preferred Stock was outstanding, we determined that such redemption was probable and, accordingly, accreted up to the redemption value of the Series A Preferred Stock.

In accordance with ASC 480, the Series A-1 Preferred Stock and Series B Preferred Stock is also required to be classified as mezzanine equity because the redemption of these instruments is outside our control.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)**(unaudited)*

We have recorded the Preferred Stock at fair value as of the date of issuance and have subsequently accreted changes in the redemption value from the date of issuance to the earliest redemption date using the interest method.

In connection with the Refinancing and the issuance of the preferred shares, we had determined that the preferred shares contained a beneficial conversion feature (BCF), that was partially contingent. The BCF is measured as the spread between the effective conversion price and the market price of common stock on the commitment date and then multiplying this spread by the number of conversion shares, as adjusted for the contingent shares. A portion of the BCF had been recognized at issuance and was being amortized using the effective yield method over the period until conversion. The total BCF, which was limited to the carrying value of the preferred stock, was \$76,455 prior to conversion and upon conversion resulted in, among other effects, a deemed dividend that is included in the earnings per share calculation.

On March 16, 2009, we were delisted from the NYSE and since that date have traded over-the-counter on the OTC Bulletin Board. On August 5, 2009, our ticker symbol changed to WWOZ.OB in connection with our reverse stock split. In October 2009 we applied to list our common stock on the NASDAQ Global Market under the symbol WWON .

NOTE 11 Equity-Based Compensation:*Equity Compensation Activity*

We awarded three hundred and seventy five shares of common stock to certain employees in the period from January 1, 2009 to April 23, 2009. The awards have restriction periods tied solely to employment and vest over three years. The cost of common stock awards, which is determined to be the fair market value of the shares on the date of grant, net of estimated forfeitures, is expensed ratably over the related vesting period.

Our common stock activity is as follows:

| | | Shares | Weighted Average Price |
|-----------------------------------|------------------------------------|--------|------------------------------|
| <u>Predecessor Company</u> | | | |
| Unvested | December 31, 2008 | 35.1 | \$ 1,516.40 |
| Granted | January 1, 2009 to April 23, 2009 | 0.4 | 12.00 |
| Forfeited | January 1, 2009 to April 23, 2009 | (3.3) | 1,859.84 |
| Unvested | April 23, 2009 | 32.2 | \$ 1,463.18 |
| <u>Successor Company</u> | | | |
| Unvested | April 23, 2009 | 32.1 | \$ 1,463.18 |
| Granted | April 24, 2009 to June 30, 2009 | | |
| Forfeited | April 24, 2009 to June 30, 2009 | (1.2) | 678.66 |
| Unvested | June 30, 2009 | 30.9 | 1,494.00 |
| Granted | July 1, 2009 to September 30, 2009 | | |
| Forfeited | July 1, 2009 to September 30, 2009 | (2.4) | 2,949.48 |

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| | | | |
|----------|--------------------|------|-------------|
| Unvested | September 30, 2009 | 28.5 | \$ 1,369.65 |
|----------|--------------------|------|-------------|

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)**(unaudited)*

Stock based compensation expense is recorded as follows:

| | Successor Company | | Three Months Ended September 30, 2008 | Predecessor Company | |
|---------------------------------------|---|---|---|--|--|
| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| Operating Costs | \$ 995 | \$ 1,727 | \$ 1,245 | \$ 1,136 | \$ 3,616 |
| General and Administrative Expense | 537 | 657 | 540 | 974 | 624 |
| Total Stock Compensation Expense | \$ 1,532 | \$ 2,384 | \$ 1,785 | \$ 2,110 | \$ 4,240 |

Common equivalent shares outstanding are as follows:

| | Successor Company September 30, 2009 | Predecessor Company December 31, 2008 |
|------------------------|---|--|
| Options | 29.0 | 35.0 |
| Restricted Stock | 1.0 | 2.0 |
| Restricted Stock Units | | 6.0 |
| Warrants | | 50.0 |
| | 30.0 | 93.0 |

The per share exercise price of the options outstanding were \$10.00 \$7,668 at September 30, 2009 and December 31, 2008, respectively.

On April 23, 2009, pursuant to a board of directors resolution, equity compensation awarded to directors who resigned in connection with the terms of the Refinancing accelerated and vested in full. In connection with this acceleration, we recorded stock-based compensation expense of \$514.

On June 19, 2008, warrants to purchase up to 50 shares were issued to Gores. The per share prices of the Gores warrants were \$1,000 \$1,400. Effective August 3, 2009, when the Charter Amendments were approved, these warrants were cancelled.

NOTE 12 Other Expense/(Income):

| | Successor Company | | Three Months Ended September 30, 2008 | Predecessor Company | |
|--|---|---|---|--|--|
| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| | \$ 70 | \$ 66 | \$ (12,453) | \$ (359) | \$ (12,538) |

Other Expense
(Income)

For the three and nine months ended September 30, 2008, we recorded a \$12,420 gain for the sale of a marketable investment.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)**(unaudited)***NOTE 13 Comprehensive Income (Loss):**

Comprehensive income (loss) reflects the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. Our comprehensive net income (loss) represents net income or loss adjusted for realized and unrealized gains or losses on available for sale securities. Comprehensive income (loss) is as follows:

| | Successor Company | | Predecessor Company | | |
|--|--------------------|--------------------|---------------------|--------------------|-------------------|
| | Three Months Ended | For the Period | Three Months Ended | For the Period | Nine Months Ended |
| | September 30, | April 24, 2009 to | September 30, | January 1, 2009 to | September 30, |
| | 2009 | September 30, 2009 | 2008 | April 23, 2009 | 2008 |
| Net (loss) Income | \$ (53,549) | \$ (59,735) | \$ (10) | \$ (18,961) | \$ (205,091) |
| Unrealized gain (loss) on marketable securities, net of income taxes | 57 | (38) | (524) | 219 | 2,071 |
| Adjustment for gains included in net income, net of income taxes | | | (7,557) | | (7,557) |
| Comprehensive (loss) Income | \$ (53,492) | \$ (59,773) | \$ (8,091) | \$ (18,742) | \$ (210,577) |

NOTE 14 Income Taxes:

We use the asset and liability method of financial accounting and reporting for income taxes as required by the Income Taxes Topic of the FASB Accounting Standards Codification (ASC 740). Under ASC 740, deferred income taxes reflect the tax impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes.

We classified interest expense and penalties related to unrecognized tax benefits as income tax expense in accordance with ASC 740 which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with this interpretation is a two-step process. The first step is recognition, in which the enterprise determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step is measurement. A tax position that meets the more likely than not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements.

We determined, based upon the weight of available evidence, that it is more likely than not that our deferred tax asset will be realized. We have experienced a long history of taxable income which would enable us to carryback any potential future net operating losses and taxable temporary differences that can be used as a source of income. As such, no valuation allowance was recorded for the nine months ended September 30, 2009 or 2008. We will continue to assess the need for a valuation allowance at each future reporting period.

With respect to all tax years open to examination by U.S. federal and various state and local tax authorities, we currently anticipate that total unrecognized tax benefits will decrease by an amount between \$2,800 and \$5,400 in the next twelve months, a portion of which will affect the effective tax rate, primarily as a result of the settlement of tax examinations.

As part of our compliance with acquisition accounting, which we began following as of April 24, 2009, we have recorded a deferred tax liability which represents the fair value adjustment for book purposes of intangibles as well as plant, property and equipment.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)**(unaudited)*

In accordance with the provisions of the Internal Revenue Code, we are planning to make an election to defer the inclusion of cancellation of indebtedness income, which arose as part of our Refinancing, ratably over a five-year period beginning in 2014. We are still evaluating the facts and circumstances surrounding this election and may choose instead to exclude such income under the insolvency exception provision of the Internal Revenue Code; however, the election to defer income is the most likely approach we will take based on our understanding of facts and circumstances at this time. A deferred tax liability has been recorded as a part of acquisition accounting to reflect the future taxable income to be recognized relating to the cancellation of indebtedness income.

NOTE 15 Restructuring Charges:

In the third quarter of 2008, we announced a plan to restructure the traffic operations of the Metro Traffic business (commonly referred to by us as the Metro re-engineering) and to implement other cost reductions. The 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.

The Metro re-engineering initiative began in the second half of 2008 and continued in 2009. In the first half of 2009 we undertook additional reductions in our workforce and terminated certain contracts. In connection with the Metro re-engineering and other cost reduction initiatives, we recorded \$14,100 and \$6,802 of restructuring charges in the second half of 2008 and in the nine months ended September 30, 2009, respectively. The total accumulated charges are \$20,902, and the balance at September 30, 2009 is \$7,723. We estimate we will record, in the aggregate, restructuring charges of approximately \$27,100, consisting of: (1) \$11,600 of severance, relocation and other employee related costs; (2) \$8,900 of facility consolidation and related costs; and (3) \$6,600 of contract termination costs.

The restructuring activity follows:

| | Severance Termination Costs | Facilities Consolidation Related Costs | Contract Termination Costs | Total |
|--|--------------------------------|---|-------------------------------|-----------|
| Activity Thru December 31, 2008 | | | | |
| Charges | \$ 6,765 | \$ 831 | \$ 6,504 | \$ 14,100 |
| Payments | (3,487) | (41) | (1,108) | (4,636) |
| Non-Cash utilization | (80) | | (1,600) | (1,680) |
| Balance at December 31, 2008 | 3,198 | 790 | 3,796 | 7,784 |
| Charges from January 1, to March 31, 2009 | 1,658 | 1,782 | | 3,440 |
| Charges from April 1, to April 23, 2009 | | 536 | | 536 |
| Charges from April 24, to June 30, 2009 | 372 | 1,082 | | 1,454 |
| Charges from July 1, to September 30, 2009 | 591 | 631 | 150 | 1,372 |
| Payments | (3,937) | (571) | (1,400) | (5,908) |
| Non-Cash utilization | | | | |
| Balance at September 30, 2009 | \$ 1,882 | \$ 4,250 | \$ 2,546 | \$ 8,678 |
| Accumulated Charges | \$ 9,386 | \$ 4,862 | \$ 6,654 | \$ 20,902 |
| Accumulated Payments | (7,424) | (612) | (2,508) | (10,544) |
| Accumulated Non-Cash utilization | (80) | | (1,600) | (1,680) |

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| | | | | | | | | |
|-------------------------------|----|-------|----|-------|----|-------|----|-------|
| Balance at September 30, 2009 | \$ | 1,882 | \$ | 4,250 | \$ | 2,546 | \$ | 8,678 |
|-------------------------------|----|-------|----|-------|----|-------|----|-------|

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)***(unaudited)**

Restructuring charges have been recorded in accordance the Costs Associated with Exit or Disposal Activities Topic of the FASB Accounting Standards Codification (ASC 420), the Compensation-Nonretirement Post Employment Benefits Topic of the FASB Accounting Standards Codification (ASC 712) and the Compensation-Retirements Benefits Topic of the FASB Accounting Standards Codification (ASC 715). We account for one-time termination benefits, contract terminations, asset write-offs and/or costs to terminate lease obligations less assumed sublease income in accordance with ASC 420, which addresses financial accounting and reporting for costs associated with restructuring activities. Under ASC 420, we establish a liability for a cost associated with an exit or disposal activity, including severance and lease termination obligations and other related costs, when the liability is incurred, rather than at the date that we commit to an exit plan.

