AVNET INC
Form 10-K
August 12, 2011

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

Form 10-K

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

For the fiscal year ended July 2, 2011

or

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

For the transition period from __________ to __________

Commission file number 1-4224

Avnet, Inc.

(Exact name of registrant as specified in its charter)

New York	**11-1890605**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
2211 South 47th Street, Phoenix, Arizona	**85034**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code (480) 643-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

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

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

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

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting

company in Rule 12b-2 of the Exchange Act.:

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

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

The aggregate market value (approximate) of the registrant s common equity held by non-affiliates based on the closing price of a share of the registrant s common stock for New York Stock Exchange composite transactions on January 1, 2011 (the last business day of the registrant s most recently completed second fiscal quarter) was $4,995,335,220.

As of July 29, 2011, the total number of shares outstanding of the registrant s Common Stock was 152,807,450 shares, net of treasury shares.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant s definitive proxy statement (to be filed pursuant to Reg. 14A) relating to the Annual Meeting of Shareholders anticipated to be held on November 4, 2011 are incorporated herein by reference in Part III of this Report.

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PART I

Item 1. *Business*

Avnet, Inc., incorporated in New York in 1955, together with its consolidated subsidiaries (the Company or Avnet), is one of the world s largest industrial distributors, based on sales, of electronic components, enterprise computer and storage products and embedded subsystems. Avnet creates a vital link in the technology supply chain that connects more than 300 of the world s leading electronic component and computer product manufacturers and software developers with a global customer base of more than 100,000 original equipment manufacturers (OEMs), electronic manufacturing services (EMS) providers, original design manufacturers (ODMs), and value-added resellers (VARs) Avnet distributes electronic components, computer products and software as received from its suppliers or with assembly or other value added by Avnet. Additionally, Avnet provides engineering design, materials management and logistics services, system integration and configuration, and supply chain services that can be customized to meet the requirements of both customers and suppliers.

Organizational Structure

Avnet has two primary operating groups Electronics Marketing (EM) and Technology Solutions (TS). Both operating groups have operations in each of the three major economic regions of the world: the Americas; Europe, the Middle East and Africa (EMEA); and Asia/Pacific, consisting of Asia, Australia and New Zealand (Asia or Asia/Pac). Eacl operating group has its own management team led by a group president and includes regional presidents and senior executives within the operating group who manage the various functions within the businesses. Each operating group also has distinct financial reporting that is evaluated at the corporate level on which operating decisions and strategic planning for the Company as a whole are made. Divisions exist within each operating group that serve primarily as sales and marketing units to further streamline the sales and marketing efforts within each operating group and enhance each operating group s ability to work with its customers and suppliers, generally along more specific product lines or geographies. However, each division relies heavily on the support services provided by the operating group as well as centralized support at the corporate level.

Avnet s operating groups and their sales are as follows:

Region	Fiscal 2011 Sales (Millions)	Percentage of Sales
EM Americas	$ 5,113.8	19.3%
EM EMEA	4,816.3	18.1
EM Asia	5,136.1	19.4
Total EM	15,066.2	56.8
TS Americas	6,404.7	24.1
TS EMEA	3,577.1	13.5
TS Asia	1,486.4	5.6
Total TS	11,468.2	43.2
Total Avnet	$ 26,534.4	100.0%

A description of each operating group and its businesses is presented below. Further financial information by operating group and geography is provided in Note 16 to the consolidated financial statements appearing in Item 15 of this Report.

Electronics Marketing

EM markets and sells semiconductors and interconnect, passive and electromechanical devices (IP&E) and embedded products for more than 300 of the world s leading electronic component manufacturers. EM markets and sells its

products and services to a diverse customer base serving many end-markets including automotive, communications, computer hardware and peripheral, industrial and manufacturing, medical equipment, military and aerospace. EM also offers an array of value-added services that help customers evaluate, design-in and procure electronic components throughout the lifecycle of their technology products and systems. By working with EM from the design phase through new product introduction and throughout the product lifecycle, customers and suppliers can accelerate their time to market and realize cost efficiencies in both the design and manufacturing process.

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EM Design Chain Services

EM Design Chain Services offers engineers a host of technical design solutions in support of the sales process of complex products and technologies. With access to a suite of design tools and engineering services from any point in the design cycle, customers can get product specifications along with evaluation kits and reference designs that enable a broad range of applications from concept through detailed design including new product introduction. EM also offers engineering and technical resources deployed globally to support product design, bill of materials development, design services and technical education and training. By utilizing EM s Design Chain Services, customers can optimize their component selection and accelerate their time to market.

EM Supply Chain Services

EM Supply Chain Services provides end-to-end solutions focused on OEMs, EMS providers and electronic component manufacturers, enabling them to optimize supply chains on a local, regional or global basis. By combining internal competencies in global warehousing and logistics, finance, information technology, and asset management with its global footprint and extensive partner relationships, EM s Supply Chain Services develops a deeper level of engagement with its customers. These customers can continuously manage their supply chains to meet the demands of a competitive environment globally without a commensurate investment in physical assets. With proprietary planning tools and a variety of inventory management solutions, EM can provide unique solutions that meet a customer s just-in-time requirements in a variety of scenarios including lean manufacturing, demand flow and outsourcing.

Embedded Solutions

In the Americas, Avnet Electronics Marketing provides embedded computing solutions including technical design, integration and assembly to developers of application-specific computing solutions in the non-PC market. Customers include OEMs targeting the medical, telecommunications, industrial and digital editing markets. The Embedded Solutions group represents the combination of the EM Americas existing embedded business, the acquired Bell Microproducts Inc. embedded business and the TS Americas embedded business that was transferred to EM Americas in the first quarter of fiscal 2011.

EM Sales and Marketing Divisions

Each of EM s regions has sales and marketing divisions that generally focus on a specific customer segment, particular product lines or a specific geography. The divisions offer one of the industry s broadest line cards and convenient one-stop shopping with an emphasis on responsiveness, engineering support, on-time delivery and quality. Certain specialty services are made available to the individual divisions through common support service units. Customers are further supported by a sophisticated e-commerce platform, Avnet Express, that includes a host of powerful functions such as parametric parts searches, bill of material optimization and parts cross-referencing. The site enables end-to-end online service from part and inventory searches, price checking and ordering to online payment. EM Americas addresses the needs of its customers and suppliers through focused channels to service small- to medium-sized customers, global customers, defense and aerospace customers and contract manufacturers. In EMEA, divisions, which are organized by semiconductors, IP&E products and supply chain services, address customers on both a pan-European and regional basis. EM EMEA does business in over 40 European countries, and over 10 countries in the Middle East and Africa. EM Asia goes to market with sales and marketing divisions within China, South Asia, Taiwan and Japan. All regions within EM provide the Design Chain Services and Supply Chain Services described above.

Technology Solutions

As a global IT solutions distributor, TS collaborates with its customers and suppliers to create and deliver services, software and hardware solutions that address the business needs of end-user customers locally and around the world. TS focuses on the global value-added distribution of enterprise computing servers and systems, software, storage, services and complex solutions from the world s foremost technology manufacturers, marketing and selling them to and through the VAR channel. TS also serves the worldwide OEM market for computing technology, system integrators and non-PC OEMs that require embedded systems and solutions including engineering, product prototyping, integration and other value-added services. The operating group has sales and marketing divisions dedicated to these customer segments as well as independent software vendors.

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TS enables VARs to grow faster by helping them understand their customers unique business requirements so that they can tailor a complete IT solution spanning supplier lines and delivering a higher return on investment. Avnet SolutionsPath® offers a proven methodology comprising business analysis and planning, training and enablement, and ongoing support to help partners quickly and cost effectively attain solution-selling expertise they can use to develop and deploy an array of data center solutions for high-growth market segments. Avnet SolutionsPath® includes practices dedicated to vertical markets such as healthcare, government, energy, banking and retail, as well as technology practices focused on virtualization, storage, networking, security, unified communications, mobility and cloud computing. TS also provides logistics, sales, marketing, financial and technical services, including engineering support, systems integration and configurations.

In EMEA and Asia/Pacific, TS provides embedded computing solutions including technical design, integration and assembly to developers of application-specific computing solutions in the non-PC market. Developers include OEMs targeting the medical, telecommunications, industrial and digital editing markets. In these regions, TS also provides the latest hard disk drives, microprocessor, motherboard and DRAM module technologies to manufacturers of general-purpose computers and system builders.

Foreign Operations

As noted in the operating group discussions, Avnet has significant operations in all three major economic regions of the world: the Americas, EMEA and Asia/Pacific. The percentage of Avnet s consolidated sales by region is presented in the following table:

	Percentage of Sales for Fiscal Year		
Region	**2011**	**2010**	**2009**
Americas	43%	44%	47%
EMEA	32	31	32
Asia/Pac	25	25	21
	100%	100%	100%

Avnet s foreign operations are subject to a variety of risks. These risks are discussed further under *Risk Factors* in Item 1A and under *Quantitative and Qualitative Disclosures About Market Risk* in Item 7A of this Report. Additionally, the specific translation impacts of foreign currency fluctuations, most notably the Euro, on the Company s consolidated financial statements are further discussed in *Management s Discussion and Analysis of Financial Condition and Results of Operations* in Item 7 of this Report.

Acquisitions

Avnet has historically pursued a strategic acquisition program to grow its geographic and market coverage in world markets for electronic components and computer products and solutions. This program was a significant factor in Avnet becoming one of the largest industrial distributors of such products and services worldwide. Avnet expects to continue to pursue strategic acquisitions as part of its overall growth strategy, with its focus likely directed primarily at smaller targets in markets where the Company is seeking to expand its market presence, increase its scale and scope and/or increase its product or service offerings.

During fiscal 2011, the Company completed seven acquisitions, the most significant of which was the acquisition of Bell Microproducts Inc. (Bell), a value-added distributor of storage and server products and solutions and computer components products, providing integration and support services to OEMs, VARs, system builders and end users in the U.S., Canada, EMEA and Latin America. Bell operated both a distribution and single tier reseller business and generated sales of approximately $3.0 billion in calendar 2009, of which 42%, 41% and 17% was generated in North America, EMEA and Latin America, respectively. The consideration for the transaction totaled $255 million for the equity of Bell which consisted of $7.00 in cash for each share of Bell common stock outstanding, cash payment for Bell equity awards, and cash payments required under existing Bell change of control agreements, plus the assumption of $323 million of Bell net debt. Of the debt acquired, Avnet repaid approximately $210 million of debt (including associated fees) immediately after closing. As of the end of fiscal 2011, the Company has completed the integration of

Bell into both the EM and TS operating groups and expects the full impact of the cost synergies to be realized in the first quarter of fiscal 2012.

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See Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations*** in Part II of this Form 10-K for additional information on acquisitions completed during fiscal 2011, 2010 and 2009.

Major Products

One of Avnet s competitive strengths is the breadth and quality of the suppliers whose products it distributes. IBM products accounted for approximately 12%, 15% and 15% of the Company s consolidated sales during fiscal 2011, 2010 and 2009, respectively, and was the only supplier from which sales of its products exceeded 10% of consolidated sales. Listed in the table below are the major product categories and the Company s approximate sales of each during the past three fiscal years:

		Years Ended	
	July 2, 2011	July 3, 2010	June 27, 2009
		(Millions)	
Semiconductors	$ 14,149.3	$ 10,098.7	$ 8,324.0
Computer products	10,284.6	7,302.8	6,393.4
Connectors	1,041.4	841.4	735.2
Passives, electromechanical and other	1,059.1	917.3	777.3
	$ 26,534.4	$ 19,160.2	$ 16,229.9

Competition & Markets

Avnet is one of the world s largest industrial distributors, based on sales, of electronic components and computer products and services. The Company has more than 300 locations worldwide as well as a limited number of instances where Avnet-owned product is stored in customer facilities. Some of these locations contain sales, warehousing and administrative functions for multiple sales and marketing units.

The electronic components and computer products industries continue to be extremely competitive and are subject to rapid technological advances. The Company s major competitors include Arrow Electronics, Inc., Future Electronics and World Peace Group. There are also certain smaller, specialized competitors who generally focus on narrower markets, products or particular sectors. As a result of these factors, Avnet must remain competitive in its pricing of goods and services.

Another key competitive factor in the electronic component and computer product distribution industry is the need to carry a sufficient amount of inventory to meet customers rapid delivery requirements. However, to minimize its exposure related to valuation of inventory on hand, the majority of the Company s products are purchased pursuant to non-exclusive distributor agreements. These agreements typically provide certain protections for product obsolescence and price erosion and are generally cancelable upon 30 to 180 days notice. In most cases, these agreements provide for inventory return privileges upon cancellation. In addition, the Company enhances its competitive position by offering a variety of value-added services which entail the performance of services and/or processes tailored to individual customer specifications and business needs such as point of use replenishment, testing, assembly, supply chain management and materials management.

Another competitive advantage is the size of the supplier base. Because of the number of Avnet s suppliers, many customers can simplify their procurement process and make all of their required purchases from Avnet, rather than purchasing from several different vendors.

Seasonality

Historically, Avnet s business has not been materially impacted by seasonality, with the exception of a relatively minor impact on consolidated results from the growth in revenues in the Technology Solutions business during the December quarter primarily driven by the fiscal year end of a key supplier.

Number of Employees

At July 2, 2011, Avnet had approximately 17,600 employees.

Available Information

The Company files its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy statements and other documents with the U.S. Securities and Exchange Commission (SEC) under the Securities Exchange Act of 1934. A copy of any document the Company files with the SEC is available for review at the SEC s public reference room, 100 F Street, N.E., Washington, D.C. 20549. The public may obtain information on the public reference room by calling the SEC at 1-800-SEC-0330. The Company s SEC filings are also available to the public on the SEC s website at http://www.sec.gov and through the New York Stock Exchange (NYSE), 20 Broad Street, New York, New York 10005, on which the Company s common stock is listed.

A copy of any of the Company s filings with the SEC, or any of the agreements or other documents that constitute exhibits to those filings, can be obtained by request directed to the Company at the following address and telephone number:

Avnet, Inc.
2211 South 47th Street
Phoenix, Arizona 85034
(480) 643-2000
Attention: Corporate Secretary

The Company also makes these filings available, free of charge, through its website (see Avnet Website below).

Avnet Website

In addition to the information about Avnet contained in this Report, extensive information about the Company can be found at www.avnet.com, including information about its management team, products and services and corporate governance practices.

The corporate governance information on the website includes the Company s Corporate Governance Guidelines, the Code of Conduct and the charters for each of the committees of Avnet s Board of Directors. In addition, amendments to the Code of Conduct, committee charters and waivers granted to directors and executive officers under the Code of Conduct, if any, will be posted in this area of the website. These documents can be accessed at www.avnet.com under the Investor Relations Corporate Governance caption. Printed versions of the Corporate Governance Guidelines, Code of Conduct and charters of the Board committees can be obtained, free of charge, by writing to the Company at the address listed above in Available Information.

In addition, the Company s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports, if any, filed or furnished pursuant to Section 13(a) or 15(d) of Securities Exchange Act of 1934, as well as Section 16 filings made by any of the Company s executive officers or directors with respect to Avnet common stock, are available on the Company s website (www.avnet.com under the Investor Relations SEC Filings caption) as soon as reasonably practicable after the report is electronically filed with, or furnished to, the Securities and Exchange Commission.

These details about Avnet s website and its content are only for information. The contents of the Company s website are not, nor shall they be deemed to be, incorporated by reference in this Report.

Item 1A. ***Risk Factors***

Forward-Looking Statements And Risk Factors

This Report contains forward-looking statements with respect to the financial condition, results of operations and business of Avnet. These statements are generally identified by words like believes, expects, anticipates, should, may, estimates or similar expressions. Forward-looking statements are subject to numerous assumptions, risks and uncertainties.

Except as required by law, Avnet does not undertake any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that may cause actual results to differ materially from those contained in the forward-looking statements include the following:

Economic weakness and uncertainty could adversely affect our revenues and gross margins.

The Company s revenues and gross profit margins depend significantly on worldwide economic conditions, the demand for its products and services and the financial condition of its customers. Economic weakness and uncertainty have in the past resulted, and may result in the future, in decreased revenues and gross profit margins. Economic weakness and uncertainty also make it more difficult for the Company to forecast with a great deal of confidence the overall supply and demand throughout the IT supply chain.

While the Company s operating results over the past four quarters would suggest that the business has experienced a significant recovery, there can be no assurance that the recovery to date will continue at the current pace or at all; nor can there be any assurance that such economic volatility experienced recently will not reoccur or continue.

The electronics component and computer industries are highly competitive and if the Company fails to compete effectively, its revenues, gross profit margins and prospects may decline.

The market for the Company s products and services is very competitive and subject to rapid technological advances. Not only does the Company compete with other global distributors, it also competes for customers with regional distributors and some of the Company s own suppliers. The Company s failure to maintain and enhance its competitive position could adversely affect its business and prospects. Furthermore, the Company s efforts to compete in the marketplace could cause deterioration of gross profit margins and, thus, overall profitability.

The size of the Company s competitors vary across market sectors, as do the resources the Company has allocated to the sectors and geographic areas in which it does business. Therefore, some of the competitors may have greater financial, personnel, capacity and other resources or a more extensive customer base than the Company has in one or more of its market sectors and geographic areas.

An industry down-cycle in semiconductors could significantly affect the Company s operating results as a large portion of revenues comes from sales of semiconductors, which is a highly cyclical industry.

The semiconductor industry historically has experienced periodic fluctuations in product supply and demand, often associated with changes in technology and manufacturing capacity, and is generally considered to be highly cyclical. During each of the last three fiscal years, sales of semiconductors represented over 50% of the Company s consolidated sales, and the Company s revenues, particularly those of EM, closely follow the strength or weakness of the semiconductor market. Future downturns in the technology industry, particularly in the semiconductor sector, could negatively affect the Company s operating results and negatively impact the Company s ability to maintain its current profitability levels.

Failure to maintain its relationships with key suppliers could adversely affect the Company s sales.

One of the Company s competitive strengths is the breadth and quality of the suppliers whose products the Company distributes. However, sales of products and services from one of the Company s suppliers, IBM, accounted for approximately 12% of the Company s consolidated sales in fiscal year 2011. Management expects IBM products and services to continue to account for roughly a similar percentage of the Company s consolidated sales in fiscal year 2012. The Company s contracts with its suppliers, including those with IBM, vary in duration and are generally terminable by either party at will upon notice. To the extent IBM or other primary suppliers significantly reduce their volume of business with the Company in the future, because of a product shortage, an unwillingness to do business with Avnet or otherwise, the Company s business and relationships with its customers could be materially and adversely affected because its customers depend on the Company s distribution of electronic components and computer products from the industry s leading suppliers. In addition, to the extent that any of the Company s key suppliers modify the terms of their contracts including, without limitation, the terms regarding price protection, rights of return, rebates or other terms that protect the Company s gross margins, it could materially and adversely affect the Company s results of operations, financial condition or liquidity.

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Declines in the value of the Company s inventory or unexpected order cancellations by the Company s customers could materially and adversely affect its business, results of operations, financial condition and liquidity.

The electronic components and computer products industries are subject to rapid technological change, new and enhanced products and evolving industry standards, which can contribute to a decline in value or obsolescence of inventory. Regardless of the general economic environment, it is possible that prices will decline due to a decrease in demand or an oversupply of products and, as a result of the price declines, there may be greater risk of declines in inventory value. Although it is the policy of many of the Company s suppliers to offer distributors like Avnet certain protections from the loss in value of inventory (such as price protection and limited rights of return), the Company cannot be assured that such policies will fully compensate for the loss in value, or that the vendors will choose to, or be able to, honor such agreements, some of which are not documented and, therefore, subject to the discretion of the vendor. In addition, the Company s sales are typically made pursuant to individual purchase orders, and the Company generally does not have long-term supply arrangements with its customers. Generally, the Company s customers may cancel orders 30 days prior to shipment with minimal penalties. The Company cannot be assured that unforeseen new product developments, declines in the value of the Company s inventory or unforeseen order cancellations by its customers will not materially and adversely affect the Company s business, results of operations, financial condition or liquidity.

Substantial defaults by the Company s customers on its accounts receivable or the loss of significant customers could have a significant negative impact on the Company s business, results of operations, financial condition or liquidity.

A significant portion of the Company s working capital consists of accounts receivable from customers. If customers responsible for a significant amount of accounts receivable were to become insolvent or otherwise unable to pay for products and services, or were to become unwilling or unable to make payments in a timely manner, the Company s business, results of operations, financial condition or liquidity could be adversely affected. An economic or industry downturn could adversely and materially affect the servicing of these accounts receivable, which could result in longer payment cycles, increased collection costs and defaults in excess of management s expectations. A significant deterioration in the Company s ability to collect on accounts receivable could also impact the cost or availability of financing under its accounts receivable securitization program (see *Financing Transactions* appearing in Item 7 of this Report).

The Company s non-U.S. locations represent a significant and growing portion of its revenue, and consequently, the Company is increasingly exposed to risks associated with operating internationally.

During fiscal year 2011, 2010 and 2009, approximately 62%, 60% and 58%, respectively, of the Company s sales came from its operations outside the United States. As a result of the Company s foreign sales and locations, in particular those in emerging and developing economies, the Company s operations are subject to a variety of risks that are specific to international operations, including, but not limited to, the following:

- potential restrictions on the Company s ability to repatriate funds from its foreign subsidiaries;
- foreign currency and interest rate fluctuations and the impact on the Company s reported results of operations;
- import and export duties and value-added taxes;
- compliance with foreign and domestic import and export regulations, business licensing requirements and anti-corruption laws, the failure of which could result in severe penalties including monetary fines, criminal proceedings and suspension of export privileges;
- changing tax laws and regulations;
- regulatory requirements and prohibitions that differ between jurisdictions;
- political instability, terrorism and potential military conflicts or civilian unrest;
- fluctuations in freight costs, limitations on shipping and receiving capacity, and other disruptions in the transportation and shipping infrastructure;
- differing environmental regulations and employment practices and labor issues; and
- the risk of non-compliance with local laws.

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The potential criminal penalties for violations of export regulations and anti-corruption laws, particularly anti-bribery, data privacy laws and environmental laws and regulations in many jurisdictions, create heightened risks for the Company s international operations. In the event that a governing regulatory body determined that the Company had violated applicable export regulations or anti-corruption laws, the Company could be fined significant sums, incur sizable legal defense costs and/or its export capabilities could be restricted, which could have a material and adverse effect on the Company s business. While the Company has and will continue to adopt measures designed to ensure compliance with these laws, the Company cannot be assured that such measures will be adequate or that its business will not be materially and adversely impacted in the event of an alleged violation.

The Company s acquisition strategy may not produce the expected benefits, which may adversely affect the Company s results of operations.

Avnet historically has pursued a strategic acquisition program to grow its global business for electronic and computer products, thereby enabling Avnet to solidify and maintain its leadership position in the marketplace. Acquisitions involve risks and uncertainties such as expansion into new geographic markets and business areas and diversion of management s attention from existing business operations. In addition, the Company may not be successful in integrating the acquired businesses or the integration may be more difficult, costly or time-consuming than anticipated. Consequently, the Company may experience disruptions that could, depending on the size of the acquisition, have a material adverse effect on its business, especially where an acquisition target may have pre-existing non-compliance or pre-existing deficiencies or material weaknesses as those terms are defined under relevant SEC rules and regulations. Furthermore, the Company may not realize all of the anticipated benefits from its acquisitions, which could materially and adversely affect the Company s financial performance.

If the Company fails to maintain effective internal controls, it may not be able to report its financial results accurately or timely or detect fraud, which could have a material adverse effect on the Company s business or stock price.

Effective internal controls are necessary for the Company to provide reasonable assurance with respect to its financial reports and to effectively prevent fraud. If the Company cannot provide reasonable assurance with respect to its financial reports and effectively prevent fraud, its brand and operating results could be harmed. Pursuant to the Sarbanes-Oxley Act of 2002, the Company is required to furnish a report by management on internal control over financial reporting, including management s assessment of the effectiveness of such control. Internal control over financial reporting may not prevent or detect misstatements because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud. Therefore, even effective internal controls cannot provide absolute assurance with respect to the preparation and fair presentation of financial statements. In addition, projections of any evaluation of effectiveness of internal control over financial reporting to future periods are subject to the risk that the control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. If the Company fails to maintain the adequacy of its internal controls, including any failure to implement required new or improved controls, or if the Company experiences difficulties in their implementation, the Company s business and operating results could be harmed, and the Company could fail to meet its reporting obligations, which could have a material adverse effect on its business and the market price of the Company s securities.

If the Company s internal information systems fail to function properly, or if the Company is unsuccessful in the integration or upgrade of information systems, its business operations could suffer.

The Company s expanding operations put increasing pressure on the Company s information systems to produce timely, accurate and reliable reports on financial and operational results. Currently, the Company s global operations are tracked with multiple information systems, some of which are subject to on-going IT projects designed to streamline or optimize its global information systems. There is no guarantee that the Company will be successful at all times in these efforts or that there will not be integration difficulties that will adversely affect the Company s operations or the accurate and timely recording and reporting of financial data. In addition, these systems are subject to computer hacking or other general system failure. Maintaining and operating these systems requires continuous investments. Failure of any of these information systems or material difficulties in upgrading these information systems could have material adverse effects on the Company s business and its compliance with reporting obligations under federal securities laws.

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Major disruptions to the Company s logistics capability could have a material adverse impact on the Company s operations.

The Company s global logistics services are operated through specialized and centralized distribution centers around the globe. The Company also depends almost entirely on third party transportation service providers for the delivery of products to its customers. A major interruption or disruption in service at one or more of our distribution centers for any reason (such as natural disasters, pandemics, or significant disruptions of services from our third party providers) could cause cancellations or delays in a significant number of shipments to customers and, as a result, could have a severe impact on the Company s business, operations and financial performance.

The Company may not have adequate or cost-effective liquidity or capital resources.

The Company s ability to satisfy its cash needs depends on its ability to generate cash from operations and to access the financial markets, both of which are subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond the Company s control.

The Company may need to satisfy its cash needs through external financing. However, external financing may not be available on acceptable terms or at all. As of July 2, 2011, Avnet had total debt outstanding of $1.517 billion under various notes and committed and uncommitted lines of credit with financial institutions. The Company needs cash to make interest payments on, and to refinance, this indebtedness and for general corporate purposes, such as funding its ongoing working capital and capital expenditure needs. Under the terms of any external financing, the Company may incur higher than expected financing expenses and become subject to additional restrictions and covenants. Any material increase in the Company s financing costs could have a material adverse effect on its profitability.

Under some of its credit facilities, the Company is required to maintain certain specified financial ratios and meet certain tests. If the Company fails to meet these financial ratios and tests, it may be unable to continue to utilize these facilities. If the Company is unable to utilize these facilities, it may not have sufficient cash available to make interest payments on and refinance indebtedness and for general corporate needs.

The agreements governing some of the Company s financings contain various covenants and restrictions that limit the discretion of management in operating its business and could prevent us from engaging in some activities that may be beneficial to the Company s business.

The agreements governing the Company s financing, including its credit facility and the indentures governing the Company s outstanding notes, contain various covenants and restrictions that, in certain circumstances, limit the Company s ability and the ability of certain subsidiaries to:

- grant liens on assets;
- make restricted payments (including paying dividends on capital stock or redeeming or repurchasing capital stock);
- make investments;
- merge, consolidate or transfer all or substantially all of the Company s assets;
- incur additional debt; or
- engage in certain transactions with affiliates.

As a result of these covenants and restrictions, the Company may be limited in the future in how it conducts its business and may be unable to raise additional debt, compete effectively or make further investments.

In addition to the specific factors described above, general economic or business conditions, domestic and foreign, may be less favorable than management expected and, if such conditions persist for a sustained period of time, could eventually adversely impact the Company s sales or its ability to collect receivables from some of its customers.

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Item 1B. ***Unresolved Staff Comments***

Not applicable.

Item 2. ***Properties***

The Company owns and leases approximately 1,151,000 and 5,523,000 square feet of space, respectively, of which approximately 36% is located in the United States. The following table summarizes certain of the Company s key facilities.

Location	Sq. Footage	Leased or Owned	Primary Use
Poing, Germany	427,000	Leased	EM warehousing, value-added operations and offices
Chandler, Arizona	399,000	Owned	EM warehousing and value-added operations
Tongeren, Belgium	388,000	Owned	EM and TS warehousing and value-added operations
Chandler, Arizona	231,000	Leased	TS warehousing, integration and value-added operations
Tsuen Wan, Hong Kong	181,000	Leased	EM warehousing and value-added operations
Phoenix, Arizona	176,000	Leased	Corporate and EM headquarters
Tempe, Arizona	132,000	Leased	TS headquarters
Nogales, Mexico	124,000	Leased	EM warehousing and value-added operations
Doral, Florida	120,000	Leased	TS warehousing and value-added operations
Loyang, Singapore	116,000	Leased	TS warehousing and value-added operations

Item 3. ***Legal Proceedings***

As a result primarily of certain former manufacturing operations, Avnet has incurred and may have future liability under various federal, state and local environmental laws and regulations, including those governing pollution and exposure to, and the handling, storage and disposal of, hazardous substances. For example, under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (CERCLA) and similar state laws, Avnet is and may be liable for the costs of cleaning up environmental contamination on or from certain of its current or former properties, and at off-site locations where the Company disposed of wastes in the past. Such laws may impose joint and several liability. Typically, however, the costs for cleanup at such sites are allocated among potentially responsible parties based upon each party s relative contribution to the contamination, and other factors.

Pursuant to SEC regulations, including but not limited to Item 103 of Regulation S-K, the Company regularly assesses the status of and developments in pending environmental legal proceedings to determine whether any such proceedings should be identified specifically in this discussion of legal proceedings, and has concluded that no particular pending environmental legal proceeding requires public disclosure. Based on the information known to date, management believes that the Company has appropriately accrued in its consolidated financial statements for its share of the estimated costs associated with the environmental clean-up of sites in which the Company is participating.

The Company and/or its subsidiaries are also parties to various other legal proceedings arising from time to time in the normal course of business. While litigation is subject to inherent uncertainties, management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on the Company s financial position, cash flow or results of operations.

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PART II

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

Market price per share

The Company s common stock is listed on the New York Stock Exchange under the symbol AVT. Quarterly high and low sales closing prices (as reported for the New York Stock Exchange composite transactions) for the last two fiscal years were:

	2011		2010	
Fiscal Quarters	**High**	**Low**	**High**	**Low**
1st	$ 27.08	$ 22.86	$ 27.33	$ 20.31
2nd	33.34	26.61	30.42	23.67
3rd	36.97	31.88	30.53	26.35
4th	37.81	29.97	33.49	23.93

The Company has not paid dividends since fiscal 2002 and does not currently contemplate any future dividend payments.

Record Holders

As of July 29, 2011, there were 3,152 registered holders of record of Avnet s common stock.

Equity Compensation Plan Information as of July 2, 2011

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c)
Equity compensation plans approved by security holders	5,320,709(1)	$ 21.79	6,694,816(2)

(1) Includes 3,059,215 shares subject to options outstanding and 1,414,784 stock incentive shares and 846,710 performance shares awarded but not yet delivered. Included in the performance shares is the number of shares anticipated to be issued in the first quarter of fiscal 2012 relating to the level of achievement reached under the 2009 performance share program which ended July 2, 2011 (see Note 12 in the *Notes to Consolidated Financial Statements* included in Item 15 of this Report)

(2) Does not include 58,707 shares available for future issuance under the Employee Stock Purchase Plan, which is a non-compensatory plan.

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Stock Performance Graphs and Cumulative Total Returns

The graph below compares the cumulative 5-year total return of holders of Avnet, Inc. s common stock with the cumulative total returns of the S&P 500 index and certain of Avnet s peer companies in the electronics distribution industry. The graph tracks the performance of a $100 investment in Avnet s common stock, in the peer group, and the index (with the reinvestment of all dividends) from July 1, 2006 to July 2, 2011. During fiscal 2011, two of the companies included in the Company s fiscal 2010 peer group (Bell Microproducts Inc. and Nu Horizons Electronics Corp) terminated their respective registrations with the SEC. The Company s new peer group consists of Agilysys, Inc., Anixter International, Inc., Arrow Electronics, Inc., Brightpoint, Inc., Ingram Micro, Inc., Insight Enterprises, Inc., Scansource, Inc., Synnex Corp. and Tech Data Corp. The Company s old peer group, which is also included below for comparative purposes, consisted of Arrow Electronics, Inc., Ingram Micro, Inc., and Tech Data Corp. Bell Microproducts Inc. and Nu Horizons Electronics Corp are not included in the old peer group below.

	07/1/06	06/30/07	06/28/08	06/27/09	07/3/10	07/2/11
Avnet, Inc.	100.00	198.00	137.61	107.49	119.78	162.59
S&P 500	100.00	120.59	104.77	77.30	88.46	115.61
Old Peer Group	100.00	115.02	94.26	80.93	79.40	119.43
New Peer Group	100.00	120.11	94.66	78.10	79.95	118.59

The stock price performance included in this graph is not necessarily indicative of future stock price performance. The Company does not make or endorse any predictions as to future stock performance. The performance graph is furnished solely to accompany this Report and is not being filed for purposes of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

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Issuer Purchases of Equity Securities

The following table presents the Company s monthly purchases of common stock during the fourth quarter of fiscal 2011:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares That may yet be Purchased Under the Plans or Programs
April	4,100	$ 34.80		
May	6,700	$ 37.07		
June	4,300	$ 31.74		

The purchases of Avnet common stock noted above were made on the open market to obtain shares for purchase under the Company s Employee Stock Purchase Plan.