We made certain estimates in determining the restructuring charges indicated above. These estimates may vary from actual costs depending, in part, upon factors that may be beyond our control. We will continue to review the status of our restructuring obligations and, if appropriate, record changes to these obligations based on management's most current estimates.

NOTE 16 Special Charges:

The special charges line item on the Consolidated Statement of Operations is comprised of the following:

| | Successor Company | | Predecessor Company | | |
|---|---|---|---|--|--|
| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | Three Months Ended September 30, 2008 | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| Professional fees related to the new CBS arrangement | \$ | \$ | \$ 164 | \$ | \$ 3,530 |
| Closing payment to CBS related to cancelling the previous CBS agreement | | | | | 5,000 |
| Regionalization costs | 159 | 231 | | 120 | |
| Consulting fees | | | 535 | | 1,226 |
| Fees related to the Refinancing | 661 | 957 | | 12,699 | |
| | \$ 820 | \$ 1,188 | \$ 699 | \$ 12,819 | \$ 9,756 |

Fees related to the Refinancing include transaction fees and expenses related to negotiation of the definitive documentation, including the 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 new Senior Credit Facility) and other professional fees. Regionalization costs are expenses related to reducing the number of our Metro Traffic operational hubs from 60 to 13 regional centers.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

In the 23-day period ended April 23, 2009, we determined that we had incorrectly recorded a charge to special charges for insurance expense of \$261 which should have been amortized and expensed through April 2010 and accordingly reduced the 23-day period's expense by \$261. We do not believe these adjustments are material to our current period consolidated financial statements or to any prior period's consolidated financial statements. As a result, we have not restated any prior period amounts.

NOTE 17 Segment Information:

We established a new organizational structure in the fourth quarter of 2008, pursuant to which we manage and report our business in two operating segments: Network and Metro Traffic. We evaluated segment performance based on segment revenue and segment operating (loss)/income. 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. In the event any materials and/or services are provided to one operating segment by the other, the transaction is valued at fair market value. Operating costs and total assets are captured discretely within each segment. Previously reported results of operations are presented to reflect these changes.

Revenue, segment operating (loss)/income, depreciation, unusual items, capital expenditures and identifiable assets are summarized below according to these segments for the periods indicated. This change did not impact the total consolidated results of operations. We continue to report certain administrative activities under corporate. We are domiciled in the United States with limited international operations comprising less than one percent of our revenue. No one customer represented more than 10% of our consolidated revenue.

Our Network business produces and distributes regularly scheduled and special syndicated programs, including exclusive special events, music and interview shows, national music countdowns, lifestyle short features, news broadcasts, talk programs, sporting events and sports features.

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

*(in thousands, except per share amounts)**(unaudited)*

Our Metro Traffic business provides traffic reports and local news, weather and sports information programming to radio and television affiliates and their websites.

| | Successor Company | | Predecessor Company | | |
|--|---|---|---|--|--|
| | Three Months Ended September 30, 2009 | For the Period April 24, 2009 to September 30, 2009 | Three Months Ended September 30, 2008 | For the Period January 1, 2009 to April 23, 2009 | Nine Months Ended September 30, 2008 |
| Net Revenue | | | | | |
| Network | \$ 40,447 | \$ 67,799 | \$ 48,137 | \$ 63,996 | \$ 154,490 |
| Metro/Traffic | 38,027 | 68,719 | 48,162 | 47,479 | 148,808 |
| Total Net Revenue | \$ 78,474 | \$ 136,518 | \$ 96,299 | \$ 111,474 | \$ 303,298 |
| Segment Operating (Loss) Income | | | | | |
| Network | \$ (1,518) | \$ (1,160) | \$ 2,845 | \$ (3,818) | \$ 14,967 |
| Metro/Traffic | (5,226) | (7,848) | 6,220 | (2,093) | 19,642 |
| Total Segment Operating (Loss) Income | \$ (6,744) | \$ (9,008) | \$ 9,065 | \$ (5,911) | \$ 34,609 |
| Corporate Expenses | (698) | (759) | (5,323) | (1,027) | (14,366) |
| Restructuring and Special Charges | (2,192) | (4,014) | (11,297) | (16,795) | (20,354) |
| Goodwill/Intangible Impairment | (50,501) | (50,501) | | | (206,053) |
| Operating (Loss) Income | \$ (60,135) | \$ (64,282) | \$ (7,555) | \$ (23,733) | \$ (206,164) |
| Interest Expense (Income) | 4,925 | 9,618 | 3,758 | 3,222 | 13,509 |
| Other Expense (Income) | 70 | 66 | 12,453 | 359 | 12,538 |
| (Loss) Income Before Income Taxes | \$ (65,130) | \$ (73,966) | \$ 1,140 | \$ (26,596) | \$ (207,135) |
| Depreciation and Amortization | | | | | |
| Network | \$ 2,621 | \$ 4,103 | \$ 821 | \$ 1,096 | \$ 2,411 |
| Metro/Traffic | 5,437 | 9,794 | 1,538 | 1,480 | 4,714 |
| Corporate | 6 | 12 | 7 | 9 | 1,638 |
| Total Depreciation and Amortization | \$ 8,064 | \$ 13,909 | \$ 2,366 | \$ 2,585 | \$ 8,763 |
| Capital Expenditures | | | | | |
| Network | \$ 268 | \$ 1,262 | \$ 38 | \$ 506 | \$ 5,512 |
| Metro/Traffic | 540 | 1,093 | 102 | 879 | 605 |
| Corporate | | | 4 | | 105 |
| Total Capital Expenditures | \$ 808 | \$ 2,355 | \$ 144 | \$ 1,385 | \$ 6,222 |

Successor
CompanyPredecessor
Company

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| | September 30, 2009 | December 31, 2008 |
|---------------|-----------------------|----------------------|
| <u>Assets</u> | | |
| Network | \$ 124,736 | \$ 92,109 |
| Metro/Traffic | 147,102 | 80,079 |
| Corporate | 14,582 | 32,900 |
| Total Assets | \$ 286,420 | \$ 205,088 |

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

NOTE 18 Subsequent Events:

On October 14, 2009, we entered into separate agreements with the holders of our New Senior Notes and Wells Fargo Foothill to amend the terms of our Securities Purchase Agreement (governing the New Senior Notes) and Senior Credit Facility, respectively, to waive compliance with our debt leverage covenants which were to be measured on December 31, 2009 on a trailing four-quarter basis. As part of the Securities Purchase Agreement amendment, we have agreed to pay down our New Senior Notes by using the gross proceeds of the offering and additional cash on hand, if necessary by: (i) \$15,000 if the gross proceeds of the offering are less than \$40,000 and (ii) \$20,000 (or more at our sole discretion) if the gross proceeds of the offering are equal to or greater than \$40,000. If neither an offering of capital stock nor the proposed sale-leaseback of our Culver City properties occurs on or prior to March 31, 2010, we have agreed to pay down \$3,500 of our New Senior Notes. Any such prepayments would be deemed optional prepayments under the Securities Purchase Agreement and made within 5 business days of the date the offering is consummated or April 7, 2010 in the event no offering or sale-leaseback was consummated. The amendments also included consents by holders of the New Senior Notes and Wells Fargo Foothill regarding the potential Culver City sale-leaseback and in the case of the amendment to the Senior Credit Facility, an increase in the letters of credit sublimit from \$1,500 to \$2,000.

We own three buildings in Culver City, California: (1) a 15,000 square-foot building, which contains administrative, sales and marketing; (2) a 10,000 square-foot building, which contains our two traffic and news reporting divisions, Metro Networks and Shadow Broadcast Services; and (3) a 8,000 squarefoot building, which contains our production facilities. We currently anticipate that we will enter into a ten-year sale-leaseback of the Culver City properties, however, no assurance can be given that such sale-leaseback will be consummated.

For the interim financial period ended September 30, 2009, subsequent events were evaluated through the date of this filing, the date the financial statements were issued.

NOTE 19 Recent Accounting Pronouncements:

In June 2009, the FASB issued Accounting Standards Codification 105 Generally Accepted Accounting Principles (ASC 105) (Prior authoritative literature SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162). ASC 105 establishes the FASB Accounting Standard Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles in the United States. All guidance contained in the Codification carries an equal level of authority. On the effective date of ASC 105, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The implementation of this standard, effective for our interim financial statements ending September 30, 2009, did not have a material impact on our consolidated financial position and results of operations.

In May 2009, the FASB issued Accounting Standards Codification 855 Subsequent Events (ASC 855) (Prior authoritative literature SFAS No. 165, Subsequent Events), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, ASC 855 sets forth: (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. In accordance with ASC 855, an entity should apply the requirements to interim and annual financial periods ending after June 15, 2009. The implementation of this standard, effective for our interim financial statements ending September 30, 2009, did not have a material impact on our consolidated financial position and results of operations. For the interim financial period ended September 30, 2009, subsequent events were evaluated through the date the financial statements were issued.

In April 2009, the FASB issued Accounting Standards Codification 825 Financial Instruments (ASC 825) (Prior authoritative literature FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments). ASC 825 requires disclosure in summarized financial information at interim reporting periods about the fair value of financial instruments of publicly traded companies as well as in annual financial statements. ASC 825 is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We have adopted the disclosure requirements of ASC 825 effective with our second quarter ended June 30, 2009. ASC 825 did not have an impact on the determination or reporting of our financial results.

In March 2009, the FASB issued Accounting Standards Codification 805 Business Combinations (ASC 805) (Prior authoritative literature FSP FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination and SFAS No. 141 (revised 2007), Business Combinations), which gives guidance for the initial recognition and measurement, subsequent measurement, and disclosures of assets and liabilities arising from contingencies in a business combination and for pre-existing contingent consideration assumed as part of the business combination. It establishes principles and requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. ASC 805 also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. ASC 805 was adopted by us on January 1, 2009. The adoption of ASC 805 impacted the accounting for our Refinancing (See Note 1 Basis of Presentation).

In November 2008, the FASB issued Accounting Standards Codification 323 Investments-Equity Method and Joint Ventures (ASC 323) (Prior authoritative literature EITF No. 08-6, Equity Method Investment Accounting Considerations), which is effective for us January 1, 2009. ASC 323 addresses the impact that ASC 805 might have on the accounting for equity method investments, including how the initial carrying value of an equity method investment should be determined, how an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment should be performed and how to account for a change in an investment from the equity method to the cost method. The adoption of this guidance did not have a significant impact on our Consolidated Financial Statements.