In August 2011, the Board of Directors approved the repurchase of up to an aggregate of $500 million of shares of the Company s common stock through a share repurchase program. The Company plans to repurchase stock from time to time at the discretion of management in open market or privately negotiated transactions or otherwise, subject to applicable laws, regulations and approvals, strategic considerations, market conditions and other factors. The Company may terminate or limit the stock repurchase program at any time without prior notice.

Item 6. ***Selected Financial Data***

			Years Ended		
	July 2, 2011	**July 3, 2010**	**June 27, 2009 (a)**	**June 28, 2008 (a)**	**June 30, 2007 (a)**
			(Millions, except for per share and ratio data)		
Income:					
Sales	$ 26,534.4	$ 19,160.2	$ 16,229.9	$ 17,952.7	$ 15,681.1
Gross profit	3,107.8	2,280.2	2,023.0	2,313.7	2,048.6
Operating income (loss)	930.0(b)	635.6(c)	(1,019.0)(d)	710.8(e)	678.7(f)
Income tax provision	201.9(b)	174.7(c)	34.7(d)	203.8(e)	187.9(f)
Net income (loss)	669.1(b)	410.4(c)	(1,129.7)(d)	489.6(e)	384.4(f)
Financial Position:					
Working capital(g)	3,749.5	3,190.6	2,688.4	3,191.3	2,711.2
Total assets	9,905.6	7,782.4	6,273.5	8,195.2	7,343.7
Long-term debt	1,273.5	1,243.7	946.6	1,169.3	1,127.9
Shareholders equity	4,056.1	3,009.1	2,760.9	4,141.9	3,417.4
Per Share:					
Basic earnings (loss)	4.39(b)	2.71(c)	(7.49)(d)	3.26(e)	2.60(f)
Diluted earnings (loss)	4.34(b)	2.68(c)	(7.49)(d)	3.21(e)	2.57(f)
Book value per diluted share	26.28	19.66	18.30	27.17	22.84
Ratios:					

Operating income (loss) margin on sales	3.5%(b)	3.3%(c)	(6.3)%(d)	4.0%(e)	4.3%(f)
Net income (loss) margin on sales	2.5%(b)	2.1%(c)	(7.0)%(d)	2.7%(e)	2.5%(f)
Return on capital	15.2%(b)	14.0%(c)	(26.6)%(d)	11.0%(e)	11.2%(f)
Quick	1.2:1	1.4:1	1.5:1	1.4:1	1.3:1
Working capital	1.8:1	1.9:1	2.1:1	2.1:1	2.0:1
Total debt to capital	27.2%	29.8%	26.0%	22.7%	25.7%

(a) As adjusted for the retrospective application of an accounting standard. The Financial Accounting Standards Board issued authoritative guidance which requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the debt and equity (conversion option) components of the instrument. The standard requires the convertible debt to be recognized at the present value of its cash flows discounted using the non-convertible debt borrowing rate at the date of issuance. The resulting debt discount from this present value calculation is to be recognized as the value of the equity component and recorded to additional paid in capital. The discounted convertible debt is then required to be accreted up to its face value and recorded as non-cash interest expense over the expected life of the convertible debt. In addition, deferred financing costs associated with the convertible debt are required to be allocated between the debt and equity components based upon relative values. During the first quarter of fiscal 2010, the Company adopted this standard, however, there was no impact to the fiscal 2010 consolidated financial statements because the Company s 2% Convertible Senior Debentures, to which this standard applied, were extinguished in fiscal 2009. Due to the required retrospective application of this standard to prior periods, the Company adjusted the prior period comparative consolidated financial statements. The following table summarizes the adjustments to increase (decrease) previously reported balances.

Adjustments-increase (decrease)	**June 27, 2009**	**June 28, 2008**	**June 30, 2007**
	(Millions, except per share data)		
Selling, general and adminstrative expenses	$ (0.3)	$ (0.4)	$ (0.4)
Interest expense	12.2	15.9	14.8
Income tax provision	(4.6)	(6.0)	(5.7)
Net income	(7.3)	(9.5)	(8.7)
Basic EPS	$ (0.05)	$ (0.06)	$ (0.05)
Diluted EPS	$ (0.05)	$ (0.06)	$ (0.06)
Prepaid and other current assets	$	$ (0.3)	$ (0.7)
Other assets		(4.6)	(10.7)
Long term debt		(12.2)	(28.1)
Shareholders equity	$	$ 7.3	$ 16.8

(b) Includes the impact of restructuring, integration and other items which totaled $77.2 million pre-tax, $56.2 million after tax and $0.36 per share on a diluted basis, a gain on bargain purchase and other which totaled $22.7 million pre-tax, $25.7 million after tax and $0.17 per share on a diluted basis, and a tax benefit of $32.9 million and $0.21 per share on a diluted basis primarily due to the release of certain tax valuation allowances net of additional tax reserves (see Note 18 in the *Notes to the Consolidated Financial Statements* contained in Item 15 of this Report for further discussion of these items).

(c) Includes the impact of restructuring, integration and other items which totaled $25.4 million pre-tax, $18.8 million after tax and $0.12 per share on a diluted basis and includes gain on sale of assets which totaled $8.8 million pre-tax, $5.4 million after tax and $0.03 per share on a diluted basis (see Note 18 in the *Notes to the Consolidated Financial Statements* contained in Item 15 of this Report for further discussion of these items).

(d) Includes goodwill and intangible asset impairment charges of $1.41 billion pre-tax, $1.38 billion after tax and $9.13 per share and includes the impact of restructuring, integration and other items which totaled $99.3 million pre-tax, $34.9 million after tax and $0.23 per share (see Note 18 in the *Notes to the Consolidated Financial Statements* contained in Item 15 of this Report for further discussion of these items).

(e) Includes the impact of restructuring, integration and other items, gain on sale of assets and other items which totaled to a gain of $11.0 million pre-tax, $14.7 million after tax and $0.09 per share on a diluted basis.

(f) Includes the impact of restructuring, integration and other items, gain on sale of assets, debt extinguishment costs and other items which amounted to charges of $31.7 million pre-tax, $20.0 million after tax and $0.13 per share on a diluted basis.

(g) This calculation of working capital is defined as current assets less current liabilities.

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

For an understanding of Avnet and the significant factors that influenced the Company s performance during the past three fiscal years, the following discussion should be read in conjunction with the description of the business appearing in Item 1 of this Report and the consolidated financial statements, including the related notes and schedule, and other information appearing in Item 15 of this Report. The Company operates on a 52/53 week fiscal year. Fiscal 2011 and 2009 contained 52 weeks while fiscal 2010 contained 53 weeks. This extra week, which occurred in the first quarter of fiscal 2010, impacts the year-over-year analysis in this MD&A.

There are references to the impact of foreign currency translation in the discussion of the Company s results of operations. Results for the full fiscal year 2011 or 2010 were not significantly impacted by the movement of foreign currency exchanges rates as, for example, the U.S. Dollar strengthened against the Euro by approximately 2% during fiscal 2011 and the U.S. Dollar weakened against the Euro by approximately 1% during fiscal 2010. However, fluctuations during the quarters of fiscal 2011 had a more pronounced impact on the Company s comparative results as described in the Company s Form 10-Q s filed with the SEC. When the stronger U.S. Dollar exchange rates of the current year are used to translate the results of operations of Avnet s subsidiaries denominated in foreign currencies, the resulting impact is a decrease in U.S. Dollars of reported results as compared with the prior period. When the U.S. Dollar weakens, the resulting impact is an increase in U.S. Dollars of reported results as compared with the prior period. In the discussion that follows, this is referred to as the translation impact of changes in foreign currency exchange rates.

In addition to disclosing financial results that are determined in accordance with U.S. generally accepted accounting principles (GAAP), the Company also discloses certain non-GAAP financial information, including:

Income or expense items as adjusted for the translation impact of changes in foreign currency exchange rates, as discussed above.

Sales adjusted for certain items that impact the year-over-year analysis, which included the impact of acquisitions by adjusting Avnet s prior periods to include the sales of businesses acquired as if the acquisitions had occurred at the beginning of the period presented. In addition, for fiscal 2011 sales are adjusted for: (i) a divestiture by adjusting Avnet s prior periods to exclude the sales of the business divested as if the divestiture had occurred at the beginning of the period presented; (ii) the impact of the extra week of sales in the prior year first quarter due to the 52/53 week fiscal year, and (iii) the transfer of the existing embedded business from TS Americas to EM Americas that occurred in the first quarter of fiscal 2011. Sales taking into account the combination of these adjustments are referred to as pro forma sales or organic sales.

Operating income excluding restructuring, integration and other charges incurred in fiscal 2011, 2010 and 2009 as well as the non-cash goodwill and intangible asset impairment charges recognized during fiscal 2009. The reconciliation to GAAP is presented in the following table.

	Years Ended		
	July 2, 2011	**July 3, 2010**	**June 27, 2009**
		(Thousands)	
GAAP operating income (loss)	$ 929,979	$ 635,600	$ (1,018,998)
Impairment charges			1,411,127
Restructuring, integration and other	77,176	25,419	99,342
Adjusted operating income	$ 1,007,155	$ 661,019	$ 491,471

Management believes that providing this additional information is useful for the reader to better assess and understand operating performance, especially when comparing results with previous periods or forecasting performance for future

periods. Furthermore, management typically monitors the business both including and excluding these items and uses these non-GAAP measures to establish operational goals and, in some cases, for measuring performance for compensation purposes. However, analysis of results and outlook on a non-GAAP basis should be used as a complement to, and in conjunction with, data presented in accordance with GAAP.

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Results of Operations

Executive Summary

At the beginning of fiscal 2011, the Company completed three significant acquisitions that, when combined with strong organic growth, delivered $7.4 billion in revenue growth, or 38.5%, year over year, to a record $26.5 billion. Although the acquired businesses have product lines with lower operating margins than Avnet s other product lines, operating income grew faster than revenue with 46.3% growth year over year driven by operating leverage and synergies as a result of integration activities that were on-going through the fiscal year. Finally, earnings per share on a diluted basis grew faster than revenue and operating income with an increase of 63% year over year.

Year-over-year organic revenue growth for EM was 21.9% and was strongest in the EMEA region due to demand in the industrial markets. Year-over-year organic revenue growth for TS was 11.3% and was driven primarily by demand for storage and servers. Gross profit margin was down 19 basis points year over year to 11.7% as the acquired Bell business has lower gross profit margins than the Company s legacy businesses due to its product mix. EM gross profit margin was up 10 basis points year over year which was impacted by the combination of improvement in the EM core business, partially offset by the lower gross profit margin embedded business acquired from Bell and the embedded business that was transferred from TS Americas. TS gross profit margin declined 52 basis points year over year primarily attributable to the EMEA region which was impacted by the integration of the Bell business because of its lower gross profit margin profile than the other TS EMEA product lines.

Operating income margin was up 19 basis points year over year to 3.5%. EM operating income margins improved 105 basis points year over year to 5.5%. The improvement was attributable to operating leverage primarily in EMEA which was due to strong revenue growth and continued expense efficiencies. TS operating income margin declined 57 basis points year over year primarily due to lower operating income margins of the acquired Bell business. The integrations of the acquired businesses have been completed as of the end of fiscal 2011. The businesses acquired during fiscal 2011 impacted both operating groups and, as a result of integration activities that occurred during the fiscal year, the fiscal 2011 results were positively impacted by synergies to the extent actions were completed. In particular, the expected synergies for the Bell acquisition were estimated to be over $60 million in annualized cost savings, however, the full benefit of the synergies is expected to be realized in the first quarter of fiscal 2012.

Three-Year Analysis of Sales: By Operating Group and Geography

	Years Ended						Percent Change	
	July 2, 2011	% of Total	July 3, 2010	% of Total	June 27, 2009	% of Total	2011 to 2010	2010 to 2009
	(Dollars in millions)							
Sales by Operating Group:								
EM Americas	$ 5,113.8	*19.3%*	$ 3,434.6	*17.9%*	$ 3,288.3	*20.3%*	48.9%	4.5%
EM EMEA	4,816.3	*18.1*	3,651.1	*19.0*	3,026.5	*18.6*	31.9	20.6
EM Asia	5,136.1	*19.4*	3,881.1	*20.3*	2,878.0	*17.7*	32.3	34.9
Total EM	15,066.2	*56.8*	10,966.8	*57.2*	9,192.8	*56.6*	37.4	19.3
TS Americas	6,404.7	*24.1*	4,932.7	*25.8*	4,283.9	*26.4*	29.8	15.2
TS EMEA	3,577.1	*13.5*	2,297.2	*12.0*	2,241.9	*13.8*	55.7	2.5
TS Asia	1,486.4	*5.6*	963.5	*5.0*	511.3	*3.2*	54.3	88.4
Total TS	11,468.2	*43.2*	8,193.4	*42.8*	7,037.1	*43.4*	40.0	16.4
Total Avnet, Inc.	$ 26,534.4		$ 19,160.2		$ 16,229.9		38.5%	18.1%

Sales by Geographic Area:								
Americas	$ 11,518.5	*43.4%*	$ 8,367.3	*43.7%*	$ 7,572.2	*46.7%*	37.7%	10.5%
EMEA	8,393.4	*31.6*	5,948.3	*31.0*	5,268.4	*32.4*	41.1	12.9
Asia/Pacific	6,622.5	*25.0*	4,844.6	*25.3*	3,389.3	*20.9*	36.7	42.9
	$ 26,534.4		$ 19,160.2		$ 16,229.9			

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Sales

Items Impacting Year-over-Year Sales Comparisons

During the past three fiscal years, the Company acquired several businesses impacting both operating groups, as presented in the following table. To facilitate easier and more meaningful year-over-year comparisons, the discussions that follow include sales on a pro forma basis as well as on a reported basis.

Acquired Business	Group & Region	Approximate Annualized Revenues(1) (Millions)		Acquisition Date
Fiscal 2011				
itX Group Ltd	TS Asia/Pac	$	160	January 2011
Center Cell	EM Americas		5	November 2010
Eurotone	EM Asia/Pac		30	October 2010
Broadband	EM Americas		8	October 2010
Unidux	EM Asia/Pac		370	July 2010
Tallard Technologies	TS Americas		250	July 2010
Bell Microproducts Inc.	EM & TS Americas TS EMEA		3,021	July 2010
Fiscal 2010				
Servodata HP Division	TS EMEA	$	20	April 2010
PT Datamation	TS Asia/Pac		90	April 2010
Sunshine Joint Stock Company	TS Asia/Pac		30	November 2009
Vanda Group	TS Asia/Pac		30	October 2009
Fiscal 2009				
Abacus Group plc	EM EMEA	$	400	January 2009
Nippon Denso Industry Co., Ltd.	EM Asia/Pac		140	December 2008
Ontrack Solutions Pvt. Ltd.	TS Asia/Pac		13	July 2008
Horizon Technology Group plc	TS EMEA		400	June 2008
Source Electronics Corporation	EM Americas		82	June 2008

(1) Represents the approximate annual revenue for the acquired businesses most recent fiscal year prior to acquisition by Avnet and based upon average foreign currency exchange rates for those periods.

Fiscal 2011 Comparison to Fiscal 2010

The table below provides the comparison of reported fiscal 2011 and 2010 sales for the Company and its operating groups to pro forma (or organic) sales (as defined previously) to allow readers to better assess and understand the Company s revenue performance by operating group.

	Sales as Reported	Acquisition/ Divested Revenue	Extra Week in Q1 FY10	Pro Forma Sales	2011 to 2010 Pro Forma Change
	(Dollars in millions)				
EM	$ 15,066.2	$ 44.9	$	$ 15,111.1	21.9%
TS	11,468.2	(188.5)		11,279.7	11.3

Fiscal 2011	$	26,534.4	$	(143.6)	$		$	26,390.8	17.1
EM	$	10,966.8	$	1,605.5	$	(174.3)	$	12,398.0	
TS		8,193.4		2,188.0		(243.5)		10,137.9	
Fiscal 2010	$	19,160.2	$	3,793.5	$	(417.8)	$	22,535.9	

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Consolidated sales in fiscal 2011 were $26.53 billion, an increase of 38.5%, or $7.37 billion, from fiscal 2010 consolidated sales of $19.16 billion. This increase was due to the combination of growth through acquisitions and organic growth of 17.1%. EM sales of $15.07 billion in fiscal 2011 increased 37.4% over fiscal 2010 sales of $10.97 billion. The year-over-year comparisons were impacted by acquisitions and the transfer of the TS Americas embedded business to EM Americas. Organic sales increased 21.9% year over year and all three regions contributed with organic growth of 14.2%, 34.4% and 19.5% in the Americas, EMEA and Asia, respectively, largely attributable to the continued strong end demand across the technology industry. TS sales of $11.47 billion in fiscal 2011 increased 40.0% over fiscal 2010 sales of $8.19 billion. The year-over-year comparisons were positively impacted by recent acquisitions, and partially offset by the transfer of the TS Americas embedded business to EM and a divestiture. Organic sales increased 11.3% year over year driven by the Americas and Asia regions with increased organic sales of 13.0% and 31.4%, respectively. In the EMEA region, organic sales increased 1.7%. On a product level, year-over-year sales growth was driven primarily by demand for storage and servers.

Fiscal 2010 Comparison to Fiscal 2009

The table below provides the comparison of reported fiscal 2010 and 2009 sales for the Company and its operating groups to pro forma (or organic) sales as previously defined to allow readers to better assess and understand the Company s revenue performance by operating group.

	Sales as Reported	Acquisition Sales	Pro Forma Sales	2010 to 2009 Pro Forma Change
		(Dollars in millions)		
EM	$ 10,966.8	$	$ 10,966.8	15.6%
TS	8,193.4	119.1	8,312.5	15.2
Fiscal 2010	$ 19,160.2	$ 119.1	$ 19,279.3	15.5
EM	$ 9,192.8	$ 291.8	$ 9,484.6	
TS	7,037.1	177.9	7,215.0	
Fiscal 2009	$ 16,229.9	$ 469.7	$ 16,699.6	

Consolidated sales in fiscal 2010 were $19.16 billion, up 18.1%, or $2.93 billion, over consolidated sales of $16.23 billion in fiscal 2009. The continued growth throughout fiscal 2010 exceeded management s expectations as the technology markets recovered faster than anticipated following the rapid declines experienced in fiscal 2009. As mentioned earlier in this MD&A, fiscal 2010 included an extra week when compared with fiscal 2009, which management estimates added approximately $400 million in sales. Acquisitions also positively impacted fiscal 2010 results as organic growth was 15.5%.

EM sales of $10.97 billion increased 19.3%, or $1.77 billion, over sales of $9.19 billion in fiscal 2009. Organic sales increased 15.6% year over year. All three regions contributed to the year-over-year increase in EM sales led by the Asia region where sales increased 34.9%. The EMEA region sales increased 20.6% year over year and organic revenue growth was 12.5%. Excluding the translation impact of changes in foreign currency exchange rates, EM EMEA sales increased 19.9% year over year and organic sales increased 11.8%. Sales increased 4.5% from prior year in the Americas region, which had initially been slower to recover than the other EM regions; however, the Americas sales increased 17.8% and 39.5% year over year in the third and fourth quarters, respectively.

TS sales of $8.19 billion in fiscal 2010 were up 16.4%, or $1.16 billion, over sales of $7.04 billion in fiscal 2009. Organic sales increased 15.2% year over year. TS Asia sales increased 88.4% year over year and 59.8% on an organic sales basis as the Asia region was positively impacted by investments and acquisitions made in China. Sales increased 15.2% and 2.5% year over year in TS Americas and TS EMEA, respectively. Excluding the translation impact of

changes in foreign currency exchange rates, TS EMEA sales increased 1.8% year over year. The EMEA region continues to lag in the economic recovery as compared with the other TS regions, although it did see robust year-over-year organic growth of approximately 13.8% in the fourth quarter.

Gross Profit and Gross Profit Margins

Consolidated gross profit in fiscal 2011 was $3.11 billion, an increase of $827.6 million, or 36.3%, from fiscal 2010 due primarily to strong organic sales growth and the increase in sales related to acquisitions. Gross profit margin of 11.7% declined 19 basis points year over year due primarily to the impact of businesses acquired, which had product lines with lower gross margins than Avnet s other product lines. EM gross profit margin increased 10 basis points where the addition of the lower margin embedded business acquired from Bell and the embedded business transferred from TS mostly offset the margin increase that occurred in the legacy EM business and geographic mix shift. TS gross profit margin declined 52 basis points year over year primarily attributable to the EMEA region and the impact of the integration of the Bell business, which has a lower gross profit margin profile than the other TS EMEA product lines. Although the Bell business has a lower gross profit margin profile due to its product mix, the Company expects to realize the full impact of over $60 million in annualized synergies in the first quarter of fiscal 2012. However, portions of the synergies have been realized incrementally as cost actions have been taken during fiscal 2011.

Consolidated gross profit for fiscal 2010 was $2.28 billion, up $257.2 million, or 12.7%, over the prior year primarily due to the increase in sales volume. Gross profit margin of 11.9% declined 56 basis points over the prior year with all regions in each operating group experiencing declines in margins. The gross profit margin at EM declined 63 basis points year over year partially due to geographic mix changes as the Asia region, which has a lower gross profit margin than the Americas or EMEA regions, represented 35% of EM sales in fiscal 2010 as compared with 31% in fiscal 2009. In addition, the EMEA region gross profit margins had been slower to recover than those in the Americas or Asia regions. The negative effects of the recession began later in the EMEA region than in the Americas and, as a result, the region s recovery also occurred later than the other regions. However, the quarterly gross profit margin at EM improved sequentially during the last three quarters of fiscal 2010 in all three regions with the largest improvement in the EMEA region where gross profit margin increased over 100 basis points from the March to June quarter. TS gross profit margin was down 54 basis points year over year due to the combination of (i) geographic mix changes as the Asia region, which has lower gross profit margins than the Americas or EMEA regions, represented 12% of TS sales as compared with 7% in fiscal 2009, (ii) lower gross profit margins in Asia and (iii) lower gross profit margins in the Americas region.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A expenses) were $2.10 billion in fiscal 2011, which was an increase of $481.5 million, or 29.7%, from fiscal 2010. The increase in SG&A expenses was primarily a result of approximately $304 million of additional SG&A expenses associated with acquisitions, $170 million of incremental costs necessary to support the 17.1% year-over-year organic sales growth, net of incremental cost savings from integration activity and the additional week of expenses in fiscal 2010 and $7 million due to the translation impact of changes in foreign currency exchange rates. Metrics that management monitors with respect to its operating expenses are SG&A expenses as a percentage of sales and as a percentage of gross profit. In fiscal 2011, SG&A expenses were 7.9% of sales and 67.6% of gross profit as compared with 8.5% and 71.0%, respectively, in fiscal 2010. This continued year-over-year improvement reflects the operating leverage in the business model realized from recent revenue growth and effective expense management.

SG&A expenses were $1.62 billion in fiscal 2010, an increase of $87.7 million, or 5.7%, as compared with $1.53 billion in fiscal 2009. The increase in SG&A expenses was primarily attributable to supporting the increased sales volume, an additional week in fiscal 2010 and additional expenses associated with businesses acquired, partially offset by the impact of cost reduction actions. The cost reduction actions taken during fiscal 2009, as described in further detail below, were completed during the first quarter of fiscal 2010 and the full benefit of the actions were realized beginning in the second quarter of fiscal 2010. SG&A expenses were 8.5% of sales and 71.0% of gross profit in fiscal 2010 as compared with 9.4% of sales and 75.7% of gross profit in fiscal 2009. The year-over-year improvement in these metrics is primarily the result of effective cost management, including the impact of cost reduction actions taken during fiscal 2009, as sales increased 18.1% year over year as compared with only a 5.7% increase in SG&A expenses.

Due to the decline in sales and gross profit margin that began in late fiscal 2008 and accelerated further during fiscal 2009, the Company initiated significant cost reduction actions to realign its expense structure with market conditions

(see *Restructuring, Integration and Other Charges* for a discussion of charges associated with the actions undertaken). In the third quarter of fiscal 2008, the Company began to experience demand weakness and organic sales growth at both EM and TS continued to slow through the first quarter of fiscal 2009. In the second quarter of fiscal 2009, the Company experienced continued sales deceleration in both operating groups, particularly in November in the Asia region and in December in the Americas region. During the third quarter of fiscal 2009, end demand in the EM business deteriorated even further, in particular in EM Americas and EM EMEA, which have been the

Company s most profitable regions. As a result of the poor market conditions through mid-March of fiscal 2009, the Company took actions to reduce costs by approximately $200 million on an annualized basis and had expected such actions to be completed by the end of the June quarter of fiscal 2009. However, based upon third quarter of fiscal 2009 results, the Company announced further actions to reduce annualized costs by an additional $25 million, bringing the aggregate annual cost reductions announced to approximately $225 million since March 2008. As of the end of the fourth quarter of fiscal 2009, management estimated that approximately $200 million in annualized cost savings had been achieved and the remaining cost reduction actions were completed at the end of September 2009; therefore, the full benefit of the annualized cost savings of $225 million were reflected in the December quarter of fiscal 2010. In addition, the December quarter of 2010 included cost synergies of approximately $40 million as a result of acquisition integration activities most of which were completed by the end of fiscal 2009.

Impairment Charges

During fiscal 2009, the Company recognized non-cash goodwill and intangible asset impairment charges totaling $1.41 billion pre-tax, $1.38 billion after tax and $9.13 per share.

During the second quarter of fiscal 2009, due to a steady decline in the Company s market capitalization due primarily to the global economic downturn s impact on the Company s performance and the turmoil in the equity markets, the Company determined an interim goodwill impairment test was necessary and performed the interim test on all six of its reporting units as of December 27, 2008. Based on the test results, the Company determined that goodwill at four of its reporting units was impaired. Accordingly, during the second quarter of fiscal 2009, the Company recognized a non-cash goodwill impairment charge of $1.32 billion pre-tax, $1.28 billion after tax and $8.51 per share to write off all goodwill related to its EM Americas, EM Asia, TS EMEA and TS Asia reporting units.

During the fourth quarter of fiscal 2009, the Company performed its annual goodwill impairment test which indicated that three of its six reporting units, including EM Asia and TS EMEA, continued to have fair values below their carrying values. As a result, the Company was required to recognize the impairment of additional goodwill which arose subsequent to the second quarter of fiscal 2009 in the EM Asia and TS EMEA reporting units. Of the non-cash goodwill impairment charges of $62.3 million pre- and after tax and $0.41 per share recognized in the fourth quarter of fiscal 2009, $41.4 million related to the recently acquired business in Japan, which was assigned to the EM Asia reporting unit. Accounting standards require goodwill from an acquisition to be assigned to a reporting unit and also require goodwill to be tested on a reporting unit level, not by individual acquisition. As noted above, the annual impairment analysis indicated that the fair value of the EM Asia reporting unit continued to be below its carrying value. As a result, the goodwill from the recent acquisition was required to be impaired. The remaining $20.8 million of the impairment charges related to additional goodwill in the TS EMEA reporting unit primarily as a result of final acquisition adjustments during the purchase price allocation period related to an acquisition for which the goodwill had been fully impaired in the second quarter of fiscal 2009.

During fiscal 2009, the Company also evaluated the recoverability of its long-lived assets at each of the reporting units where goodwill was deemed to be impaired. Based upon this evaluation, the Company determined that certain of its amortizable intangible assets were impaired. As a result, the Company recognized a non-cash intangible asset impairment charge of $31.4 million pre- and after tax and $0.21 per share during the second quarter of fiscal 2009. In conjunction with the annual goodwill impairment test, the Company again evaluated the recoverability of its long-lived assets during the fourth quarter of fiscal 2009 and determined that no impairment had occurred.

The non-cash impairment charges had no impact on the Company s compliance with debt covenants, its cash flows or available liquidity, but did have a material impact on its consolidated financial statements.

Restructuring, Integration and Other Charges

Fiscal 2011

During fiscal 2011, the Company recognized restructuring, integration and other charges of $77.2 million pre-tax, $56.2 million after tax and $0.36 per share on a diluted basis associated primarily with the integration of the acquired Bell business. Restructuring costs included $28.6 million pre-tax for severance and $17.3 million pre-tax for facility exit costs for lease liabilities, fixed asset write downs and other related charges associated with vacated facilities and $1.8 million for other charges. Integration costs of $25.1 million pre-tax included professional fees associated with legal and IT consulting, facility moving costs, travel, meeting, marketing and communication costs that were

incrementally incurred as a result of the integration activity. Also included in integration costs are incremental salary and employee benefits costs, primarily of the acquired businesses personnel who were retained by Avnet for

extended periods following the close of the acquisitions solely to assist in the integration of the acquired businesses IT systems and administrative and logistics operations into those of Avnet. These identified personnel have no other meaningful day-to-day operational responsibilities outside of the integration effort. Transaction costs of $15.6 million pre-tax consisted primarily of professional fees for brokering the deals, due diligence work and other legal costs. In addition, the Company recorded a reversal of $11.3 million pre-tax related to (i) the reversal of restructuring reserves established in prior years that were deemed to be no longer required, (ii) acquisition adjustments for which the purchase allocation period had closed and (iii) exit-related reserves originally established through goodwill in prior years that were deemed no longer required and were credited to the consolidated statement of operations rather than to goodwill because the associated goodwill was impaired in fiscal 2009.

Severance charges recorded in fiscal 2011 related to personnel reductions of over 550 employees in administrative, finance and sales functions primarily in connection with the integration of the acquired Bell business into the existing EM Americas, TS Americas and TS EMEA regions and, to a lesser extent, other cost reduction actions in other regions. Facility exit costs consisted of lease liabilities, fixed asset write-downs and other related charges associated with 50 vacated facilities: 23 in the Americas, 25 in EMEA and two in the Asia/Pac region. Total amounts utilized during fiscal 2011 consisted of $25.6 million in cash payments, $3.3 million in non-cash asset write downs and $0.3 million related to adjustments to reserves and foreign currency translation. As of July 2, 2011, management expects the majority of the remaining severance reserves to be utilized by the end of fiscal 2012 and the remaining facility exit cost reserves to be utilized by the end of fiscal 2015.

Fiscal 2010

During fiscal 2010, the Company recognized restructuring, integration and other charges of $25.4 million pre-tax, $18.8 million after tax and $0.12 per share on a diluted basis. The Company recognized restructuring charges of $16.0 million pre-tax for the remaining cost reduction actions announced during fiscal 2009 which included severance costs, facility exit costs and other charges related to contract termination costs and fixed asset write-downs. The Company also recognized integration costs of $2.9 million pre-tax for professional fees, facility moving costs and travel, meeting, marketing and communication costs that were incrementally incurred as a result of the integration efforts of the recently acquired businesses, $6.5 million pre-tax for a value-added tax exposure in Europe related to an audit of prior years, and $3.2 million pre-tax of other charges including acquisition-related costs which would have been capitalized under the prior accounting rules. The Company also recorded a credit of $3.2 million pre-tax to adjust reserves related to prior restructuring activity which were determined to be no longer required.

Severance charges recorded in fiscal 2010 of $9.7 million related to personnel reductions of over 150 employees in administrative, finance and sales functions in connection with the cost reduction actions in all three regions. Facility exit costs of $3.7 million consisted of lease liabilities and fixed asset write-downs associated with seven vacated facilities in the Americas, one in EMEA and four in the Asia/Pac region. Other charges of $2.6 million consisted primarily of contractual obligations with no on-going benefit to the Company. The total amounts utilized during fiscal 2011 consisted of $1.1 million in cash payments, and $0.4 million related to adjustments to reserves and foreign currency translation. As of July 2, 2011, the remaining reserves totaled $2.2 million, of which $0.2 million related to remaining facility exit cost and severance reserves which are expected to be utilized by the end of fiscal 2013 and $2.0 million related to other contractual obligations which are expected to be utilized by the end of fiscal 2012.

Fiscal 2009

In response to the decline in sales and gross profit margin due to weaker market conditions, the Company initiated significant cost reduction actions during fiscal 2009 to realign its expense structure with market conditions. As a result, the Company incurred restructuring, integration and other charges totaling $99.3 million pre-tax, $65.3 million after tax and $0.43 per share during fiscal 2009 related to the cost reductions as well as integration costs associated with recently acquired businesses. Restructuring charges included severance of $50.8 million, facility exit-costs of $29.6 million and other charges of $4.5 million related to contract termination costs, fixed asset write-downs and other charges. The Company also recorded a reversal of $2.5 million to adjust estimated costs for severance, lease and other reserves related to prior year restructuring activity which were deemed excessive and that reversal was credited to restructuring, integration and other charges. Integration costs of $11.2 million included professional fees, facility moving costs, travel, meeting, marketing and communication costs that were incrementally incurred as a result of the

acquisition integration efforts. Other items recorded to restructuring, integration and other charges included a net credit of $1.2 million related to acquisition adjustments for which the purchase allocation period had closed, a loss of $3.1 million resulting from a decline in the market value of certain small investments that the Company liquidated, and $3.8 million of incremental intangible asset amortization.

Severance charges recorded in fiscal 2009 related to personnel reductions of approximately 1,900 employees in administrative, finance and sales functions in connection with the cost reduction actions in all three regions of both operating groups with employee reductions of approximately 1,400 in EM, 400 in TS and the remaining from centralized support functions. Exit costs for vacated facilities related to 29 facilities in the Americas, 13 in EMEA and three in Asia/Pac and consisted of reserves for remaining lease liabilities and the write-down of leasehold improvements and other fixed assets. The total amounts utilized during fiscal 2011 consisted of $9.4 million in cash payments and $5.4 million related to adjustments to reserves and foreign currency translation. As of July 2, 2011, the remaining reserves totaled $5.9 million, of which $0.3 million related to severance reserves which are expected to be utilized by the end of fiscal 2012 and $5.6 million related to remaining facility exit cost reserves which are expected to be utilized by the end of fiscal 2015.