In March 2008, the FASB issued Accounting Standards Codification 815 Derivatives and Hedging (ASC 815) (Prior authoritative literature SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133). ASC 815 expands quarterly disclosure requirements about an entity's derivative instruments and hedging activities. ASC 815 was effective for fiscal years beginning after November 15, 2008.

In December 2007, the FASB issued Accounting Standards Codification 810 Consolidation (ASC 810) (Prior authoritative literature SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements). ASC 810 establishes requirements for ownership interests in subsidiaries held by parties other than the parent

WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(in thousands, except per share amounts)

(unaudited)

(sometimes called minority interests) to be clearly identified, presented, and disclosed in the consolidated statement of financial position within equity, but separate from the parent's equity. All changes in the parent's ownership interests are required to be accounted for consistently as equity transactions and any non-controlling equity investments in unconsolidated subsidiaries must be measured initially at fair value. ASC 810 is effective for fiscal years beginning after December 15, 2008. However, presentation and disclosure requirements must be retrospectively applied to our Consolidated Financial Statements. The implementation of this standard, effective for our interim financial statements ending September 30, 2009, did not have a material impact on our consolidated financial position and results of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (In thousands except per share amounts)

EXECUTIVE OVERVIEW

The following discussion should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the annual audited consolidated financial statements and notes thereto included in our Current Report on Form 8-K as filed on August 26, 2009.

Westwood One is a provider of programming, information services and other content to the radio, TV and digital sectors. We are one of the largest domestic outsourced providers of traffic reporting services and one of the nation's largest radio networks, producing and distributing national news, sports, music, talk and entertainment programs, features and live events, in addition to local news, sports, weather, video news and other information programming. We deliver our content to approximately 5,000 radio and 170 television stations in the U.S. We exchange our content with radio and television stations for commercial airtime, which we then sell to local, regional and national advertisers.

We derive substantially all of our revenue from the sale of :10 second, :15 second, :30 second and :60 second commercial airtime to advertisers. Our advertisers who target local/regional audiences generally find the most effective method is to purchase shorter duration advertisements, which are principally correlated to traffic and information related programming and content. Our advertisers who target national audiences generally find the most cost effective method is to purchase longer :30 or :60 second advertisements, which are principally correlated to news, talk, sports and music and entertainment related programming and content. A growing number of advertisers purchase both local/regional and national airtime. Our goal is to maximize the yield of our available commercial airtime to optimize revenue.

In managing our business, we develop programming and exploit our commercial airtime by concurrently taking into consideration the demands of our advertisers on both a market specific and national basis, the inputs of the owners and management of our radio station affiliates, and the inputs of our programming partners and talent. Our continued success and prospects for growth are dependent upon our ability to manage these factors in a cost effective manner and to adapt our information and entertainment programming to different distribution platforms. Our results may also be impacted by overall economic conditions, trends in demand for radio related advertising, competition, and risks inherent in our customer base, including customer attrition and our ability to generate new business opportunities to offset any attrition.

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 and the timing of the broadcasting of our programming, principally the seasonal nature of sports programming; (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 related audiences, including changes in the demographic composition of our audience base; (5) increases or decreases in the size of our advertiser sales force; and (6) competitive and alternative programs and advertising mediums, including, but not limited to, radio.

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. Our ability to specifically isolate the relative historical aggregate impact of price and volume is not practical as commercial airtime is sold and managed on an order-by-order basis. We closely monitor advertiser commitments for the current calendar year, with particular emphasis placed on the annual upfront process and a prospective three-month period. 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.

Our national revenue has been trending downward for the last several years due principally to reductions in national audience levels and the audience levels of our affiliated stations. Our local/regional revenue has been trending downward due principally to increased competition, and an increase in the amount of :10 second inventory being sold by radio stations. Recently, our operating performance has also been affected by the weakness in the United States economy and advertiser demand for radio-related advertising products.

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 the Management Agreement (which terminated on March 3, 2008), corporate accounting, legal and administrative personnel costs, and other administrative expenses, including those associated with corporate governance matters. Special charges include one-time expenses associated with the renegotiation of the CBS agreements, the 2009 and 2008 Gores investments, Refinancing costs and regionalization costs.

We consider our operating cost structure to be largely fixed in nature, and as a result, we need several months lead time to make significant modifications to our cost structure to react to what we view are more than temporary increases or decreases in advertiser demand. This becomes important in predicting our performance in periods when advertiser revenue is increasing or decreasing. In periods where advertiser revenue is increasing, the fixed nature of a substantial portion of our costs means that operating income will grow faster than the related growth in revenue. Conversely, in a period of declining revenue, operating income will decrease by a greater percentage than the decline in revenue because of the lead time needed to reduce our operating cost structure. If we perceive a decline in revenue to be temporary, we may choose not to reduce our fixed costs, or may even increase our fixed costs, so as to not limit our future growth potential when the advertising marketplace rebounds. We carefully consider matters such as credit and commercial inventory risks, among others, in assessing arrangements with our programming and distribution partners. In those circumstances 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 circumstances 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.

In the third quarter of 2008, we announced a plan to restructure the traffic operations of the Metro Traffic business (commonly referred to by us as the Metro re-engineering) and to implement other cost reductions. The 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. Management has also implemented additional cost reduction initiatives in the first half of 2009 including reductions in Network programming costs, labor expense, station compensation and other operating costs, to help improve our operating and financial performance and help establish a foundation for potential profitable long-term growth. We have recognized \$42,000 of savings from both the Metro re-engineering and additional cost reduction initiatives undertaken by us through the end of the third quarter of 2009 of which \$5,500 was recognized during 2008. We anticipate that the total annual savings in 2009 (from the start of the Metro re-engineering and other cost reductions in the third quarter of 2008) will be in the \$53,000 to \$61,000 range and additional savings in 2010 will be approximately \$2,000, as additional phases of the Metro re-engineering and cost-reduction programs are implemented. These anticipated savings are comprised of labor savings, lower programming costs and reductions in aviation expense, station compensation and savings from consolidation of office leases. Many of the initiatives were instituted as of June 30, 2009.

These savings will be offset somewhat by specific strategic investment areas, including: strengthening the Company's sales force in both the Network and Metro Traffic businesses, investments in new programming, investments in the digital area, improvements in systems infrastructure, TV inventory outlays, incremental costs related to our TrafficLand license agreement, and expenses under the Company's distribution arrangement with CBS Radio, which partly results from increased clearance levels by CBS Radio.

In connection with the Metro re-engineering and the cost reduction initiatives, we recorded \$14,100 and \$6,802 of restructuring charges in the second half of 2008 and for the nine months ended September 30, 2009, respectively. In connection with the foregoing, we estimate we will record, in the aggregate, restructuring charges of approximately \$27,100, consisting of: (1) \$11,600 of severance, relocation and other employee related costs; (2) \$8,900 of facility consolidation and related costs; and (3) \$6,600 of contract termination costs.

On March 3, 2008, we closed on the new Master Agreement with CBS Radio, which documents a long-term agreement through March 31, 2017. As part of the new arrangement, CBS Radio agreed to broadcast certain of our commercial inventory for our Network and Metro Traffic and information businesses through March 31, 2017 in exchange for certain programming and/or cash compensation. Under the new arrangement, CBS Radio agreed to assign to us all of its right, title and interest in and to the warrants to purchase common stock outstanding under prior agreements. These warrants were cancelled and retired on March 3, 2008.

The new arrangement with CBS Radio is particularly important to us, as in recent years, the radio broadcasting industry has experienced a significant amount of consolidation. As a result, certain major radio station groups, including Clear Channel Communications 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.

Prior to the new CBS arrangement which closed on March 3, 2008, many of our affiliation agreements with CBS Radio did not tie station compensation to audience levels or clearance levels. Such factors contributed to a significant decline in our national audience delivery to advertisers when CBS Radio stations delivered lower audience levels and broadcast fewer commercials than in earlier years. Our new arrangement with CBS limits the impact of these circumstances in most instances by adjusting affiliate compensation for changes in audience levels. In addition, the arrangement provides CBS Radio with financial incentives to broadcast substantially all our commercial inventory (referred to as "clearance") in accordance with the terms of the contracts and significant penalties for not complying with the contractual terms of our arrangement. At this point, we believe that over time we will be able to increase prices for this larger audience; however, if we cannot, the higher costs recently incurred by us, without offsetting revenue gains, may continue to be a contributing factor to our decline in operating income.

As a result of the Charter Amendments approved on August 3, 2009, CBS Radio which previously owned approximately 15.8% of our common stock, now owns less than 1% of our common stock. As a result of this change in ownership and the fact that CBS Radio ceased to manage us in March 2008, we no longer consider CBS Radio to be a related party effective as of August 3, 2009 and are no longer recording payments to CBS as related party expenses or amounts due to related parties effective August 3, 2009.

As previously disclosed on July 9, 2009, Gores converted 3.5 shares of Series A-1 Convertible Preferred Stock into 103,513 shares of common stock. Such conversion triggered the conversion of 292 shares of Class B Common into 292 shares of common stock pursuant to the terms of our Charter.

The conversion of Preferred Stock that occurred on August 3, 2009 increased the number of shares of common stock issued and outstanding from 206,263 to 4,062,446 on a pre-split basis, which was reduced to 20,312 shares after the 200:1 reverse stock split. While such technically resulted in substantial dilution to our common stockholders, the ownership interest of each of our common stockholders did not change substantially.

after the conversion of the Preferred Stock into common stock as the Preferred Stock that was issued on April 23, 2009 when our Refinancing closed from the time of its issuance participated on an as-converted basis with respect to voting, dividends and other economic rights as the common stock. Effective August 3, 2009, when the Charter Amendments were approved, the warrants issued to Gores on June 19, 2008 were cancelled.

References are made in this report to a potential offering by us. On June 22, 2009, we filed a Registration Statement on Form S-1 with the SEC for an offering of our common stock in an amount of up to \$50,000. We amended the S-1 on August 24, 2009, October 16, 2009, October 30, 2009 and November 4, 2009, respectively.

There can be no assurance that such offering will occur on the terms described or at all. During this year, 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 period ended September 30, 2009. 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 subsequent to September 30, 2009 and intend to continue to evaluate our internal controls during the fourth quarter and make further improvements as necessary.

As a result of the Refinancing we followed the acquisition method of accounting, as described by ASC 805, and applied the SEC rules and guidance regarding push down accounting treatment. Accordingly, 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 columns 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.

For purposes of presenting a comparison of our 2009 results to prior periods, we have presented our 2009 results as the mathematical addition of the Predecessor Company and Successor Company periods. We believe that this presentation provides the most meaningful information about our results of operations. This approach is not consistent with GAAP, may yield results that are not strictly comparable on a period-to-period basis, and may not reflect the actual results we would have achieved. Below is a reconciliation of our financial statements to this non-GAAP measure.