Operating Income (Loss)

During fiscal 2011, the Company generated operating income of $930.0 million, an increase of 46.3% as compared with operating income of $635.6 million in fiscal 2010. The increase in operating income was attributable to the impact of acquisitions and the growth in gross profit dollars associated with the 17.1% organic sales growth. Consolidated operating income margin was 3.5% and 3.3% in fiscal 2011 and 2010, respectively. Both periods included restructuring, integration and other charges as described in *Restructuring, Integration and Other Charges* above. Excluding these charges, operating income for fiscal 2011 was $1.01 billion, or 3.8% of consolidated sales, as compared with operating income of $661.0 million, or 3.5% of consolidated sales, for fiscal 2010. EM operating income of $832.4 million increased 69.3% year over year and operating income margin increased 105 basis points to 5.5%. All three regions within EM contributed, but the improvement was primarily driven by the operating leverage in the EMEA region with its 31.9% year-over-year revenue growth. TS operating income of $286.7 million increased 13.9% year over year while operating income margin declined 57 basis points year over year to 2.5% due primarily to lower gross profit margins in the EMEA region which includes lower operating margins of the acquired businesses as compared with the other TS businesses. Corporate operating expenses were $112.0 million in fiscal 2011 as compared with $82.3 million in fiscal 2010 primarily due to net periodic pension expense recognized in fiscal 2011 compared with pension income recognized in fiscal 2010.

Operating income for fiscal 2010 was $635.6 million, or 3.3% of consolidated sales, as compared with an operating loss of $1.02 billion for fiscal 2009. Both periods included restructuring, integration and other charges and the prior year included impairment charges as was previously mentioned in this MD&A. Excluding these charges, operating income for fiscal 2010 was $661.0 million, or 3.5% of consolidated sales, as compared with operating income of $491.5 million, or 3.0% of consolidated sales, for fiscal 2009. EM operating income increased 38.7% to $491.6 million for fiscal 2010 and its operating income margin improved 62 basis points to 4.5% as compared with fiscal 2009 as all three regions contributed to the improvement. EM s operating income margin improved year over year in each respective quarter of fiscal 2010 and ended the June quarter at 5.6% which was the first time in two years that EM s operating income margin reached that level and was within the target range as established by management. TS operating income increased 25.0% to $251.7 million for fiscal 2010 and operating income margin improved 21 basis points to 3.1% as compared with fiscal 2009. TS continued to incur incremental expenses as it made additional investments in Asia, particularly in China. Corporate operating expenses were $82.3 million in fiscal 2010 as compared with $64.5 million in fiscal 2009. The prior year corporate operating expenses were unusually low due to the economic downturn and its impact on the accrual for equity compensation which is based upon performance targets. Conversely, corporate expenses in the fiscal 2010 are higher than typical primarily due to an increase in incentive compensation driven by the Company s financial results for fiscal 2010 which exceeded established targets and were significantly higher as compared with fiscal 2009.

Interest Expense and Other Income (Expense), net

Interest expense for fiscal 2011 was $92.5 million, up $30.7 million, or 49.7% from interest expense of $61.7 million in fiscal 2010. The year-over-year increase in interest expense was due to an increase in debt used to fund the acquisitions of businesses and the increase in working capital to support the significant growth in sales.

Interest expense for fiscal 2010 was $61.7 million, down $16.9 million, or 21.5%, from interest expense of $78.7 million in fiscal 2009. During the first quarter of fiscal 2010, the Company adopted an accounting standard

which required retrospective application of the standard s provisions to prior years which resulted in recognizing incremental non-cash interest expense of $12.2 million in addition to the previously reported interest expense of $66.5 million in fiscal 2009 (see footnote (a) to Item 6. *Selected Financial Data* in this Form 10-K). Excluding the non-cash interest expense, the year-over-year decrease in interest expense was due primarily to the elimination of interest on the Company s $300.0 million 2% Convertible Senior Debentures which were extinguished in March 2009. See *Financing Transactions* for further discussion of the Company s outstanding debt.

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Other income, net, was $10.7 million in fiscal 2011 as compared with other expense, net, of $2.5 million in fiscal 2010 due primarily to foreign currency exchange gains compared with losses in the prior year and higher interest income earned as compared with the prior year. Other income, net, was $2.5 million in fiscal 2010 as compared with other expense, net, of $11.6 million in fiscal 2009 primarily related to the negative impacts of foreign currency exchange losses.

Gain on Bargain Purchase and Other

During the first quarter of fiscal 2011, the Company acquired Unidux, a Japanese publicly traded company, through a tender offer in which the Company obtained over 95% of the controlling interest. After reassessing all assets acquired and liabilities assumed, the consideration paid was below the fair value of the acquired net assets and, as a result, the Company recognized a gain on bargain purchase of $31.0 million pre- and after tax and $0.20 per share on a diluted basis. In addition, the Company recognized other charges of $2.0 million pre-tax, $1.4 million after tax and $0.01 per share on a diluted basis primarily related to an impairment of buildings in EMEA and recognized a loss of $6.3 million pre-tax, $3.9 million after tax and $0.02 per share on a diluted basis related to the write down of prior investments in smaller technology start-up companies.

Gain on Sale of Assets

During fiscal 2010 and 2009, the Company recognized a gain on sale of assets as a result of certain earn-out provisions associated with the prior sale of the Company s equity investment in Calence LLC. The gain amounted to $8.8 million pre-tax, $5.4 million after tax and $0.03 per share on a diluted basis in fiscal 2010 and $14.3 million pre-tax, $8.7 million after tax and $0.06 per share in fiscal 2009.

Income Tax Provision

Avnet s effective tax rate on income before income taxes was 23.2% in fiscal 2011 as compared with 29.9% in fiscal 2010. The fiscal 2011 effective tax rate was primarily impacted by the release of a tax reserve (valuation allowance) on certain deferred tax assets that were determined to be realizable as discussed further below, and, to a lesser extent, net favorable tax audit settlements, partially offset by changes to existing tax positions. Excluding the benefit related to the release of a tax reserve, the effective tax rate for fiscal 2011 would have been 30.6%. Going forward, the Company expects its fiscal year 2012 effective tax rate to be more in the range of this adjusted rate rather than the effective tax rate experienced in fiscal 2011. The fiscal 2010 effective tax rate was impacted primarily by changes to estimates for existing tax positions and net favorable tax audit settlements, offset by a reserve established against certain deferred tax assets.

Prior to fiscal 2011, the Company had a full reserve against significant tax assets related to a legal entity in EMEA due to, among several other factors, a history of losses in that entity. Recently, the legal entity has been experiencing improved earnings which required the partial release of the reserve to the extent the entity had taxable income during each of the first three quarters of fiscal 2011 and, therefore, positively impacted (decreased) the Company s effective tax rate. During the fourth quarter of fiscal 2011, the Company determined a portion of the tax reserve related to this entity was no longer required due to the expected continuation of improved earnings in the future and, as a result, the Company s effective tax rate was positively impacted (decreased) upon the release of the tax reserves. The Company will continue to evaluate the need for a reserve against the tax assets associated with this legal entity and may release additional reserve in the future.

Avnet s effective tax rate on income before income taxes was 29.9% in fiscal 2010 as compared with an effective tax rate on the loss before taxes of 3.2% in fiscal 2009. The fiscal 2010 effective tax rate was impacted by changes to estimates for existing tax positions, net favorable tax audit settlements, offset by a charge to establish a reserve against certain deferred tax assets. The effective tax rate in fiscal 2009 was negatively impacted by the non-deductibility of substantially all of the impairment charges and changes to existing tax positions, partially offset by a net tax benefit of $21.7 million, or $0.14 per share, related primarily to the release of tax reserves due to the settlement of certain tax audits in Europe. Excluding these items, the effective tax rate for fiscal 2009 would have been 28.6%.

Avnet s effective tax rate is primarily a function of the tax rates in the numerous jurisdictions in which it does business applied to the mix of pre-tax book income. The effective tax rate may vary year over year as a result of changes in tax requirements in the jurisdictions in which the Company does business and management s evaluation of its ability to generate sufficient taxable income to offset net operating loss carry-forwards as well as the establishment of reserves

for unfavorable outcomes of tax positions taken on certain matters that are common to multinational enterprises and the actual outcome of those matters.

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Net Income (Loss)

As a result of the factors described in the preceding sections of this MD&A, the Company s net income was $669.1 million, or $4.34 per share on a diluted basis, as compared with net income of $410.4 million, or $2.68 per share on a diluted basis, in fiscal 2010 and a net loss of $1.13 billion, or $7.49 per share, in fiscal 2009. Fiscal 2011, 2010 and 2009 results were impacted by certain items as presented in the following tables:

	Year Ended July 2, 2011			
	Operating Income (Loss)	Pre-tax Income (Loss)	Net Income (Loss)	Diluted EPS
	(Thousands, except per share data)			
Restructuring, integration and other charges	$ (77,176)	$ (77,176)	$ (56,169)	$ (0.36)
Gain on bargain purchase and other		22,715	25,720	0.17
Release of tax valuation allowance, net of tax reserves adjustments			32,901	0.21
Total	$ (77,176)	$ (54,461)	$ 2,452	$ 0.02

	Year Ended July 3, 2010			
	Operating Income (Loss)	Pre-tax Income (Loss)	Net Income (Loss)	Diluted EPS *
	(Thousands, except per share data)			
Restructuring, integration and other charges	$ (25,419)	$ (25,419)	$ (18,789)	$ (0.12)
Gain on sale of assets		8,751	5,370	0.03
Net increase in tax reserves			(842)	(0.01)
Total	$ (25,419)	$ (16,668)	$ (14,261)	$ (0.09)

* EPS does not foot due to rounding.

	Year Ended June 27, 2009			
	Operating Income (Loss)	Pre-tax Income (Loss)	Net Income (Loss)	EPS
	(Thousands, except per share data)			
Impairment charges	$ (1,411,127)	$ (1,411,127)	$ (1,376,983)	$ (9.13)
Restructuring, integration and other charges	(99,342)	(99,342)	(65,310)	(0.43)
Retrospective application of accounting standard	291	(11,894)	(7,250)	(0.05)
Gain on sale of assets		14,318	8,727	0.06
Net reduction in tax reserves			21,672	0.14
Total	$ (1,510,178)	$ (1,508,045)	$ (1,419,144)	$ (9.41)

Critical Accounting Policies

The Company s consolidated financial statements have been prepared in accordance with U.S. GAAP. The preparation of these consolidated financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses during the reporting period. These estimates and assumptions are based upon the Company s continuous evaluation of historical results and anticipated future events. Actual results may differ from these estimates under different assumptions or conditions.

The Securities and Exchange Commission defines critical accounting policies as those that are, in management s view, most important to the portrayal of the Company s financial condition and results of operations and that require significant judgments and estimates. Management believes the Company s most critical accounting policies relate to:

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Valuation of Receivables

The Company maintains an allowance for doubtful accounts for estimated losses resulting from customer defaults. Bad debt reserves are recorded based upon historic default averages as well as the Company s regular assessment of the financial condition of its customers. Therefore, if collection experience or the financial condition of specific customers were to deteriorate, management would evaluate whether additional allowances and corresponding charges to the consolidated statement of operations are required.

Valuation of Inventories

Inventories are recorded at the lower of cost (first in first out) or estimated market value. The Company s inventories include high-technology components, embedded systems and computing technologies sold into rapidly changing, cyclical and competitive markets wherein such inventories may be subject to early technological obsolescence.

The Company regularly evaluates inventories for excess, obsolescence or other factors that may render inventories less marketable. Write-downs are recorded so that inventories reflect the approximate net realizable value and take into account the Company s contractual provisions with its suppliers, which may provide certain protections to the Company for product obsolescence and price erosion in the form of rights of return and price protection. Because of the large number of transactions and the complexity of managing the process around price protections and stock rotations, estimates are made regarding adjustments to the carrying amount of inventories. Additionally, assumptions about future demand, market conditions and decisions to discontinue certain product lines can impact the decision to write down inventories. If assumptions about future demand change or actual market conditions are less favorable than those projected by management, management would evaluate whether additional write-downs of inventories are required. In any case, actual values could be different from those estimated.

Accounting for Income Taxes

Management judgment is required in determining the provision for income taxes, deferred tax assets and liabilities and the valuation allowance recorded against net deferred tax assets. The carrying value of the Company s net operating loss carry-forwards is dependent upon its ability to generate sufficient future taxable income in certain tax jurisdictions. In addition, the Company considers historic levels of income, expectations and risk associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies in assessing a tax valuation allowance. Should the Company determine that it is not able to realize all or part of its deferred tax assets in the future, an additional valuation allowance may be recorded against the deferred tax assets with a corresponding charge to income in the period such determination is made.

The Company establishes reserves for potentially unfavorable outcomes of positions taken on certain tax matters. These reserves are based on management s assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. There may be differences between the anticipated and actual outcomes of these matters that may result in reversals of reserves or additional tax liabilities in excess of the reserved amounts. To the extent such adjustments are warranted, the Company s effective tax rate may potentially fluctuate as a result.

In determining the Company s effective tax rate, management considers current tax regulations in the numerous jurisdictions in which it operates, and requires management s judgment for interpretation and application. Changes to such tax regulations or disagreements with the Company s interpretation or application by tax authorities in any of the Company s major jurisdictions may have a significant impact on the Company s provision for income taxes.

Restructuring, Integration and Impairment Charges

The Company has been subject to the financial impact of integrating acquired businesses and charges related to business reorganizations. In connection with such events, management is required to make estimates about the financial impact of such matters that are inherently uncertain. Accrued liabilities and reserves are established to cover the cost of severance, facility consolidation and closure, lease termination fees, inventory adjustments based upon acquisition-related termination of supplier agreements and/or the re-evaluation of the acquired working capital assets (inventory and accounts receivable), and write-down of other acquired assets including goodwill. Actual amounts incurred could be different from those estimated.

Additionally, in assessing the Company s goodwill for impairment the Company is required to make significant assumptions about the future cash flows and overall performance of its reporting units. The Company is also required to make judgments regarding the evaluation of changes in events or circumstances that would more likely than not reduce the fair value of any of its reporting units below its carrying value, the results of which would determine whether an interim impairment test must be performed. Should these assumptions or judgments change in the future based upon market conditions or should the structure of the Company s reporting units change based upon changes in business strategy, the Company may be required to perform an interim impairment test which may result in a goodwill impairment charge.

During fiscal 2011 and 2010, the Company performed its annual goodwill impairment test and determined there was no goodwill impairment and there are no reporting units with material goodwill that are at risk of failing step 1 of the goodwill impairment test. During fiscal 2009, the Company performed an interim goodwill impairment test and recognized goodwill and intangible asset impairments. See *Impairment Charges* in this MD&A for further discussion of the Company s evaluation of goodwill impairment in fiscal 2009.

Contingencies and Litigation

From time to time, the Company may become a party to, or otherwise involved in, pending and threatened litigation, tax, environmental and other matters in the ordinary course of conducting its business. Management does not anticipate that any contingent matters will have a material adverse impact on the Company s financial condition, liquidity or results of operations.

Revenue Recognition

The Company does not consider revenue recognition to be a critical accounting policy due to the nature of its business because revenues are generally recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectability is reasonably assured. Generally, these criteria are met upon the actual shipment of product to the customer. Accordingly, other than for estimates related to possible returns of products from customers, discounts or rebates, the recording of revenue does not require significant judgments or estimates. Provisions for returns are estimated based on historical sales returns, credit memo analysis and other known factors. Provisions are made for discounts and rebates, which are primarily volume-based, and are generally based on historical trends and anticipated customer buying patterns. Finally, revenues from maintenance contracts, which are deferred and recognized in income over the life of the agreement, are not material to the consolidated results of operations of the Company.

Recently Issued Accounting Pronouncements

See Note 1 in the *Notes to Consolidated Financial Statements* contained in Item 15 of this Report for the discussion of recently issued accounting pronouncements.

Liquidity and Capital Resources

Cash Flows

Cash Flows from Operating Activities

The Company generated $278.1 million of cash from operating activities in fiscal 2011 as compared with cash usage of $30.4 million in fiscal 2010. These results are comprised of: (1) cash flow generated from net income excluding non-cash and other reconciling items, which includes the add-back of depreciation and amortization, deferred income taxes, stock-based compensation and other non-cash items (primarily the provision for doubtful accounts and periodic pension costs) and (2) cash flow used for working capital, excluding cash and cash equivalents. Cash used for working capital in fiscal 2011 consisted of growth in accounts receivable and inventory of $421.5 million and $321.9 million, respectively, partially offset by an increase in payables of $165.2 million. For EM, inventory and receivables grew year over year due to the strong growth in sales. For TS, growth in receivables was partially offset by an increase in accounts payables. Net days outstanding, in particular, receivable days, are above pre-recession levels as there has not been any significant change in terms provided to customers.