Combined Results for the Nine Months Ended September 30, 2009

| | Successor Company For the Period April 24, 2009 to September 30, 2009 | Predecessor Company For the Period January 1, 2009 to April 23, 2009 | Combined Total For the Nine months ended September 30, 2009 |
|---|---|---|--|
| NET REVENUE | \$ 136,518 | \$ 111,474 | \$ 247,992 |
| Operating Costs | 127,039 | 111,580 | 238,619 |
| Depreciation and Amortization | 13,909 | 2,585 | 16,494 |
| Corporate General and Administrative Expenses | 5,337 | 4,248 | 9,585 |
| Goodwill Impairment | 50,501 | | 50,501 |
| Restructuring Charges | 2,826 | 3,976 | 6,802 |
| Special Charges | 1,188 | 12,819 | 14,007 |
| | 200,800 | 135,208 | 336,008 |
| OPERATING (LOSS) | (64,282) | (23,734) | (88,016) |
| Interest Expense (Income) | 9,618 | 3,222 | 12,840 |
| Other Income | 66 | (359) | (293) |
| (LOSS) BEFORE INCOME TAX | (73,866) | (26,596) | (100,562) |
| INCOME TAX (BENEFIT) | (14,231) | (7,635) | (21,866) |

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| | | | | | | |
|------------|----|----------|----|----------|----|----------|
| NET (LOSS) | \$ | (59,735) | \$ | (18,961) | \$ | (78,696) |
|------------|----|----------|----|----------|----|----------|

Results of Operations

We established a new organizational structure in 2008 pursuant to which we manage and report our business in two operating segments: Network and Metro Traffic. Our Network business produces and distributes regularly scheduled and special syndicated programs, including exclusive special events, music and interview shows, national music countdowns, lifestyle short features, news broadcasts, talk programs, sporting events and sports features. Our Metro Traffic business provides traffic reports and local news, weather and sports information programming to radio and television affiliates and their websites. We evaluate segment performance based on segment revenue and segment operating (loss)/income. 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 captured discretely within each segment. Our accounts receivable and property, plant and equipment are captured and reported discretely within each operating segment.

Three Months Ended September 30, 2009 Compared With Three Months Ended September 30, 2008

Revenue

Revenue presented by operating segment is as follows:

| | Three Months Ended | | | |
|---------------|--------------------|-------------|--------------------|-------------|
| | September 30, 2009 | | September 30, 2008 | |
| | \$ | % of Total | \$ | % of Total |
| Metro/Traffic | \$ 38,027 | 48% | \$ 48,162 | 50% |
| Network | 40,447 | 52% | 48,137 | 50% |
| Total | \$ 78,474 | 100% | \$ 96,299 | 100% |

For the three months ended September 30, 2009, revenue decreased \$17,825, or 18.5%, to \$78,474 compared with \$96,299 for the three months ended September 30, 2008. The overall decline in revenue is principally attributable to the ongoing economic downturn and, in particular, the general decline in advertising spending.

Metro Traffic revenue for the three months ended September 30, 2009 decreased \$10,135, or 21.0%, to \$38,027 from \$48,162 for the same period in 2008. The decrease in Metro Traffic revenue was principally related to a weak local advertising marketplace spanning various sectors and categories including retail and telecommunications, which placed an overall downward pressure on advertising sales and rates. Additionally, the television upfronts (where advertisers purchase commercial airtime for the upcoming television season several months before the season begins), which in prior years concluded in the second quarter, were extended through August to complete the upfront advertising sales. During this period, advertisers were slow to commit to buying commercial airtime for the third quarter of 2009. We believed that the conclusion of the television upfronts would help bring more clarity to both purchasers and sellers of advertising; however, once such upfronts concluded in August, it became increasingly evident from our quarterly bookings, backlog and pipeline data that the downturn in the economy was continuing and affecting advertising budgets and orders.

For the three months ended September 30, 2009, Network revenue was \$40,447 compared to \$48,137 for the comparable period in 2008, a decrease of 16.0%, or \$7,690. The decline is primarily the result of the general decline in advertising spending which affected our Network revenue from news and talk programs and sports events, our cancellation of certain programs, and lower revenues from our RADAR network inventory.

Operating Costs

Operating costs for the three months ended September 30, 2009 and 2008 were as follows:

| | Three Months Ended | | | |
|-----------------------------|--------------------|------------|--------------------|------------|
| | September 30, 2009 | | September 30, 2008 | |
| | \$ | % of Total | \$ | % of Total |
| Payroll and payroll related | \$ 20,453 | 27% | \$ 25,205 | 29% |
| Programming and production | 16,139 | 22% | 21,380 | 25% |
| Program and operating | 6,901 | 9% | 3,333 | 4% |
| Station compensation | 18,072 | 24% | 20,168 | 23% |
| Other operating expenses | 13,357 | 17% | 16,055 | 19% |
| | \$ 74,922 | 100% | \$ 86,142 | 100% |

Operating costs decreased \$11,220, or 13.0%, to \$74,922 in the third quarter of 2009 from \$86,142 in the third quarter of 2008. The decrease reflects the benefit of the Metro re-engineering and cost reduction programs which began in the last half of 2008 and continued through the third quarter of 2009. Payroll and payroll related costs declined \$4,752 or 18.9% as a result of the salary and headcount reductions, partially offset by an increase in commission rates implemented to incentivize sales growth. Programming and production costs decreased by \$5,241 from \$21,380 to \$16,139 due to lower talent fees and reduced revenue sharing expense as a result of our lower revenue. Program and operating costs increased to \$6,901 from \$3,333 reflecting increased purchases of television and other inventory and expenses related to our License Agreement with TrafficLand. Station compensation expense decreased by \$2,096, primarily due to the renegotiation and cancellation of certain affiliate arrangements. Other operating expenses declined from \$16,055 to \$13,357 again reflecting the benefit of the Metro re-engineering program, primarily related to facilities, aviation, telephony and other costs.

Depreciation and Amortization

Depreciation and amortization increased \$5,698 to \$8,064 in the third quarter of 2009 from \$2,366 in the third quarter of 2008. The increase is primarily attributable to the increase in amortization for the fair value of intangibles recorded as a result of the application of acquisition accounting and by increased depreciation and amortization for additional investments in systems and infrastructure, partially offset by decreased depreciation for leasehold improvements from the closure and consolidation of facilities in connection with our Metro re-engineering that began in the last half of 2008.

Corporate General and Administrative Expenses

Corporate, general and administrative expenses decreased by \$1,119 to \$2,930 for the three months ended September 30, 2009 as compared to \$4,049 for the same period in 2008. The decrease is principally due to labor cost reductions as well as decreases in non-labor expenses such as stock compensation, shareholder relations and consulting fees.

Goodwill 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.

Restructuring Charges

During the three months ended September 30, 2009, we recorded a \$1,372 restructuring charge in connection with the re-engineering of our Metro Traffic operations that commenced in the last half of 2008 and has continued into 2009, and the new cost reduction initiatives undertaken in the first half of 2009. Facilities shutdown expense of \$631 and severance costs of \$591 were the major components of the restructuring charge.

Special Charges

We incurred non-recurring expenses aggregating \$820 and \$699 in the third quarter of 2009 and 2008, respectively. Special charges in the third quarter of 2009 include expenses primarily related to consulting fees for our financial advisors and other professional fees. Special charges consisted primarily of costs related to the negotiation and closing of documentation related to the issuance of Series A Preferred Stock to Gores in June 2008.

Operating (Loss)

The operating (loss) for the three months ended September 30, 2009 increased to \$(60,135) from \$(7,555) for the same period in 2008. The increased loss is due to the goodwill impairment of \$50,401 recorded in the third quarter of 2009. The decline in operating income between the third quarter of 2008 and the operating loss for the third quarter of 2009, absent the goodwill impairment charge, is primarily attributable to the decline in our revenue, which was impacted by the current economic downturn and related weakness in the advertising market. The decline in revenue was partially offset by the re-alignment of our cost base, net of restructuring charges, as part of our Metro Traffic re-engineering and other cost reduction initiatives.

Interest Expense

Interest expense increased \$1,167, or 31.1%, to \$4,925 in the third quarter of 2009 from \$3,758 in the third quarter of 2008. The increase reflects the higher interest rate on the debt from our Refinancing.

Other (Income) Expense

Other Income decreased \$12,523 to an expense of \$70 in the third quarter of 2009 from income of \$12,453 in the third quarter of 2008. The decrease reflects the absence of a gain on the sale of a marketable investment recorded in 2008,

Provision for Income Taxes

Income tax benefit in the third quarter of 2009 was \$11,581 compared with tax expense of \$1,150 in the third quarter of 2008. Our effective tax rate for the quarter ended September 30, 2009 was approximately 17.8% as compared to the 38.5% (excluding the impact of our goodwill impairment) for the same period in 2008, due to the non-deductibility of certain costs incurred related to our Refinancing.

Net (Loss)

Net (loss) for the third quarter of 2009 increased to \$(53,549) from net loss of \$(10) largely due to the goodwill impairment.

Combined Nine Months Ended September 30, 2009 Compared With Nine Months Ended September 30, 2008**Revenue**

Revenue presented by operating segment is as follows:

| | Nine Months Ended | | | |
|---------------|--------------------|-------------|--------------------|-------------|
| | September 30, 2009 | | September 30, 2008 | |
| | \$ | % of Total | \$ | % of Total |
| Metro/Traffic | \$ 116,198 | 47% | \$ 148,808 | 49% |
| Network | 131,794 | 53% | 154,490 | 51% |
| Total | \$ 247,992 | 100% | \$ 303,298 | 100% |

For the nine months ended September 30, 2009, revenue decreased \$55,306 or 18.2%, to \$247,992 compared with \$303,298 for the nine months ended September 30, 2008. The overall decline in revenue is 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 has continued in 2009.

Metro Traffic revenue for the nine months ended September 30, 2009 decreased \$32,610 or 21.9% to \$116,198 from \$148,808 for the same period in 2008. The decrease in Metro Traffic revenue was principally related to a weak local advertising marketplace spanning various sectors and categories including automotive, retail and telecommunications, which placed an overall downward pressure on advertising sales and rates. Additionally, the television upfronts (where advertisers purchase commercial airtime for the upcoming television season several months before the season begins), which in prior years concluded in the second quarter, were extended through August to complete the upfront advertising sales. During this period, advertisers were slow to commit to buying commercial airtime for the third quarter of 2009. We believed that the conclusion of the television upfronts would help bring more clarity to both purchasers and sellers of advertising; however, once such upfronts concluded in August, it became increasingly evident from our quarterly bookings, backlog and pipeline data that the downturn in the economy was continuing and affecting advertising budgets and orders.

For the nine months ended September 30, 2009, Network revenue was \$131,794 compared to \$154,490 for the comparable period in 2008, a decrease of 14.7% or \$22,696. The decline is primarily the result of the general decline in advertising spending which affected our Network revenue from news and talk programs and sports events, the cancellation of certain programs and lower revenues from our RADAR network inventory.

Operating Costs

Operating costs for the nine months ended September 30, 2009 and 2008 were as follows:

| | Nine Months Ended | | | |
|-----------------------------|--------------------|------------|--------------------|------------|
| | September 30, 2009 | | September 30, 2008 | |
| | \$ | % of Total | \$ | % of Total |
| Payroll and payroll related | \$ 62,956 | 26% | \$ 76,972 | 29% |
| Programming and production | 59,338 | 25% | 68,534 | 26% |
| Program and operating | 18,186 | 8% | 11,616 | 4% |
| Station compensation | 56,175 | 24% | 60,054 | 23% |
| Other operating expenses | 41,964 | 18% | 48,606 | 18% |
| | \$ 238,619 | 100% | \$ 265,782 | 100% |

Operating costs decreased \$27,163, or 10.2%, to \$238,619 for the nine months ended September 30, 2009 from \$265,782 for the nine months ended September 30, 2008. The decrease reflects the benefit of the re-engineering and cost reduction programs which began in the last half of 2008. Payroll and payroll related costs declined \$14,016, or 18.2%, as a result of the reduction in salaries and headcount, partially offset by an increase in commission rates implemented to incentivize sales growth. Programming and production costs decreased by \$9,196 to \$59,338 from \$68,534 for the nine months ended September 30, 2009 due to lower talent fees and reduced revenue sharing expense as a result of our lower revenue. Program and operating costs increased to \$18,186 from \$11,616, reflecting increased purchases of television and other inventory and expenses related to our License Agreement with TrafficLand. Station compensation expense decreased to \$56,175 from \$60,054, reflecting the renegotiation and cancellation of certain affiliate arrangements. Other operating expenses declined by \$6,642, or 13.7%, again reflecting the benefit of the Metro Traffic re-engineering program primarily related to facilities, aviation, telephony and other costs.

Depreciation and Amortization

Depreciation and amortization increased \$7,731 or 88.2%, to \$16,494 for the nine months ended September 30, 2009 from \$8,763 for the nine months ended September 30, 2008. The increase is primarily attributable to the increase in amortization for the fair value of intangibles recorded as a result of the application of acquisition accounting and by increased depreciation and amortization for additional investments in systems and infrastructure. This was partially offset by a decrease in warrant amortization expense as a result of the cancellation on March 3, 2008 of all outstanding warrants previously granted to CBS Radio and decreased depreciation for leasehold improvements from the closure and consolidation of facilities.

Corporate General and Administrative Expenses

Corporate, general and administrative expenses increased \$1,075 to \$9,585 for the nine months ended September 30, 2009 as compared to \$8,510 for the same period in 2008. The increase is principally due to increased accounting and auditing fees associated with the additional reporting required by acquisition accounting, which increased by \$819, and the increased stock compensation expense of \$1,007, which reflects a credit taken in 2008 for the reversal of compensation cost associated with the cancellation of unvested options. Corporate, general and administrative expenses are expected to return to more normal levels once the accounting work in support of the acquisition accounting and a potential stock offering are completed.

Goodwill Impairment

We incurred a goodwill impairment charge of \$50,401 for the nine months ended September 30, 2009. During the first nine months of 2008, we incurred a goodwill impairment charge of \$206,053 as a result of a continued decline in our operating performance and stock price in that period.

Restructuring Charges

During the nine months ended September 30, 2009, we recorded \$6,802 of restructuring charges in connection with the re-engineering of our Metro Traffic operations that commenced in the last half of 2008 and has continued into 2009, and the new cost reduction initiatives undertaken in the first half of 2009. The major components of these charges included severance of \$2,621 and facilities closure expense of \$4,031.

Special Charges

We incurred non-recurring expenses aggregating \$14,007, and \$9,756 for the nine months ended September 30, 2009 and 2008, respectively. Special charges in the third quarter of 2009 related to the Refinancing include transaction fees and expenses related to negotiation of the definitive documentation for the Refinancing, including the 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 new Senior Credit Facility) and other professional fees. Special charges in the third quarter of 2008 consisted of \$5,000 of contract termination costs and \$4,756 of associated legal and professional fees incurred in connection with the new CBS arrangement.

Operating (Loss)

The operating (loss) for the nine months ended September 30, 2009 decreased to \$(88,016) from \$(206,164) for the same period in 2008. The decreased loss is due to the higher goodwill impairment of \$206,053 recorded in the second quarter of 2008 versus the goodwill impairment charge of \$50,401 in the third quarter of 2009. Excluding the impairment charge, operating (loss) for the nine months ended September 30, 2009 and 2008, respectively, would have been \$(37,615) and \$(111), respectively. The decline in operating income between the nine months ended September 30, 2008, absent the goodwill impairment charge, and the operating loss for the comparable period of 2009, 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, as part of our Metro re-engineering and other reduction initiatives.

Interest Expense

Interest expense decreased \$669, or 5.2%, to \$12,840 for the nine months ended September 30, 2009 from \$13,509 in the comparable period. The decrease reflects the lower average debt levels during 2009 as a result of our April 23, 2009 Refinancing, partially offset by the higher average interest rates on the New Senior Notes and Senior Credit Facility. As a result of our Refinancing transactions, 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) will increase. The decrease also reflects a one-time reversal of interest expense from the settlement of an amount owed to a former employee of \$754.

Other (Income) Expense

Other Income decreased \$12,523 to income of \$293 for the nine months ended September 30, 2009 from income of \$12,538 for the comparable period of 2008. The decrease reflects the absence of a gain on the sale of a marketable investment recorded in 2008.

Provision for Income Taxes

Income tax benefit in the first nine months of 2009 was \$21,866 compared with a tax benefit of \$2,044 for the first nine months of 2008. Our effective tax for the nine months ended September 30, 2009 was approximately 21.7% as compared to the 38.5% (excluding the impact of goodwill impairment) for the same period in 2008.

Net (Loss) Income

Net (loss) in the first nine months of 2009 decreased to \$(78,696) from a net (loss) of \$(205,091) in the first nine months of 2009.

Liquidity and Capital Resources

We continually project anticipated cash requirements, which may include potential acquisitions, 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 and the issuance of long-term debt.

On October 14, 2009, we entered into separate agreements with the holders of our New Senior Notes and Wells Fargo Foothill to amend the terms of our Securities Purchase Agreement (governing the New Senior Notes) and Senior Credit Facility, respectively, to waive compliance with our debt leverage covenants which were to be measured on December 31, 2009 on a trailing four-quarter basis. As part of the Securities Purchase Agreement amendment, we have agreed to pay down our New Senior Notes by using the gross proceeds of the offering and additional cash on hand, if necessary by: (i) \$15,000 if the gross proceeds of the offering are less than \$40,000 and (ii) \$20,000 (or more at our sole discretion) if the gross proceeds of the offering are equal to or greater than \$40,000. If neither an offering of capital stock nor the proposed sale-leaseback of our Culver City properties occurs on or prior to March 31, 2010, we have agreed to pay down \$3,500 of our New Senior Notes. Any such prepayments would be deemed optional prepayments under the Securities Purchase Agreement and made within 5 business days of the date the offering is consummated or April 7, 2010 in the event no offering or sale-leaseback was consummated. The amendments also included consents by holders of the New Senior Notes and Wells Fargo Foothill regarding the potential Culver City sale-leaseback and in the case of the amendment to the Senior Credit Facility, an increase in the letters of credit sublimit from \$1,500 to \$2,000. We believe that our sources of liquidity are adequate to fund ongoing operating requirements in the next twelve months.

Existing Indebtedness

Effective April 23, 2009, we have: \$117,500 of new senior secured notes maturing July 15, 2012 (the "New Senior Notes"); a \$20,000 unsecured, non-amortizing term loan and a \$15,000 revolving line of credit (which includes a \$1,500 letter of credit sub-facility) on a senior unsecured basis (the foregoing, the "Senior Credit Facility"). The term loan and revolver mature on July 15, 2012 and are guaranteed by our domestic subsidiaries (the "Guarantors") and Gores. We borrowed the entire amount of the term loan on the Closing Date and did not make any borrowings of revolving loans. The New Senior Notes bear interest at 15.0% per annum, payable 10% in cash and 5% in-kind (PIK interest). The PIK interest is added to principal quarterly but is not payable until maturity. The New Senior Notes may be prepaid at any time, in whole or in part, without premium or penalty. Payment of the New 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 New Senior Notes). The New Senior Notes are guaranteed by the Guarantors and are secured by a first priority lien on substantially all of our assets.

Loans under our existing Credit Agreement (related to 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 New Senior Notes) and Credit Agreement (governing the new term loan and revolver which collectively comprise 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 New Senior Notes over our consolidated Adjusted EBITDA). 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. We currently believe, based on our latest forecast, that we will be in compliance with our amended debt covenants for the next 12 months. A wide range of factors could materially affect future developments and performance and would cause us to be unable to meet our debt covenants. Such factors and others are discussed in greater detail in the risks factors associated with our business.

Our present financial condition has caused us to obtain waivers to the agreements governing our indebtedness and to institute certain cost saving measures. If our financial condition does not improve, we may need to take additional actions designed to respond to or improve our financial condition and we cannot assure you that any such actions would be successful in improving our financial position. As a result of our current financial position we have taken certain actions designed to respond to and improve our current financial position. On October 14, 2009, we entered into separate agreements with the holders of our Senior Notes and Wells Fargo Foothill to amend the terms of our Securities Purchase Agreement (governing the Senior Notes) and Senior Credit Facility, respectively, to waive compliance with our debt leverage covenants which were to be measured on December 31, 2009 on a trailing four-quarter basis. In addition, we have implemented and continue to implement cost saving measures which include compensation reduction and furlough actions (aggregating 10 days of pay per each participating full-time employee) that we announced on September 29, 2009.

As part of the Refinancing that closed on April 23, 2009, we sold 25,000 shares of Series B Preferred Stock to Gores for an aggregate purchase price of \$25,000.

Indebtedness prior to April 23, 2009

Prior to April 23, 2009, our debt consisted of an unsecured, five-year \$120,000 term loan and a five-year \$75,000 revolving credit facility (collectively, the Old Facility). Interest on the Old Facility was variable and payable at a maximum of the prime rate plus an applicable margin of up to .75% or LIBOR plus an applicable margin of up to 1.75%, at our option. The Old Facility contained covenants relating to dividends, liens, indebtedness, capital expenditures and restricted payments, as defined, interest coverage and leverage ratios. As a result of an amendment to our Old Facility in the first quarter of 2008, we provided security to our lenders (including holders of our Senior Notes) on substantially all of our assets and amended our allowable total debt covenant to 4.0 times Annualized Consolidated Operating Cash Flow through the remaining term of the Old Facility.