During fiscal 2010, the Company used $30.4 million of cash from operating activities as compared with cash generated in fiscal 2009 of $1.1 billion. Cash used for working capital during fiscal 2010 consisted of growth in accounts receivable and inventory of $1.07 billion and $459.9 million, respectively, partially offset by an increase in accounts payable of $963.3 million. For fiscal 2010, sales increased 18.1%; however, the Company used only

$30.4 million of cash from operating activities to fund that growth as a result of the significant improvement in working capital velocity which increased to a record 7.8 times. Cash generated from working capital during fiscal 2009 was the result of a $709.9 million reduction in receivables, a $483.5 million reduction in inventory; both of which were partially offset by a $375.5 million reduction in accounts payable.

Cash Flows from Financing Activities

During fiscal 2011, the Company received proceeds of $160.0 million from borrowings under the accounts receivable securitization program and repaid $109.6 million for the 3.75% Notes acquired in the Bell acquisition which were tendered during fiscal 2011. The Company also received proceeds of $8.9 million, net of repayments, related to bank credit facilities and other debt.

During fiscal 2010, the Company received proceeds of $291.9 million from the issuance of notes, net of repayments for bank and other debt. In June 2010, the Company issued $300.0 million 5.875% Notes due June 2020 and received proceeds of $296.5 million, net of discount and underwriting fees.

During fiscal 2009, the Company utilized cash of $406.8 million related to net repayments of notes and bank credit facilities, $300 million of which related to the extinguishment of the 2% Convertible Senior Debentures due March 15, 2034 (the Debentures). In March 2009, $298.1 million of the Debentures were put back to the Company and the remaining $1.9 million was repaid in April 2009. As a result of the substantial cash generation from operating activities during fiscal 2009, the Company was able to use cash on hand to settle the $300 million of Debentures principal plus accrued interest.

Other financing activities, net, in fiscal 2011, 2010 and 2009 were primarily a result of cash received for the exercise of stock options and the associated excess tax benefit.

Cash Flows from Investing Activities

During fiscal 2011, the Company used $691.0 million of cash for acquisitions, net of cash acquired, and $148.7 million for capital expenditures primarily related to system development costs and computer hardware and software expenditures. Also during fiscal 2011, the Company received $19.1 million of proceeds associated with a divestiture and $10.6 million of proceeds from the sale of fixed assets.

During fiscal 2010, the Company used $112.4 million of cash for investing activities, of which $69.3 million related to acquisitions and investments. The Company also received proceeds of $11.8 million related to earn-out provisions from the prior sale of an equity method investment as well as the sale of a small cost method investment. The Company used $66.9 million for capital expenditures related to building and leasehold improvements, system development costs, computer hardware and software and received $12.0 million in proceeds primarily related to the sale of properties.

The Company used $314.9 million of cash related to acquisitions during fiscal 2009. The Company also received $14.3 million in proceeds related to earn-out provisions associated with the prior sale of the Company s equity investment (see *Results of Operations Gain on Sale of Assets).* In addition, the Company utilized $110.2 million of cash for capital expenditures related to system development costs, computer hardware and software as well as expenditures related to warehouse construction costs.

Capital Structure

The Company uses a variety of financing arrangements, both short-term and long-term, to fund its operations in addition to funds generated from cash flow from operations. The Company also uses diversified sources of funding so that it does not become overly dependent on one source and to achieve lower cost of funding through these different alternatives. These financing arrangements include public bonds, short-term and long-term bank loans and an accounts receivable securitization program. For a detailed description of the Company s external financing arrangements outstanding at July 2, 2011, refer to Note 7 to the consolidated financial statements appearing in Item 15 of this Report.

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The following table summarizes the Company s capital structure as of the end of fiscal 2011 with a comparison with the end of fiscal 2010:

	July 2, 2011	% of Total Capitalization	July 3, 2010	% of Total Capitalization
	(Dollars in thousands)			
Short-term debt	$ 243,079	4.4%	$ 36,549	0.8%
Long-term debt	1,273,509	22.8	1,243,681	29.0
Total debt	1,516,588	27.2	1,280,230	29.8
Shareholders equity	4,056,070	72.8	3,009,117	70.2
Total capitalization	$ 5,572,658	100.0	$ 4,289,347	100.0

Financing Transactions

The Company has a five-year $500.0 million unsecured revolving credit facility (the Credit Agreement) with a syndicate of banks that expires in September 2012. Under the Credit Agreement, the Company may elect from various interest rate options, currencies and maturities. As of the end of fiscal 2011, there were $122.1 million in borrowings outstanding under the Credit Agreement included in other long-term debt in the consolidated financial statements. In addition, there were $16.6 million in letters of credit issued under the Credit Agreement which represent a utilization of the Credit Agreement capacity but are not recorded in the consolidated balance sheet as the letters of credit are not debt. As of the end of fiscal 2010, there were $93.7 million in borrowings outstanding and $8.6 million in letters of credit issued under the Credit Agreement.

The Company has an accounts receivable securitization program (the Securitization Program) with a group of financial institutions that allows the Company to sell, on a revolving basis, an undivided interest of up to $600.0 million ($450.0 million prior to the amendment in August 2010) in eligible receivables while retaining a subordinated interest in a portion of the receivables. The Securitization Program does not qualify for sale accounting and has a one year term that expires at the end of August 2011 which is expected to be renewed for another year on comparable terms. There were $160.0 million in borrowings outstanding under the Securitization Program at July 2, 2011 and no borrowings outstanding at July 3, 2010. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread of 0.425%. The facility fee is 0.50%.

As a result of acquisitions during fiscal 2011, the Company acquired debt of $420.3 million, of which $211.9 million was repaid (including associated fees) at the acquisition dates. As of July 2, 2011, the outstanding balances associated with the acquired debt and credit facilities consisted of $16.6 million in bank credit facilities and other debt primarily used to support the acquired foreign operations.

Notes outstanding as of the end of fiscal 2011 consisted of:

- $300.0 million of 5.875% Notes due March 15, 2014
- $250.0 million of 6.00% Notes due September 1, 2015
- $300.0 million of 6.625% Notes due September 15, 2016
- $300.0 million of 5.875% Notes due June 15, 2020

The Company assumed 3.75% Notes due March 5, 2024 in the Bell acquisition which had a fair value of $110.0 million. Prior to the Bell acquisition, the 3.75% Notes were convertible into Bell common stock; however, as a result of the acquisition, the debt was no longer convertible into shares. Under the terms of the 3.75% Notes, the Company could have redeemed some or all of the 3.75% Notes for cash anytime on or after March 5, 2011 and the note holders could have required the Company to purchase for cash some or all of the 3.75% Notes on March 5, 2011 March 5, 2014 or March 5, 2019 at a redemption price equal to 100% of the principal amount plus interest. During the first quarter of fiscal 2011, the Company issued a tender offer for the 3.75% Notes for which approximately $5.2 million was tendered and paid in September 2010. During the third quarter of fiscal 2011, the note holders tendered substantially all of the remaining notes for which $104.4 million was paid in March 2011.

In addition to its primary financing arrangements, the Company has several small lines of credit in various locations to fund the short-term working capital, foreign exchange, overdraft and letter of credit needs of its wholly-owned subsidiaries in Europe, Asia and Canada. Avnet generally guarantees its subsidiaries debt under these facilities.

Covenants and Conditions

The Securitization Program discussed previously requires the Company to maintain certain minimum interest coverage and leverage ratios as defined in the securitization agreement in order to continue utilizing the Securitization Program. The Securitization Program also contains certain covenants relating to the quality of the receivables sold. If these conditions are not met, the Company may not be able to borrow any additional funds and the financial institutions may consider this an amortization event, as defined in the agreement, which would permit the financial institutions to liquidate the accounts receivables sold to cover any outstanding borrowings. Circumstances that could affect the Company s ability to meet the required covenants and conditions of the Securitization Program include the Company s ongoing profitability and various other economic, market and industry factors. Management does not believe that the covenants under the Securitization Program limit the Company s ability to pursue its intended business strategy or its future financing needs. The Company was in compliance with all covenants of the Securitization Program at July 2, 2011.

The Credit Agreement discussed in *Financing Transactions* contains certain covenants with various limitations on debt incurrence, dividends, investments and capital expenditures and also includes financial covenants requiring the Company to maintain minimum interest coverage and leverage ratios, as defined in the Credit Agreement. Management does not believe that the covenants in the Credit Agreement limit the Company s ability to pursue its intended business strategy or its future financing needs. The Company was in compliance with all covenants of the Credit Agreement as of July 2, 2011.

See *Liquidity* below for further discussion of the Company s availability under these various facilities.

Liquidity

The Company had total borrowing capacity of $1.1 billion at July 2, 2011 under the Credit Agreement and the Securitization Program. There were $122.1 million in borrowings outstanding and $16.6 million in letters of credit issued under the Credit Agreement and $160.0 million outstanding under the Securitization Program resulting in $801.3 million of net availability at the end of fiscal 2011. During fiscal 2011, the Company had an average daily balance outstanding under the Credit Agreement of $142.4 million and $405.4 million under the Securitization Program. During fiscal 2010, the Company had an average daily balance outstanding under the Credit Agreement of $92.7 million. The Company had no borrowings outstanding under the Securitization Program during fiscal 2010.

The Company had cash and cash equivalents of $675.3 million as of July 2, 2011, of which $613.2 million was held outside the U.S. As of July 3, 2010, the Company had cash and cash equivalents of $1.09 billion, of which $507.9 million was held outside of the U.S. Liquidity is subject to many factors, such as normal business operations as well as general economic, financial, competitive, legislative, and regulatory factors that are beyond the Company s control. Cash balances generated and held in foreign locations are used for on-going working capital, capital expenditure needs and to support acquisitions. These balances are currently expected to be permanently reinvested outside the U.S. If these funds were needed for general corporate use in the U.S., the Company would incur significant income taxes to repatriate cash held in foreign locations to the extent they are in excess of outstanding intercompany loans due to Avnet, Inc. from the foreign subsidiaries. In addition, local government regulations may restrict the Company s ability to move funds among various locations under certain circumstances. Management does not believe such restrictions would limit the Company s ability to pursue its intended business strategy.

During fiscal 2011, the Company utilized $691.0 million of cash, net of cash acquired, for acquisitions, which included repayments of certain debt assumed in the acquisitions. The Company assumed a total of $420.3 million of debt as a result of the acquisitions and repaid $211.9 million of assumed debt (including associated fees) at the acquisition dates. The Company has been making and expects to continue to make strategic investments through acquisition activity to the extent the investments strengthen Avnet s competitive position and meet management s return on capital thresholds.

In addition to continuing to make investments in acquisitions, the Company may repurchase up to an aggregate of $500 million of shares of the Company s common stock through a share repurchase program approved by the Board of Directors in August 2011. The Company plans to repurchase stock from time to time at the discretion of management, subject to strategic considerations, market conditions and other factors. The Company may terminate or limit the stock repurchase program at any time without prior notice.

During periods of weakening demand in the electronic component and enterprise computer solutions industry, the Company typically generates cash from operating activities. Conversely, the Company is more likely to use operating cash flows for working capital requirements during periods of higher growth. However, during fiscal 2011, revenue was up 38.5% year over year, yet the Company generated $278.1 million in cash from operations as a result of significant growth in operating income which was in excess of cash required for working capital purposes. Management believes that Avnet s borrowing capacity, its current cash availability and the Company s expected ability to generate operating cash flows are sufficient to meet its projected financing needs.

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The following table highlights the Company s liquidity and related ratios for the past two fiscal years:

COMPARATIVE ANALYSIS LIQUIDITY

	Years Ended		
	July 2, 2011	July 3, 2010	Percentage Change
	(Dollars in millions)		
Current Assets	$ 8,227.2	$ 6,630.2	24.1%
Quick Assets	5,439.6	4,666.6	16.6
Current Liabilities	4,477.7	3,439.6	30.2
Working Capital [(1)]	3,749.5	3,190.6	17.5
Total Debt	1,516.6	1,280.2	18.5
Total Capital (total debt plus total shareholders equity)	5,572.7	4,289.3	29.9
Quick Ratio	1.2:1	1.4:1	
Working Capital Ratio	1.8:1	1.9:1	
Debt to Total Capital	27.2%	29.8%	

(1) This calculation of working capital is defined as current assets less current liabilities.

The Company s quick assets (consisting of cash and cash equivalents and receivables) increased 16.6% from July 3, 2010 to July 2, 2011 primarily due to the increase in receivables resulting from the increased volume of business associated with acquisitions since the prior fiscal year end, significant organic sales growth and the impact of the change in foreign currency exchange spot rates at July 2, 2011 as compared with July 3, 2010. Current assets increased 24.1% due to the increase in receivables and inventory, also a result of the recent acquisitions, the impact of the change in foreign currency exchange spot rates and the double-digit growth in sales. Current liabilities increased 30.2% primarily due to the increase in short-term borrowings used to support the growth in sales. In addition, current liabilities increased due to growth in accounts payable, which was impacted by acquisitions and the exchange rate changes mentioned previously. As a result of the factors noted above, total working capital increased by 17.5% during fiscal 2011. Total debt increased by 18.5%, primarily due to the increase in short-term borrowings, total capital increased 29.9% and the debt to capital ratio decreased as compared with July 3, 2010 to 27.2%.

Long-Term Contractual Obligations

The Company has the following contractual obligations outstanding as of July 2, 2011 (in millions):

	Total	Due in Less Than 1 Year	Due in 1-3 Years	Due in 4-5 Years	Due After 5 Years
Long-term debt, including amounts due within one year [(1)]	$ 1,519.6	$ 243.1	$ 426.2	$ 250.3	$ 600.0
Interest expense on long-term notes [(2)]	$ 372.5	$ 70.3	$ 135.4	$ 92.8	$ 74.0
Operating leases	$ 304.6	$ 92.4	$ 120.3	$ 49.5	$ 42.4

(1) Excludes discount on long-term notes.

(2) Represents interest expense due on long-term notes with fixed interest rates.

At July 2, 2011, the Company had a liability for income tax contingencies of $175.2 million, which is not included in the above table. Cash payments associated with the remaining liability cannot reasonably be estimated as it is difficult to estimate the timing and amount of tax settlements. The Company does not currently have any material commitments for capital expenditures.

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Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

The Company seeks to reduce earnings and cash flow volatility associated with changes in interest rates and foreign currency exchange rates by entering into financial arrangements, from time to time, which are intended to provide a hedge against all or a portion of the risks associated with such volatility. The Company continues to have exposure to such risks to the extent they are not hedged.

The following table sets forth the scheduled maturities of the Company s debt outstanding at July 2, 2011 (dollars in millions):

	Fiscal Year						
	2012	**2013**	**2014**	**2015**	**2016**	**Thereafter**	**Total**
Liabilities:							
Fixed rate debt (1)	$ 1.2	$ 1.2	$ 301.6	$ 0.3	$ 250.0	$ 600.0	$ 1,154.3
Floating rate debt	$ 241.9	$ 123.4	$	$	$	$	$ 365.3

(1) Excludes discounts on long-term notes.

The following table sets forth the carrying value and fair value of the Company s debt at July 2, 2011 (dollars in millions):

	Carrying Value at July 2, 2011	**Fair Value at July 2, 2011**	**Carrying Value at July 3, 2010**	**Fair Value at July 3, 2010**
Liabilities:				
Fixed rate debt (1)	$ 1,154.3	$ 1,261.1	$ 1,154.3	$ 1,220.7
Average interest rate	6.1%		6.1%	
Floating rate debt	$ 365.3	$ 365.3	$ 129.5	$ 129.5
Average interest rate	2.2%		1.5%	

(1) Excludes discounts on long-term notes.

Many of the Company s subsidiaries, on occasion, purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with fluctuations in foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (offsetting receivables and payables) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts with maturities of less than sixty days. The Company continues to have exposure to foreign currency risks to the extent they are not hedged. The Company adjusts all foreign denominated balances and any outstanding foreign exchange contracts to fair market value through the consolidated statements of operations. Therefore, the market risk related to foreign exchange contracts is offset by changes in valuation of the underlying items being hedged. The asset or liability representing the fair value of foreign exchange contracts is classified in the captions other current assets or accrued expenses and other, as applicable, in the accompanying consolidated balance sheets. A hypothetical 10% change in currency exchange rates under the contracts outstanding at July 2, 2011 would result in an increase or decrease of approximately $25.7 million to the fair value of the forward foreign exchange contracts, which would generally be offset by an opposite effect on the related hedged positions.

Item 8. ***Financial Statements and Supplementary Data***

The financial statements and supplementary data are listed under Item 15 of this Report.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

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Item 9A. ***Controls and Procedures***

Disclosure Controls and Procedures

The Company s management, including its Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company s disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)) as of the end of the reporting period covered by this report on Form 10-K. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the end of the period covered by this report on Form 10-K, the Company s disclosure controls and procedures are effective such that material information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the Securities and Exchange Commission s rules and forms and is accumulated and communicated to management, including the Company s principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

During the fourth quarter of fiscal 2011, there were no changes to the Company s internal control over financial reporting (as defined in Rule 13a-15(f) of the Exchange Act) that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

Management s Report on Internal Control Over Financial Reporting

The Company s management, including its Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15(d)-15(f) under the Exchange Act. The Company s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles in the United States of America. Because of inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Management conducted an evaluation of the effectiveness of the Company s internal control over financial reporting as of July 2, 2011. In making this assessment, management used the framework established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and concluded that the Company maintained effective internal control over financial reporting as of July 2, 2011.

The Company s independent registered public accounting firm, KPMG LLP, has audited the effectiveness of the Company s internal controls over financial reporting as of July 2, 2011, as stated in its audit report which is included herein.

Item 9B. ***Other Information***

Not applicable.

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PART III

Item 10. ***Directors, Executive Officers and Corporate Governance***

The information called for by Item 10 is incorporated in this Report by reference to the Company s definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 4, 2011.

Item 11. ***Executive Compensation***

The information called for by Item 11 is incorporated in this Report by reference to the Company s definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 4, 2011.

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information called for by Item 12 is incorporated in this Report by reference to the Company s definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 4, 2011.

Item 13. ***Certain Relationships and Related Transactions, and Director Independence***

The information called for by Item 13 is incorporated in this Report by reference to the Company s definitive proxy statement relating to the Annual Meeting of Shareholders anticipated to be held on November 4, 2011.

Item 14. ***Principal Accounting Fees and Services***

The information called for by Item 14 is incorporated in this Report by reference to the Company s definitive proxy statement relating to the Annual Meeting of Stockholders anticipated to be held on November 4, 2011.

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PART IV

Item 15. ***Exhibits and Financial Statement Schedules***

a. The following documents are filed as part of this Report:

	Page
1. Consolidated Financial Statements:	
Report of Independent Registered Public Accounting Firm	38
Avnet, Inc. and Subsidiaries Consolidated Financial Statements:	
Consolidated Balance Sheets at July 2, 2011, and July 3, 2010	39
Consolidated Statements of Operations for the years ended July 2, 2011, July 3, 2010 and June 27, 2009	40
Consolidated Statements of Shareholders Equity for the years ended July 2, 2011, July 3, 2010 and June 27, 2009	41
Consolidated Statements of Cash Flows for the years ended July 2, 2011, July 3, 2010 and, June 27, 2009	42
Notes to Consolidated Financial Statements	43
2. Financial Statement Schedule:	
Schedule II (Valuation and Qualifying Accounts) for the years ended July 2, 2011, July 3, 2010 and June 27, 2009	73
Schedules other than that above have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto	
3. Exhibits The exhibit index for this Report can be found beginning on page	74

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

AVNET, INC.
(Registrant)

By: /s/ RICHARD HAMADA
Richard Hamada
Chief Executive Officer and Director

Date: August 12, 2011

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below hereby authorizes and appoints each of Richard Hamada and Raymond Sadowski his or her attorneys-in-fact, for him or her in any and all capacities, to sign any amendments to this Report, and to file the same, with exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorneys-in-fact, or their substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities indicated on August 12, 2011.

Signature	Title
/s/ RICHARD HAMADA Richard Hamada	Chief Executive Officer and Director (Principal Executive Officer)
/s/ ROY VALLEE Roy Vallee	Chairman of the Board and Director
/s/ ELEANOR BAUM Eleanor Baum	Director
/s/ J. VERONICA BIGGINS J. Veronica Biggins	Director
/s/ EHUD HOUMINER Ehud Houminer	Director
/s/ JAMES A. LAWRENCE James A. Lawrence	Director
/s/ FRANK R. NOONAN Frank R. Noonan	Director

/s/ RAY M. ROBINSON	Director
Ray M. Robinson	
/s/ WILLIAM H. SCHUMANN, III	Director
William H. Schumann, III	
/s/ WILLIAM P. SULLIVAN	Director
William P. Sullivan	
/s/ GARY L. TOOKER	Director
Gary L. Tooker	
/s/ RAYMOND SADOWSKI	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
Raymond Sadowski	

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Avnet, Inc.:

We have audited the accompanying consolidated balance sheets of Avnet, Inc. and subsidiaries (the Company) as of July 2, 2011 and July 3, 2010, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the years in the three-year period ended July 2, 2011. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule for each of the years in the three-year period ended July 2, 2011, as listed in the accompanying index. We also have audited the Company s internal control over financial reporting as of July 2, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying *Management s Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on these consolidated financial statements, an opinion on the financial statement schedule and an opinion on the Company s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Avnet, Inc. and subsidiaries as of July 2, 2011 and July 3, 2010, and the results of their operations and their cash flows for each of the years in the three-year period ended July 2, 2011, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule for each of the years in the three-year period ended July 2, 2011, when considered in relation to the basic consolidated financial statement taken as a whole, presents fairly, in all material respects, the information set forth therein. Furthermore, in our opinion, Avnet, Inc. maintained, in all material respects, effective internal control over financial reporting as of July 2, 2011, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

As discussed in note 1 to the consolidated financial statements, effective June 28, 2009, the Company adopted FASB ASC 470-20, *Debt with Conversion and Other Options* (formerly FSP APB 14-1).

/s/ KPMG LLP
Phoenix, Arizona
August 11, 2011

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AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	July 2, 2011	July 3, 2010
	(Thousands, except share amounts)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 675,334	$ 1,092,102
Receivables, less allowances of $107,739 and $81,197, respectively (Note 3)	4,764,293	3,574,541
Inventories	2,596,470	1,812,766
Prepaid and other current assets	191,110	150,759
Total current assets	8,227,207	6,630,168
Property, plant and equipment, net (Note 5)	419,173	302,583
Goodwill (Notes 2 and 6)	885,072	566,309
Other assets	374,117	283,322
Total assets	$ 9,905,569	$ 7,782,382
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Borrowings due within one year (Note 7)	$ 243,079	$ 36,549
Accounts payable	3,561,633	2,862,290
Accrued expenses and other (Note 8)	673,016	540,776
Total current liabilities	4,477,728	3,439,615
Long-term debt (Note 7)	1,273,509	1,243,681
Other long-term liabilities (Notes 9 and 10)	98,262	89,969
Total liabilities	5,849,499	4,773,265
Commitments and contingencies (Notes 11 and 13)		
Shareholders equity (Notes 4, 12 and 14):		
Common stock $1.00 par; authorized 300,000,000 shares; issued 152,835,000 shares and 151,874 ,000 shares, respectively	152,835	151,874
Additional paid-in capital	1,233,209	1,206,132
Retained earnings	2,293,510	1,624,441
Accumulated other comprehensive income (Note 4)	377,211	27,362
Treasury stock at cost, 37,802 shares and 37,769 shares, respectively	(695)	(692)
Total shareholders equity	4,056,070	3,009,117
Total liabilities and shareholders equity	$ 9,905,569	$ 7,782,382

See notes to consolidated financial statements

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AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended		
	July 2, 2011	**July 3, 2010**	**June 27, 2009**
	(Thousands, except share amounts)		
Sales	$ 26,534,413	$ 19,160,172	$ 16,229,896
Cost of sales	23,426,608	16,879,955	14,206,903
Gross profit	3,107,805	2,280,217	2,022,993
Selling, general and administrative expenses	2,100,650	1,619,198	1,531,522
Impairment charges (Note 6)			1,411,127
Restructuring, integration and other charges (Note 17)	77,176	25,419	99,342
Operating income (loss)	929,979	635,600	(1,018,998)
Other income (expense), net	10,724	2,480	(11,622)
Interest expense	(92,452)	(61,748)	(78,666)
Gain on bargain purchase and other (Note 2)	22,715		
Gain on sale of assets (Note 2)		8,751	14,318
Income (loss) before income taxes	870,966	585,083	(1,094,968)
Income tax provision (Note 9)	201,897	174,713	34,744
Net income (loss)	$ 669,069	$ 410,370	$ (1,129,712)
Net earnings (loss) per share (Note 14):			
Basic	$ 4.39	$ 2.71	$ (7.49)[(1)]
Diluted	$ 4.34	$ 2.68	$ (7.49)[(1)]
Shares used to compute earnings (loss) per share (Note 14):			
Basic	152,481	151,629	150,898
Diluted	154,337	153,093	150,898

(1) As adjusted for the retrospective application of an accounting standard. See Note 1 to the consolidated financial statements.

See notes to consolidated financial statements

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AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
Years Ended July 2, 2011, July 3, 2010 and June 27, 2009

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Shareholders Equity
			(Thousands)			
Balance, June 28, 2008 (as adjusted see Note 1)	150,417	$ 1,166,042	$ 2,343,783	$ 482,178	$ (479)	$ 4,141,941
Net loss			(1,129,712)			(1,129,712)
Translation adjustments (Note 4)				(237,903)		(237,903)
Pension liability adjustment, net of tax of $16,767 (Notes 4, 10 and 15)				(26,181)		(26,181)
Comprehensive loss (Note 4)						(1,393,796)
Stock option and incentive programs, including related tax benefits of $653	682	12,482			(452)	12,712
Balance, June 27, 2009	151,099	1,178,524	1,214,071	218,094	(931)	2,760,857
Net income			410,370			410,370
Translation adjustments (Note 4)				(159,517)		(159,517)
Pension liability adjustment, net of tax of $19,287 (Notes 4, 10 and 15)				(31,215)		(31,215)
Comprehensive income (Note 4)						219,638
Stock option and incentive programs, including related tax benefits of $2,100	775	27,608			239	28,622
Balance, July 3, 2010	151,874	1,206,132	1,624,441	27,362	(692)	3,009,117
Net income			669,069			669,069
Translation adjustments (Note 4)				329,884		329,884
Pension liability adjustment, net of tax of $12,022 (Notes 4, 10 and 15)				19,965		19,965
Comprehensive income (Note 4)						1,018,918
Stock option and incentive programs, including related tax	961	27,077			(3)	28,035

benefits of $4,689						
Balance, July 2, 2011	152,835	$ 1,233,209	$ 2,293,510	$ 377,211	$ (695)	$ 4,056,070

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended	
	July 2, 2011	July 3, 2010	June 27, 2009
		(Thousands)	
Cash flows from operating activities:			
Net income (loss)	$ 669,069	$ 410,370	$ (1,129,712)
Non-cash and other reconciling items:			
Depreciation and amortization	81,389	60,643	65,781
Deferred income taxes (Note 9)	15,966	46,424	(92,787)
Stock-based compensation (Note 12)	28,931	28,363	18,269
Gain on sale of assets (Note 2)		(8,751)	(14,318)
Gain on bargain purchase and other (Note 2)	(22,715)		
Impairment charges (Note 6)			1,411,127
Other, net (Note 15)	56,846	15,385	38,414
Changes in (net of effects from businesses acquired):			
Receivables	(421,457)	(1,070,302)	709,908
Inventories	(321,939)	(459,917)	483,453
Accounts payable	165,185	963,332	(375,509)
Accrued expenses and other, net	26,804	(15,962)	3,409
Net cash flows provided by (used for) operating activities	278,079	(30,415)	1,118,035
Cash flows from financing activities:			
Borrowings under accounts receivable securitization program, net (Note 7)	160,000		
Issuance of notes in a public offering, net of issuance costs (Note 7)		296,469	
Repayment of notes (Note 7)	(109,600)		(300,000)
Proceeds from (repayments of) bank debt, net (Note 7)	1,644	(1,732)	(90,444)
Proceeds from (repayments of) other debt, net (Note 7)	7,238	(2,803)	(16,361)
Other, net (Note 12)	3,930	4,838	1,564
Net cash flows provided by (used for) financing activities	63,212	296,772	(405,241)
Cash flows from investing activities:			
Purchases of property, plant and equipment	(148,707)	(66,888)	(110,219)
Cash proceeds from sales of property, plant and equipment	10,621	12,015	13,157
Acquisitions of operations and investments, net of cash acquired (Note 2)	(690,997)	(69,333)	(314,941)
Cash proceeds from divestiture activities (Note 2)	19,108	11,785	14,318
Net cash flows used for investing activities	(809,975)	(112,421)	(397,685)
Effect of exchange rate changes on cash and cash equivalents	51,916	(5,755)	(11,637)

Cash and cash equivalents:			
(decrease) increase	(416,768)	148,181	303,472
at beginning of year	1,092,102	943,921	640,449
at end of year	$ 675,334	$ 1,092,102	$ 943,921

Additional cash flow information (Note 15)

See notes to consolidated financial statements

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Principles of consolidation The accompanying consolidated financial statements include the accounts of the Company and all of its majority-owned and controlled subsidiaries. All intercompany accounts and transactions have been eliminated.

Cash and cash equivalents The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories Inventories, comprised principally of finished goods, are stated at cost (first-in, first-out) or market, whichever is lower.

Investments Investments in joint ventures and entities in which the Company has an ownership interest greater than 50% and exercises control over the venture are consolidated in the accompanying consolidated financial statements. Non-controlling interests in the years presented are not material and, as a result, are included in the caption accrued expenses and other in the accompanying consolidated balance sheets. Investments in joint ventures and entities in which the Company exercises significant influence but not control are accounted for using the equity method. The Company invests from time to time in ventures in which the Company s ownership interest is less than 20% and over which the Company does not exercise significant influence. Such investments are accounted for using the cost method. The fair values for investments not traded on a quoted exchange are estimated based upon the historical performance of the ventures, the ventures forecasted financial performance and management s evaluation of the ventures viability and business models. To the extent the book value of an investment exceeds its assessed fair value, the Company will record an appropriate impairment charge. Thus, the carrying value of the Company s investments approximates fair value.

Depreciation and amortization Depreciation and amortization is generally provided for by the straight-line method over the estimated useful lives of the assets. The estimated useful lives for depreciation and amortization are typically as follows: buildings 30 years; machinery, fixtures and equipment 2-10 years; and leasehold improvements over the applicable remaining lease term or useful life if shorter.

Long-lived assets Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment is recognized when the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. An impairment is measured as the amount by which an asset s net book value exceeds its estimated fair value. The Company continually evaluates the carrying value and the remaining economic useful life of all long-lived assets and will adjust the carrying value and the related depreciation and amortization period if and when appropriate.

Goodwill Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Annual tests for goodwill impairment are performed by applying a fair-value based test to Avnet s six reporting units, defined as each of the three regional businesses, which are the Americas, EMEA (Europe, Middle East and Africa), and Asia, within each of the Company s operating groups. The Company conducts its periodic test for goodwill impairment annually, on the first day of the fiscal fourth quarter. A two-step process is used to evaluate goodwill for impairment. The first step is to determine if there is an indication of impairment by comparing the estimated fair value of each reporting unit to its carrying value including existing goodwill. Goodwill is considered impaired if the carrying value of a reporting unit exceeds the estimated fair value. The second step, which is performed only if there is an indication of impairment, determines the amount of the impairment by comparing the implied fair value of the reporting unit s goodwill with its carrying value. To estimate fair value of each reporting unit, the Company uses a combination of present value and market valuation techniques which utilizes Level 3 criteria under fair value measurement standards. The estimated fair values could change in the future due to changes in market and business conditions that could affect the assumptions and estimates used in these valuation techniques.

Foreign currency translation The assets and liabilities of foreign operations are translated into U.S. Dollars at the exchange rates in effect at the balance sheet date, with the related translation adjustments reported as a separate component of shareholders equity and comprehensive income. Results of operations are translated using the average

exchange rates prevailing throughout the period. Transactions denominated in currencies other than the functional currency of the Avnet business unit that is party to the transaction (primarily trade receivables and payables) are translated at exchange rates in effect at the balance sheet date or upon settlement of the transaction. Gains and losses from such translation are recorded in the consolidated statements of operations as a component of other income (expense), net. In fiscal 2011, 2010 and 2009, gains or losses on foreign currency translation were not material.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Income taxes The Company follows the asset and liability method of accounting for income taxes. Deferred income tax assets and liabilities are recognized for the estimated future tax impact of differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in earnings in the period in which the new rate is enacted. Based upon historical and projected levels of taxable income and analysis of other key factors, the Company may record a valuation allowance against its deferred tax assets, as deemed necessary, to state such assets at their estimated net realizable value.

The Company establishes reserves for potentially unfavorable outcomes of positions taken on certain tax matters. These reserves are based on management s assessment of whether a tax benefit is more likely than not to be sustained upon examination by tax authorities. There may be differences between the anticipated and actual outcomes of these matters that may result in reversals of reserves or additional tax liabilities in excess of the reserved amounts. To the extent such adjustments are warranted, the Company s effective tax rate may potentially fluctuate as a result.

No provision for U.S. income taxes has been made for approximately $2.0 billion of cumulative unremitted earnings of foreign subsidiaries at July 2, 2011 because those earnings are expected to be permanently reinvested outside the U.S. A hypothetical calculation of the deferred tax liability, assuming those earnings were remitted, is not practicable.

Self-insurance The Company is primarily self-insured for workers compensation, medical, and general, product and automobile liability costs; however, the Company also has a stop-loss insurance policy in place to limit the Company s exposure to individual and aggregate claims made. Liabilities for these programs are estimated based upon outstanding claims and claims estimated to have been incurred but not yet reported based upon historical loss experience. These estimates are subject to variability due to changes in trends of losses for outstanding claims and incurred but not recorded claims, including external factors such as future inflation rates, benefit level changes and claim settlement patterns.