Prior to April 23, 2009, we also had \$200,000 in Senior Notes which we issued on December 3, 2002, which consisted of: 5.26% Senior Notes due November 30, 2012 (in an aggregate principal amount of \$150,000) and 4.64% Senior Notes due November 30, 2009 (in an aggregate principal amount of \$50,000). Interest on the Notes was payable semi-annually in May and November. The Notes contained covenants relating to leverage and interest coverage ratios that were identical to those contained in our Old Facility.

On March 3, 2008 and March 24, 2008, respectively, we sold 7,143 shares (14,286 shares in the aggregate) of common stock to Gores for an aggregate purchase price of \$25,000 and on June 19, 2008, we sold \$75,000 of Series A Preferred Stock with warrants to Gores, generating net proceeds of approximately \$96,928.

Current Position

At September 30, 2009, we had \$20,000 outstanding under the term loan. At September 30, 2009, our principal sources of liquidity were cash and cash equivalents of \$4,568.

Net cash used by operating activities was \$17,255 for the period ended September 30, 2009 and \$9,201 for the nine months ended September 30, 2008, an increase of \$8,054 in net cash used by operating activities. The increase principally reflects the increased net loss, before impairment charges, partially offset by lower capital expenditures. Subsequent to September 30, 2009 we borrowed \$6,000 under the revolving line of credit. To date we have also made one deferral of \$4,000 in payments due to CBS Radio under the master agreement.

Our business does not usually require substantial cash outlays for capital expenditures. Capital expenditures for the period ended September 30, 2009 decreased \$2,483 to \$3,739 from \$6,222 for the comparable period of 2008. The decrease in 2009 is principally attributable to the timing of our expenditures planned for the year. We anticipate an increase in the quarterly level of capital expenditures for the remainder of 2009 as we invest in systems and infrastructure.

In May 2007, our board of directors elected to discontinue the payment of a dividend on our common stock and does not plan to declare dividends on our common stock for the foreseeable future. The payment of dividends on our common stock is also prohibited by the terms of our New Senior Notes.

Recent Accounting Pronouncements

In June 2009, the FASB issued Accounting Standards Codification 105 Generally Accepted Accounting Principles (ASC 105) (Prior authoritative literature SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles a replacement of FASB Statement No. 162). ASC 105 establishes the FASB Accounting Standard Codification (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with generally accepted accounting principles in the United States. All guidance contained in the Codification carries an equal level of authority. On the effective date

of ASC 105, the Codification will supersede all then-existing non-SEC accounting and reporting standards. All other non-grandfathered non-SEC accounting literature not included in the Codification will become non-authoritative. ASC 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The implementation of this standard, effective for our interim financial statements ending September 30, 2009, did not have a material impact on our consolidated financial position and results of operations.

In May 2009, the FASB issued Accounting Standards Codification 855 Subsequent Events (ASC 855) (Prior authoritative literature SFAS No. 165, Subsequent Events), which establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. In particular, ASC 855 sets forth: (1) the period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) the circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements, and (3) the disclosures that an entity should make about events or transactions that occurred after the balance sheet date. In accordance with ASC 855, an entity should apply the requirements to interim and annual financial periods ending after June 15, 2009. The implementation of this standard, effective for our interim financial statements ending September 30, 2009, did not have a material impact on our consolidated financial position and results of operations. For the interim financial period ended September 30, 2009, subsequent events were evaluated through November 9, 2009, the date the financial statements were issued.

In April 2009, the FASB issued Accounting Standards Codification 825 Financial Instruments (ASC 825) (Prior authoritative literature FSP FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments). ASC 825 requires disclosure in summarized financial information at interim reporting periods about fair value of financial instruments of publicly traded companies as well as in annual financial statements. ASC 825 is effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. We have adopted the disclosure requirements of ASC 825 effective with our second quarter ended June 30, 2009. The ASC 825 did not have an impact on the determination or reporting of our financial results.

In March 2009, the FASB issued Accounting Standards Codification 805 Business Combinations (ASC 805) (Prior authoritative literature FSP FAS 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination and SFAS No. 141 (revised 2007), Business Combinations), which gives guidance for the initial recognition and measurement, subsequent measurement, and disclosures of assets and liabilities arising from contingencies in a business combination and for pre-existing contingent consideration assumed as part of the business combination. It establishes principles and requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. ASC 805 also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. ASC 805 was adopted by us on January 1, 2009. The adoption of ASC 805 impacted the accounting for our Refinancing (See Note1 Basis of Presentation).

In November 2008, the FASB issued Accounting Standards Codification 323 Investments-Equity Method and Joint Ventures (ASC 323) (Prior authoritative literature EITF No. 08-6, Equity Method Investment Accounting Considerations), which is effective for us January 1, 2009. ASC 323 addresses the impact that ASC 805 might have on the accounting for equity method investments, including how the initial carrying value of an equity method investment should be determined, how an impairment assessment of an underlying indefinite-lived intangible asset of an equity method investment should be performed and how to account for a change in an investment from the equity method to the cost method. The adoption of this guidance did not have a significant impact on our Consolidated Financial Statements.

In March 2008, the FASB issued Accounting Standards Codification 815 Derivatives and Hedging (ASC 815) (Prior authoritative literature SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133). ASC 815 expands quarterly disclosure requirements

about an entity's derivative instruments and hedging activities. ASC 815 is effective for fiscal years beginning after November 15, 2008.

In December 2007, the FASB issued Accounting Standards Codification 810 Consolidation (ASC 810) (Prior authoritative literature SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements). ASC 810 establishes requirements for ownership interests in subsidiaries held by parties other than the parent (sometimes called minority interests) to be clearly identified, presented, and disclosed in the consolidated statement of financial position within equity, but separate from the parent's equity. All changes in the parent's ownership interests are required to be accounted for consistently as equity transactions and any non-controlling equity investments in unconsolidated subsidiaries must be measured initially at fair value. ASC 810 is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. However, presentation and disclosure requirements must be retrospectively applied to our Consolidated Financial Statements. The implementation of this standard, effective for our interim financial statements ending September 30, 2009, did not have a material impact on our consolidated financial position and results of operations.

Cautionary Statement Concerning Forward-Looking Statements and Factors Affecting Forward-Looking Statements

This quarterly report on Form 10-Q, including Item 1A Risk Factors and Item 2 Management's Discussion and Analysis of Results of Operations and Financial Condition, 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.

A wide range of factors could materially affect future developments and performance including the following:

Risks Related To Our Business And Industry

Deterioration in general economic conditions and constrained consumer spending has caused, and could cause, additional decreases or delays in advertising spending, could harm our ability to generate advertising revenue and negatively affect our results of operations.

We derive the majority of our revenue from the sale of local, regional and national advertising. The current global economic slowdown has resulted in a decline in advertising and marketing services among our customers, resulting in a decline in advertising revenue across our businesses which to date has not abated. Additionally, advertisers, and the agencies that represent them, have put increased pressure on advertising rates, in some cases, requesting broad percentage discounts on ad buys, demanding increased levels of inventory and re-negotiating booked orders. The current state of the economy could also adversely affect our ability to collect accounts receivable from our advertisers, particularly those entities which have filed for bankruptcy. Reductions in advertising expenditures and declines in ad rates have adversely affected our revenue and the continuation of the global economic slowdown would likely continue to adversely impact our revenue, profit margins, cash flow and liquidity in future periods. In addition, once the current economic situation improves, we cannot predict whether or not advertisers' demands and budgets for advertising will return to previous levels.

Our operating income has declined since 2002 and may continue to decline. We may not be able to reverse this trend or reduce costs sufficiently to offset declines in revenue if such trends continue.

Since 2002, our annual operating income has declined from operating income of approximately \$180,000 to an operating loss of \$438,000, which included goodwill impairment charges of approximately \$430,000, for the year ended 2008, with the most significant decline occurring between 2005 and 2008. Between 2002 and 2008, our operating income declined as a result of increased competition in our local and regional markets and an increase in the amount of 10 second inventory being sold by radio stations. The decline (between 2005 and 2008) also was due to reductions in national audience levels (which dropped significantly between 2005 and 2006), lower commercial clearance and audience levels of our affiliated stations and reductions in our local and regional sales force, which began in mid-2006. Recently, our operating income has also been affected by the weakness in the United States economy and advertising market. Given the current economic climate, it is possible our financial position will not improve.

Our present financial condition has caused us to obtain waivers to the agreements governing our indebtedness and to institute certain cost saving measures. If our financial condition does not improve, we may need to take additional actions designed to respond to or improve our financial condition and we cannot assure you that any such actions would be successful in improving our financial position.

As a result of our current financial position we have taken certain actions designed to respond to and improve our current financial position. On October 14, 2009, we entered into separate agreements with the holders of our New Senior Notes and Wells Fargo Foothill to amend the terms of our Securities Purchase Agreement (governing the New Senior Notes) and Senior Credit Facility, respectively, to waive compliance with our debt leverage covenants which were to be measured on December 31, 2009 on a trailing four-quarter basis. In addition, we have implemented and continue to implement cost saving measures which include compensation reduction and furlough actions (aggregating 10 days of pay per each participating full-time employee) that we announced on September 29, 2009. Furthermore, as described in more detail elsewhere in this report, we have taken a goodwill impairment charge of approximately \$50,401 in the third quarter of 2009. Certain of the cost saving initiatives were designed to improve our financial condition. If our financial condition does not improve as a result of these and other actions, we may need to take additional actions in the future in an attempt to improve our financial condition. We can make no assurance that the actions we have taken and plan to take in the future will improve our financial position.

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 new 2008 arrangement is adjustable for audience levels and commercial clearance (*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 and continuing through the end of 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 be able to maintain these higher levels in particular, with the introduction of The Portable People Meter[®], or PPM[®], which to date has reported substantially lower audience ratings for certain of our radio station affiliates, including our CBS Radio station affiliates, in those markets in which PPM[®] has been implemented as described below. Additionally, 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.

We may not realize expected benefits from our cost cutting initiatives.

In order to improve the efficiency of our operations, we have implemented and continue to implement certain cost cutting initiatives, including headcount and salary reductions and more recently a furlough of participating full-time employees. We cannot assure you that we will realize the full level of expected cost savings or improve our operating performance as a result of our past, current and future cost cutting activities. We also cannot assure you that our cost cutting activities will not adversely affect our ability to retain key employees, the significant loss of whom could adversely affect our operating results. Further, as a result of our cost cutting activities, we may not have the appropriate level of resources and personnel to appropriately react to significant changes or fluctuations in the market and in the level of demand for our programming and services.

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

Our Metro business produces and distributes traffic and other local information reports to approximately 2,200 radio and 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. Recently, 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 business, which in turn could adversely affect our revenue from the sale of advertising inventory embedded in such reports.

If we are unable to achieve our financial forecast, we may require an amendment or additional waiver of our debt leverage covenant, which amendment or waiver, if not obtained, could have a material and adverse effect on our business continuity and financial condition.

Management believes that after giving effect to certain cost containment measures including furloughs and salary reductions for employees, we will generate sufficient Adjusted EBITDA in order to meet our debt leverage covenant over the next twelve months (namely, on March 31, 2010, June 30, 2010 and September 30, 2010 when the covenants are measured on a trailing four-quarter basis). However, as described elsewhere in this report, we are operating in an uncertain economic environment with limited visibility on advertising orders for the duration of 2009 and the beginning of 2010. While we have filed an S-1 registration statement with the SEC related to an offering of up to \$50,000, we have agreed to pay down our New Senior Notes in an amount of either \$15,000 or \$20,000, depending on the amount of gross proceeds of the offering. If we are unable to achieve our forecasted results, or sufficiently mitigate those results with certain cost reduction measures, and cannot obtain a waiver or amendment of our debt covenant requirements at March 31, 2010 or beyond, it could have a material and adverse effect on our business continuity, results of operations, cash flows and financial condition.

We may require additional financing to fund our working capital, debt service, capital expenditures or other capital requirements and the ongoing global credit market disruptions have reduced access to credit and created higher costs of obtaining financing.

Our primary source of liquidity is cash flow from operations, which has been adversely impacted by the decline in our advertising revenue. Based on our current and anticipated levels of operations, we believe that cash flow from operations as well as cash on hand (including amounts drawn or available under our Senior Credit Facility) will enable us to meet our working capital, capital expenditure, debt service and other capital requirements for at least the next 12 months. However, our ability to fund our working capital needs, debt service

and other obligations, and to comply with the financial covenants under our financing agreements depends on our future operating performance and cash flow, which are subject to prevailing economic conditions and other factors, many of which are beyond our control. We recently negotiated agreements with the holders of our New Senior Notes and Wells Fargo Foothill to waive compliance with our debt leverage covenants under our New Senior Notes and Senior Credit Facility, respectively (which levels were to be measured on December 31, 2009), as a result of lower than anticipated revenue and the uncertain economic and advertising environments. Pursuant to the terms of these agreements, we are required to use a portion of the proceeds of this offering to repay a portion of our outstanding New Senior Notes. The portion of the proceeds of this offering that is used to repay our New Senior Notes will not be available to us to fund the ongoing operating needs of our business. If our future operating performance does not meet our expectations or our plans materially change in an adverse manner or prove to be materially inaccurate, we may need additional financing. There can be no assurance that such financing, if permitted under the terms of our financing agreements, will be available on terms acceptable to us or at all. Additionally, disruptions in the credit markets make it harder and more expensive to obtain financing. If available financing is limited or we are forced to fund our operations at a higher cost, these conditions may require us to curtail our business activities and increase our cost of financing, both of which could reduce our profitability or increase our losses. The inability to obtain additional financing in such circumstances could have a material adverse effect on our financial condition and on our ability to meet our obligations.

We have a significant amount of indebtedness, which could adversely affect our liquidity and future business operations if our operating income declines more than we currently anticipate.

As of September 30, 2009, we had approximately \$120,400 in aggregate principal amount of New Senior Notes outstanding (of which \$2,900 is PIK interest), which bear interest at a rate of 15.0%, and a Senior Credit Facility consisting of: (x) a \$20,000 term loan and (y) a \$15,000 revolving line of credit which we intend to borrow against in the future. 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 in this report, we recently obtained waivers of compliance with our debt leverage covenants for the fourth quarter of 2009 measurement period. Our ability to service our debt in 2010 and beyond will depend on competitive pressures and our financial performance in an uncertain and unpredictable economic environment. Further, our New Senior Notes and Senior Credit Facility restrict our ability to incur additional indebtedness. If our operating income declines more than we currently anticipate, resulting in an inability to incur additional indebtedness under the terms of our outstanding indebtedness, and we are unable to obtain a waiver to increase our indebtedness or successfully raise funds through an issuance of equity, we could have insufficient liquidity which would have a material adverse effect on our business, financial condition and results of operations. If we are unable to meet our debt service and repayment obligations under the New 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 New 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 New Senior Notes require us to comply with certain financial and operational covenants. These covenants include, without limitation:

a maximum senior leverage ratio (expressed as the principal amount of New Senior Notes over our consolidated EBITDA (as defined in our Senior Credit Facility) measured on a trailing, four-quarter basis) which is 6.25 to 1.0 on December 31, 2009 but begins to decline on a quarterly basis thereafter, including to a 4.5 to 1.0 ratio on December 31, 2010 and a 3.5 to 1.0 ratio on December 31, 2011; 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 can not make any assurances that we will remain in compliance with these agreements, particularly if the advertising environment remains weak or our operating income continues to decline. As described in this report, we recently obtained waivers of compliance with our debt leverage covenants for the fourth quarter of 2009 measurement period which means our debt leverage covenant will first be measured on March 31, 2010 and thereafter on a quarterly basis on a trailing four-quarter basis. Failure to comply with any of our covenants would result in a default under our Senior Credit Facility and New 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 New Senior Notes and thereby have a material adverse impact on our business.

Our ability to increase our revenue is significantly dependent on advertising rates, which rates could be negatively impacted by the introduction of The Portable People Meter.

Arbitron Inc., the supplier of ratings data for United States radio markets, has developed new electronic audience measurement technology to collect data for its ratings service known as The Portable People Meter™, or PPM™. The PPM™ measures the audience of radio stations remotely without requiring listeners to keep a manual diary of the stations they listen to. To date, the PPM™ has been implemented in 22 markets (including nine of the top 10 markets) and, in the two most recent periods measured by RADAR, March 2009 to June 2009, and June 2009 to September 2009, the audience reported for our 14 RADAR networks (which comprise 50% of our inventory) declined by 4% and 0.9%, respectively. Because PPM information is incorporated into Arbitron's ratings books on an incremental basis over time (*i.e.*, over a rolling four-quarter period), we are unable to determine how much of the audience decline is a result of the change to PPM, versus other factors, such as changes in the stations included in the RADAR network, the specific inventory or programs in these networks, or other factors. As the PPM™ is instituted in more markets, it is unclear whether the audience ratings posted by it will continue to be significantly lower and if so, what effect this may have on advertising rates as our advertisers become more knowledgeable about the advantages of the PPM™. Additionally, as described elsewhere in this report, we have to date experienced a decline in our ad revenue in our Network and Metro businesses; however, we are unable to determine at this time how much of such decline is a result of the general economic environment versus a decline in audience. If the PPM™ continues to report lower audience ratings than the traditional diary methodology and the rates we charge our advertisers are materially impacted by such results, our revenue would be materially and adversely affected.

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

Our revenue from our radio programming and television business is dependent on our continued ability to anticipate and adapt to changes in consumer tastes and behavior on a timely basis. We obtain a significant portion of our popular programming from third parties. For example, some of our most widely heard broadcasts, including certain NFL 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 in connection with the renewal of popular programming currently licensed by us. Our failure to obtain or retain rights to popular content could adversely affect our revenue.

Our business is subject to increased competition resulting from new entrants into our business, consolidated companies and new technology/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, as well as with other media such as satellite radio, newspapers, magazines, cable television, outdoor advertising, direct mail and, more increasingly, digital media. We may experience increased audience fragmentation caused by the proliferation of new media platforms, including the Internet and video-on-demand and the deployment of portable digital devices and new technologies which allow consumers to time shift

programming, make and store digital copies and skip or fast-forward through advertisements. New or existing competitors may have resources significantly greater than our own and, 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. Increased competition, in part, has resulted in reduced market share, and could result in lower audience levels, advertising revenue and cash flow. There can be no assurance that we will be able to compete effectively, be successful in our efforts to regain market share and increase or maintain our current audience ratings and advertising revenue. To the extent we experience a further decline in audience for our programs or the cost of programming continues to increase, we may be unable to retain the rights to popular programs and advertisers' willingness to purchase our advertising could be further 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 platforms and address the industry shift to new digital mediums, our operating results may be negatively impacted.

The cost of our indebtedness has increased substantially, which, when combined with our recent declining revenue, further affects our liquidity and could limit our ability to implement our business plan and respond competitively.

As a result of our recently completed Refinancing transactions, 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) will increase from approximately \$12,000 to \$19,000, \$6,000 of which will be paid in kind. If the economy continues in recession and advertisers continue to maintain reduced budgets which do not recover in 2009 or early 2010, 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 could be curtailed. Without additional revenue and capital, we may 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.

If we are not able to integrate future acquisitions successfully, our operating results could be harmed.

We evaluate acquisitions on an ongoing basis and intend to pursue acquisitions of businesses in our industry and related industries that can assist us in achieving our growth strategy. The success of our future acquisition strategy will depend on our ability to identify, negotiate, complete and integrate acquisitions and, if necessary, to obtain satisfactory debt or equity financing to fund those acquisitions. Mergers and acquisitions are inherently risky, and any mergers and acquisitions we do complete may not be successful. Any mergers and acquisitions we do 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 acquire;

diversion of our management's attention from normal daily operations of our business;

our inability to maintain the key business relationships and reputations of the businesses we acquire;

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 acquire;

insufficient revenue to offset our increased expenses associated with the acquisitions;

our responsibility for the liabilities of the businesses we acquire; and

potential loss of key employees of the companies we acquire.

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

Revenue derived from the production and distribution of radio programs depend primarily upon their acceptance by the public, which is difficult to predict. The commercial success of a radio program also depends upon the quality and acceptance of other competing programs released into the marketplace at or near the same time, the availability of alternative forms of entertainment activities, general economic conditions and other tangible and intangible factors, all of which are difficult to predict. Rating points are also factors that are weighed when determining the advertising rates that we receive. Poor 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.

Continued consolidation in the radio broadcast industry could adversely affect our operating results.

The radio broadcasting industry has continued to experience significant change, including a significant amount of consolidation in recent years and increased business transactions by key players in the radio industry (e.g., Clear Channel, Citadel and CBS Radio). Certain major station groups have: (1) modified overall amounts of commercial inventory broadcast on their radio stations; (2) experienced significant declines in audience; and (3) increased their supply of shorter duration advertisements, in particular the amount of 10 second inventory, which is directly competitive to us. To the extent similar initiatives are adopted by other major station groups, this could adversely impact the amount of commercial inventory made available to us or increase the cost of such commercial inventory at the time of renewal of existing affiliate agreements. Additionally, if the size and financial resources of certain station groups continue to increase, the station groups may be able to develop their own programming as a substitute to that offered by us or, alternatively, they could seek to obtain programming from our competitors. Any such occurrences, or merely the threat of such occurrences, could adversely affect our ability to negotiate favorable terms with our station affiliates, attract audiences and attract advertisers. If we do not succeed in these efforts, our operating results could be adversely affected.

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, which testing could impact the value of our business. At December 31, 2008, we determined that our goodwill was impaired and recorded an impairment charge of approximately \$224,100, which is in addition to the impairment charge of approximately \$206,100 taken on June 30, 2008. In connection with our Refinancing and our requisite adoption of the acquisition method of accounting, based on a third party appraisal, we recorded new values of certain assets such that as of April 24, 2009 our revalued goodwill was \$86,400 (an increase of \$52,400) and intangible assets were \$112,000 (an increase of \$109,300). In September 2009, we believe a triggering event occurred and therefore we conducted a goodwill impairment analysis as a result of new forecasted results for 2009 and 2010. As described in more detail elsewhere in this report, we prepared the new forecasts when after the conclusion of the television upfronts in August, we observed from our quarterly bookings, backlog and pipeline data that the softness of the economy was continuing and affecting advertising budgets and orders and accordingly reduced our forecasted results for 2009 and 2010. We have since performed a Step 1 analysis according to FASB ASC 350 by comparing our recalculated fair value based on our new forecast to our current carrying value and our initial results indicate an impairment in our Metro Traffic segment. We also performed a more detailed Step 2 analysis

to compare the implied fair value of goodwill for Metro Traffic with the carrying value of its goodwill and based on such analyses, we have a goodwill impairment of \$50,401. Future unanticipated differences to our forecasted operational results and cash flows could require additional provisions for further impairment that could significantly affect our reported earnings in a period of such change.

Risks Relating To Common Stock

Our common stock may not maintain an active trading market or list on a nationally recognized exchange which could affect the liquidity and market price of our common stock.

As a result of the decline in our stock price, our common stock ceased to be traded on the NYSE as of November 24, 2008 and on March 16, 2009, we were delisted from the NYSE. Since November 24, 2008, we have traded over-the-counter on the OTC Bulletin Board, which has constrained the liquidity of our common stock. As part of our S-1 registration statement filing on June 22, 2009 (as amended to date), we disclosed that we have applied to list 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 or we continue to remain delisted from a nationally recognized exchange and to trade on the OTC Bulletin Board, 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, in the aggregate, 15,257,507 shares of our common stock (or approximately 75.1% of our outstanding common stock). There can be no assurance that at some future time Gores, or our other lenders, 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 15,257,507 shares of our common stock, or approximately 75.1% of our voting power, Gores has voting control over our corporate actions. For so long as Gores continues to beneficially own shares of common stock (including preferred stock on an as-converted basis) 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 of directors 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 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.

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 of directors 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 of directors deems relevant. In addition, our Senior Credit Facility and the New 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 of directors has the authority to cause us to issue, without any further vote or action by the stockholders, up to 10,000,000 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 list of factors that may affect future performance and the accuracy of forward-looking statements included in the factors above are illustrative, but by no means all-inclusive or exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, we employ established policies and procedures to manage our exposure to changes in interest rates using financial instruments. Previously we used derivative financial instruments (fixed-to-floating interest rate swap agreements) for the purpose of hedging specific exposures and normally hold all derivatives for purposes other than trading. All derivative financial instruments previously held reduced the risk of the underlying hedged item and were designated at inception as hedges with respect to the underlying hedged item. Hedges of fair value exposure were entered into in order to hedge the fair value of a recognized asset, liability or a firm commitment.

Prior to terminating our interest rate swaps in November 2007 and December 2008, we had entered into a seven-year interest rate swap agreement covering \$25,000 notional value of our outstanding borrowing to effectively float the majority of the interest rate at three-month LIBOR plus 74 basis points, and two ten-year interest rate swap agreements covering \$75,000 notional value of our outstanding borrowing to effectively float the majority of the interest rate at three-month LIBOR plus 80 basis points. In total, the swaps initially covered \$100,000, which represented 50% of the notional amount of Senior Notes. These swap transactions allowed us to benefit from short-term declines in interest rates while having the long-term stability on the other 50% of the Senior Notes of fairly low fixed rates. The instruments met all of the criteria of a fair-value hedge and were classified in the same category as the item hedged in the accompanying balance sheet. We had the appropriate documentation, including the risk management objective and strategy for undertaking the hedge, identification of the hedged instrument, the hedge item, the nature of the risk being hedged, and how the hedging instrument's effectiveness offsets the exposure to changes in the hedged item's fair value.

Our receivables do not represent a significant concentration of credit risk due to the wide variety of customers and markets in which we operate.

Item 4. Controls and Procedures

Our management, under the supervision and with the participation of our President and Chief Financial Officer and Controller, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of September 30, 2009 (the "Evaluation"). Based upon the Evaluation, our President and Chief Financial Officer and Controller concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e)) are effective as of September 30, 2009 in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms and that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In addition, there were no changes in our internal control over financial reporting during the quarter ended September 30, 2009 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

As described above in more detail, we have made several changes in our corporate structure in the past year, principally relating to the Refinancing. We have also implemented financial reporting changes resulting from the Refinancing and have made certain previously reported accounting adjustments relating to the timing of recognition of certain expenses. Principally as a result of these developments, we intend to adopt changes in our internal controls in order to implement a more robust review of our financial reporting process and improve communication between certain departments of our company.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There have been no material developments in the third quarter to the legal proceeding described in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2009.

Item 1A. Risk Factors

A description of the risk factors associated with our business is included under Cautionary Statement Concerning Forward-Looking Statements and Factors Affecting Forward-Looking Statements in Management's Discussion and Analysis of Financial Condition and Results of Operations, contained in Item 2 of Part I of this report. This description includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2008 and is incorporated herein by reference.

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

During the quarter ended September 30, 2009 we did not purchase any of its common stock under our existing stock purchase program and we do not intend to repurchase any shares for the foreseeable future.

Issuer Purchases of Equity Securities

| Period | Total Number of Shares Purchased in Period | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan or Program | Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (A) |
|------------------|---|---------------------------------|--|---|
| 7/1/09 - 7/31/09 | | N/A | | |
| 8/1/09 - 8/31/09 | | N/A | | |
| 9/1/09 - 9/30/09 | | N/A | | |

(A) Represents remaining authorization from the \$250,000 repurchase authorization approved on February 24, 2004 and the additional \$300,000 authorization approved on April 29, 2004.

Item 3. Defaults Upon Senior Securities

None

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

(a) A special meeting of the Company's shareholders was held on August 3, 2009.

(b) The matters voted upon and the related voting results are as follows.

- (1) Amendment of the Company's Restated Certificate of Incorporation to increase the number of authorized shares of our common stock from 300,000,000 to 5,000,000,000:

| | |
|---------|---------------|
| FOR | 3,412,601,829 |
| AGAINST | 36,934,844 |
| ABSTAIN | 1,053,594 |
| NO VOTE | 0 |

- (2) Amendment of the Company's Restated Certificate of Incorporation to effect a reverse stock split of our outstanding common stock at a ratio of two hundred (200) to one (1):

| | |
|---------|---------------|
| FOR | 3,410,745,143 |
| AGAINST | 38,295,191 |
| ABSTAIN | 1,549,933 |
| NO VOTE | 0 |

- (3) Amendment of the Company's Restated Certificate of Incorporation to define the term Continuing Directors that is used but not currently defined in the Restated Certificate of Incorporation:

| | |
|---------|---------------|
| FOR | 3,414,518,341 |
| AGAINST | 34,088,221 |
| ABSTAIN | 1,983,705 |
| NO VOTE | 0 |

- (4) Amendment of the Company's Restated Certificate of Incorporation to delete Article Sixteenth:

| | |
|---------|---------------|
| FOR | 3,410,466,860 |
| AGAINST | 37,136,668 |
| ABSTAIN | 2,986,739 |
| NO VOTE | 0 |

- (5) Amendment of the Company's Restated Certificate of Incorporation to delete the provision in Article Seventeenth relating to Article Sixteenth (should the proposal to delete Article Sixteenth be approved):

| | |
|---------|---------------|
| FOR | 3,410,496,537 |
| AGAINST | 37,120,419 |
| ABSTAIN | 2,973,311 |
| NO VOTE | 0 |

- (6) Adjournment of the special meeting, if necessary, to solicit additional proxies for approval of proposals 1 through 5:

| | |
|---------|---------------|
| FOR | 3,408,360,461 |
| AGAINST | 39,517,952 |
| ABSTAIN | 2,711,854 |
| NO VOTE | 0 |

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit

| Number (A) | Description of Exhibit |
|-------------------|---|
| 3.1 | Restated Certificate of Incorporation, as filed with the Secretary of the State of Delaware. (1) |
| 3.1.1 | Certificate of Amendment to the Restated Certificate of Incorporation of Westwood One, Inc., as filed with the Secretary of the State of Delaware on August 3, 2009. (4) |
| 3.2 | Amended and Restated Bylaws of Registrant adopted on April 23, 2009 and currently in effect. (2) |
| 4.1 | Securities Purchase Agreement, dated as of April 23, 2009, by and among Westwood One, Inc. and the other parties thereto. (2) |
| 4.1.1 | Waiver and First Amendment, dated as of October 14, 2009, to Securities Purchase Agreement, dated as of April 23, 2009, by and between Registrant and the noteholders parties thereto. (3) |
| 4.2 | Credit Agreement, dated as of April 23, 2009, by and among Westwood One, Inc., Wells Fargo Foothill, LLC, and the lenders signatory thereto. (2) |
| 4.2.1 | Waiver and First Amendment, dated as of October 14, 2009, to Credit Agreement, dated as of April 23, 2009, by and between Registrant, the lenders party thereto and Wells Fargo Foothill, LLC, as administrative agent for the lenders. (3) |
| 4.3 | Certificate of Designations for the 7.50% Series A-1 Convertible Preferred Stock as filed with the Secretary of State of the State of Delaware on April 23, 2009. (2) |
| 4.4 | Certificate of Designations for the 8.0% Series B Convertible Preferred Stock as filed with the Secretary of State of the State of Delaware on April 23, 2009. (2) |
| 4.5 | First Amendment to Security Agreement, dated as of April 23, 2009, by and among Westwood One, Inc., each of the subsidiaries of Westwood One, Inc. and The Bank of New York Mellon, as collateral trustee. (2) |
| 31.a* | Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.b* | Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.a** | Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.b** | Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

* Filed herewith.

** Furnished herewith.

(A) The Company agrees to furnish supplementally a copy of any omitted schedule to the SEC upon request.

(1) Filed as an exhibit to Company s quarterly report on Form 10-Q for the year ended June 30, 2008 and incorporated herein by reference.

(2) Filed as an exhibit to Company s current report on Form 8-K dated April 27, 2009 and incorporated herein by reference.

(3) Filed as an exhibit to Company s Amendment No. 3 to registration statement on Form S-1 filed on October 30, 2009.

(4) Filed as an exhibit to Company s quarterly report on Form 10-Q for the year ended June 30, 2009 and incorporated herein by reference.

SIGNATURES

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

WESTWOOD ONE, INC.

By: /s/ RODERICK M. SHERWOOD III
Name: **Roderick M. Sherwood III**
Title: **President and CFO**

Date: November 9, 2009

EXHIBIT INDEX

| Exhibit Number | Description of Exhibit |
|-----------------------|---|
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* Filed herewith.

** Furnished herewith.