Revenue recognition Revenue from product sales is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the sales price is fixed or determinable and collectibility is reasonably assured. Generally, these criteria are met upon shipment to customers. Most of the Company s product sales come from product Avnet purchases from a supplier and holds in inventory. A portion of the Company s sales are shipments of product directly from its suppliers to its customers. In such circumstances, Avnet negotiates the price with the customer, pays the supplier directly for the product shipped and bears credit risk of collecting payment from its customers. Furthermore, in such drop-shipment arrangements, Avnet bears responsibility for accepting returns of product from the customer even if Avnet, in turn, has a right to return the product to the original supplier if the product is defective. Under these terms, the Company serves as the principal with the customer and, therefore, recognizes the sale and cost of sale of the product upon receiving notification from the supplier that the product has shipped.

In addition, the Company has more limited contractual relationships with certain of its customers and suppliers whereby Avnet assumes an agency relationship in the transaction. In such arrangements, the Company recognizes the fee associated with serving as an agent in sales with no associated cost of sales.

Revenues from maintenance contracts are recognized ratably over the life of the contracts, generally ranging from one to three years.

Revenues are recorded net of discounts, rebates and estimated returns. Provisions are made for discounts and rebates, which are primarily volume-based, and are based on historical trends and anticipated customer buying patterns. Provisions for returns are estimated based on historical sales returns, credit memo analysis and other known factors.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Comprehensive income (loss) Comprehensive income (loss) represents net income (loss) for the year adjusted for changes in shareholders equity from non-shareholder sources. Accumulated comprehensive income items typically include currency translation and the impact of the Company s pension liability adjustment, net of tax (see Note 4).

Stock-based compensation The Company measures share-based payments, including grants of employee stock options, at fair value and recognizes the associated expense in the consolidated statement of operations over the service period (see Note 12).

Concentration of credit risk Financial instruments that potentially subject the Company to a concentration of credit risk principally consist of cash and cash equivalents and trade accounts receivable. The Company invests its excess cash primarily in overnight Eurodollar time deposits and institutional money market funds with quality financial institutions. The Company sells electronic components and computer products primarily to original equipment and contract manufacturers, including the military and military contractors, throughout the world. To reduce credit risk, management performs ongoing credit evaluations of its customers financial condition and, in some instances, has obtained insurance coverage to reduce such risk. The Company maintains reserves for potential credit losses, but has not experienced any material losses related to individual customers or groups of customers in any particular industry or geographic area.

Fair value of financial instruments The Company measures financial assets and liabilities at fair value based upon exit price, representing the amount that would be received on the sale of an asset or paid to transfer a liability, in an orderly transaction between market participants. Accounting standards require inputs used in valuation techniques for measuring fair value on a recurring or non-recurring basis be assigned to a hierarchical level as follows: Level 1 are observable inputs that reflect quoted prices for identical assets or liabilities in active markets. Level 2 are observable market-based inputs or unobservable inputs that are corroborated by market data and Level 3 are unobservable inputs that are not corroborated by market data. The carrying amounts of the Company s financial instruments, including cash and cash equivalents, receivables and accounts payable approximate their fair values at July 2, 2011 due to the short-term nature of these instruments. At July 2, 2011 and July 3, 2010, the Company had $164,157,000 and $643,281,000, respectively, of cash equivalents which were recorded based upon Level 1 criteria. See Note 7 for further discussion of the fair value of the Company s fixed rate long-term debt instruments and see *Investments* in this Note 1 for further discussion of the fair value of the Company s investments in unconsolidated entities.

Derivative financial instruments Many of the Company s subsidiaries, on occasion, purchase and sell products in currencies other than their functional currencies. This subjects the Company to the risks associated with fluctuations in foreign currency exchange rates. The Company reduces this risk by utilizing natural hedging (offsetting receivables and payables) as well as by creating offsetting positions through the use of derivative financial instruments, primarily forward foreign exchange contracts with maturities of less than sixty days. The Company continues to have exposure to foreign currency risks to the extent they are not hedged. The Company adjusts all foreign denominated balances and any outstanding foreign exchange contracts to fair market value through the consolidated statements of operations. Therefore, the market risk related to the foreign exchange contracts is offset by the changes in valuation of the underlying items being hedged. The asset or liability representing the fair value of foreign exchange contracts, based upon Level 2 criteria under the fair value measurements standards, is classified in the captions other current assets or accrued expenses and other, as applicable, in the accompanying consolidated balance sheets and were not material. In addition, the Company did not have material gains or losses related to the forward contracts which are recorded in other income (expense), net in the accompanying consolidated statements of operations.

The Company has, from time to time, entered into hedge transactions that convert certain fixed rate debt to variable rate debt. To the extent the Company enters into such hedge transactions, those fair value hedges and the hedged debt are adjusted to current market values through interest expense.

The Company generally does not hedge its investment in its foreign operations. The Company does not enter into derivative financial instruments for trading or speculative purposes and monitors the financial stability and credit standing of its counterparties.

Accounts receivable securitization The Company has an accounts receivable securitization program whereby the Company may sell receivables in securitization transactions and retain a subordinated interest and servicing rights to those receivables. The securitization program is accounted for as an on-balance sheet financing through the securitization of accounts receivable (see Note 3).

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Fiscal year The Company operates on a 52/53 week fiscal year, which ends on the Saturday closest to June 30th. Fiscal 2011 and 2009 contained 52 weeks while fiscal 2010 contained 53 weeks. Unless otherwise noted, all references to fiscal 2011 or any other year shall mean the Company s fiscal year.

Management estimates The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Adoption of accounting standard The Financial Accounting Standards Board (FASB) issued authoritative guidance which requires the issuer of certain convertible debt instruments that may be settled in cash (or other assets) on conversion to separately account for the debt and equity (conversion option) components of the instrument. The standard requires the convertible debt to be recognized at the present value of its cash flows discounted using the non-convertible debt borrowing rate at the date of issuance. The resulting debt discount from this present value calculation is to be recognized as the value of the equity component and recorded to additional paid in capital. The discounted convertible debt is then required to be accreted up to its face value and recorded as non-cash interest expense over the expected life of the convertible debt. In addition, deferred financing costs associated with the convertible debt are required to be allocated between the debt and equity components based upon relative values. During the first quarter of fiscal 2010, the Company adopted this standard, however, there was no impact to the fiscal 2010 consolidated financial statements because the Company s 2% Convertible Senior Debentures (the Debentures), to which this standard applied, were extinguished in March 2009. Due to the required retrospective application of this standard to prior periods, the Company adjusted the prior period comparative consolidated financial statements, which are summarized in the following tables.

As a result of the adoption of this accounting standard, the Company recognized the cumulative effect of the change on certain components of equity as of the beginning of the earliest fiscal year presented in the consolidated statements of shareholders equity as presented in the following table:

	June 28, 2008		
	As Reported	Adjustments (Thousands)	As Adjusted
Additional paid in capital [1]	$ 1,122,852	$ 43,190	$ 1,166,042
Retained earnings [2]	$ 2,379,723	$ (35,940)	$ 2,343,783

(1) Adjustment represents the value of the equity component of the Debentures, net of deferred taxes.

(2) Adjustment represents the accretion of the debt discount, net of tax, over the expected life of the Debentures, which was five years from the date of issuance, or March 2009, because this was the earliest date the holders had a right to exercise their put option.

Adjustments-increase (decrease)	Fiscal Year Ended June 27, 2009 (Thousands, except per share data)
Selling, general and adminstrative expenses [3]	$ (291)
Interest expense [4]	12,185

Income tax provision		(4,644)
Net income		(7,250)
Basic EPS	$	(0.05)
Diluted EPS	$	(0.05)

(3) Adjustment represents a reduction to deferred financing cost amortization expense as a result of allocating a portion of such costs to the equity component of the Debentures.

(4) Adjustment represents incremental non-cash interest expense as a result of accreting the Debenture debt discount.

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AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Recently issued accounting pronouncements In June 2011, the FASB amended its guidance on the presentation of comprehensive income in financial statements. The amended guidance eliminates the option to present components of other comprehensive income (OCI) as part of the statement of changes in equity. Instead, entities can elect to present items of net income and OCI in one continuous statement (a statement of comprehensive income), or can elect to present these items in two separate but consecutive statements. The guidance, which is effective beginning the Company s fiscal year 2013, will not have an impact on the Company s consolidated financial statements as the guidance only relates to changes in financial statement presentation.

In April 2011, the FASB issued new guidance to achieve common fair value measurement and disclosure requirements between U.S. generally accepted accounting principles (U.S. GAAP) and International Financial Reporting Standards (IFRS). This new guidance, which is effective beginning the Company s fiscal year 2012, amends current U.S. GAAP fair value measurement and disclosure requirements to include increased transparency around valuation inputs and investment categorization. The adoption of this new guidance is not expected to have a material impact on the Company s consolidated financial statements.

2. Acquisitions and divestitures

Acquisitions

During fiscal 2011, 2010 and 2009, the Company acquired sixteen businesses which are presented in the following table.

Acquired Business	Group & Region	Approximate Annualized Revenues (1) (Millions)		Acquisition Date
Fiscal 2011				
itX Group Ltd.	TS Asia/Pac	$	160	January 2011
Center Cell	EM Americas		5	November 2010
Eurotone	EM Asia/Pac		30	October 2010
Broadband	EM Americas		8	October 2010
Unidux	EM Asia/Pac		370	July 2010
Tallard Technologies	TS Americas		250	July 2010
Bell Microproducts Inc.	EM & TS Americas TS EMEA		3,021	July 2010
Fiscal 2010				
Servodata HP Division	TS EMEA	$	20	April 2010
PT Datamation	TS Asia/Pac		90	April 2010
Sunshine Joint Stock Company	TS Asia/Pac		30	November 2009
Vanda Group	TS Asia/Pac		30	October 2009
Fiscal 2009				
Abacus Group plc	EM EMEA	$	400	January 2009
Nippon Denso Industry Co., Ltd.	EM Asia/Pac		140	December 2008
Ontrack Solutions Pvt. Ltd.	TS Asia/Pac		13	July 2008
Horizon Technology Group plc	TS EMEA		400	June 2008
Source Electronics Corporation	EM Americas		82	June 2008

(1) Represents the approximate annual revenue from the acquired businesses most recent fiscal year end prior to acquisition by Avnet and based upon average foreign currency exchange rates for those periods.

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AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Bell and Unidux acquisitions and purchase price are described further below. The remaining acquisitions completed during fiscal 2011 were acquired for an aggregate purchase price of $124,678,000, net of cash acquired.
Also during fiscal 2011, the Company recognized restructuring and integration charges, and transaction and other costs associated with the acquisitions, all of which were recognized in the consolidated statement of operations and are described further in Note 17.
Unidux, a Japanese publicly traded company, was acquired through a tender offer in which the Company obtained over 95% controlling interest. The non-controlling interest was recorded at fair value but was not material. The acquisition of the non-controlling interest in Unidux was completed during the second quarter of fiscal 2011. As mentioned, Unidux was a publicly traded company which shares were trading below its book value for a period of time. In a tender offer, Avnet offered a purchase price per share for Unidux that was above the prevailing trading price thereby representing a premium to the then recent trading levels. Even though the purchase price was below book value, 95% of the Unidux shareholders tendered their shares. As a result, the Company acquired Unidux net assets excluding cash of $163,770,000 for a purchase price of $132,780,000, net of cash acquired, and recognized a gain on bargain purchase of $30,990,000 pre- and after tax and $0.20 per share on a diluted basis. Prior to recognizing the gain, the Company reassessed the assets acquired and liabilities assumed in the acquisition.

Bell

On July 6, 2010, subsequent to fiscal year 2010, the Company completed its acquisition of Bell, a value-added distributor of storage and server products and solutions and computer components products, providing integration and support services to OEMs, VARs, system builders and end users in the U.S., Canada, EMEA and Latin America. Bell operated both a distribution and single tier reseller business and generated sales of approximately $3.0 billion in calendar 2009, of which 42%, 41% and 17% was generated in North America, EMEA and Latin America, respectively. The consideration for the transaction totaled $255,691,000 which consisted of $7.00 in cash for each share of Bell common stock outstanding, cash payment for Bell equity awards, and cash payments required under existing Bell change of control agreements, plus the assumption of $323,321,000 of Bell net debt. Of the debt acquired, Avnet repaid approximately $209,651,000 of debt (including associated fees) immediately after closing. As of the end of fiscal 2011, the Company had completed the integration of Bell into both the EM and TS operating groups and has achieved its anticipated cost saving synergies, for which the full impact of the cost savings benefit is expected to be reflected in the first quarter of fiscal 2012.

Preliminary allocation of purchase price

The Bell acquisition was accounted for as a purchase business combination. Assets acquired and liabilities assumed are recorded in the accompanying consolidated balance sheet at their estimated fair values, using management s estimates and assumptions, as of July 6, 2010 (see following table).
As a result of the evaluation of the fair value of the acquired assets and assumed liabilities, the Company recognized $60,000,000 for an identifiable amortizable intangible asset (see Note 6).
During the second quarter of fiscal 2011, the Company recognized a contingent liability of $18,000,000 for potential unpaid import duties associated with the former Bell Latin America business. Prior to the acquisition of Bell by Avnet, U.S. Customs and Border Protection (CBP) initiated a review of the importing process at one of Bell s subsidiaries and identified compliance deficiencies. Subsequent to the acquisition of Bell by Avnet, CBP began a compliance audit to identify any duty owed as a result of the prior non-compliance. As of July 2, 2011, the Company continued to evaluate the potential exposure based upon further activities associated with the audit and the Company s ability to obtain appropriate documentation for certain transactions under audit. The Company has evaluated projected duties, interest and penalties that potentially may be imposed as a result of the audit and, as further information has become available during the fourth quarter of fiscal 2011, the Company reduced the contingent liability from $18,000,000 to $10,000,000, which was recorded to goodwill. Depending on the ultimate resolution of the matter with CBP, the Company estimates the range of the potential exposure associated with this liability may be up to $73 million; however, the Company believes the contingent liability recorded is a reasonable estimate of the liability based upon facts available at this time.

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AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company acquired accounts receivable which were recorded at the estimated fair value amounts; however, adjustments to acquired amounts were not significant as book value approximated fair value due to the short term nature of accounts receivables. The gross amount of accounts receivable acquired was $381,805,000 and the fair value recorded was $363,589,000, which is expected to be collected.

	July 6, 2010 (Thousands)
Current assets	$ 705,986
Property, plant and equipment	13,022
Goodwill	224,265
Identifiable intangible asset	60,000
Other assets	37,964
Total assets acquired	1,041,237
Current liabilities, excluding current portion of long-term debt	396,875
Long-term liabilities	30,218
Total debt	358,453
Total liabilities assumed	785,546
Net assets acquired	$ 255,691

The amount of goodwill associated with the Bell acquisition that is expected to be deductible for tax purposes is not significant.

Significant synergies related to the integration of the acquired Bell business have resulted in operating cost reductions; such expense synergy savings were a primary driver of the excess of purchase price paid over the value of assets and liabilities acquired.

Pro forma results

Unaudited pro forma financial information is presented below as if the acquisition of Bell occurred at the beginning of fiscal 2010. The pro forma information presented below does not purport to present what actual results would have been had the acquisition in fact occurred at the beginning of fiscal 2010, nor does the information project results for any future period. In addition, the pro forma results exclude the impact of any synergies realized as a result of integration activity.

	Pro Forma Results Twelve Months Ended July 3, 2010 (Thousands, except per share data)
Pro forma sales	$ 22,291,579
Pro forma operating income	660,769
Pro forma net income	404,249
Pro forma diluted earnings per share	$ 2.64

In order to create the pro forma results in the table above, the combined results for Avnet and Bell for the twelve months ended fiscal 2010 were adjusted for the following:

- $8,571,000 pre-tax, $6,074,000 after tax, or $0.04 per diluted share for fiscal 2010 of intangible asset amortization associated with the Bell acquisition; and
- $5,181,000 pre-tax, $3,168,000 after tax, or $0.02 per diluted share for fiscal 2010 for Bell transaction costs that were expensed upon closing.

Pro forma financial information is not presented for fiscal 2011 because the Bell acquisition occurred on July 6, 2010, which is three days after the beginning of the Company s fiscal year 2011. The accompanying consolidated statement of operations for the first quarter of fiscal 2011 included sales of $781,135,000 related to the acquired Bell business. As of the end of the second quarter of fiscal 2011, the Company was in the process of integrating the Bell business into the Avnet existing business, which included IT systems integration, and administrative, sales and logistics operations integrations. As a result, after the first quarter of fiscal 2011, the Company was no longer able to identify the acquired Bell business separately from the on-going Avnet business.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Prior year acquisition-related exit activity accounted for in purchase accounting

Prior to fiscal 2010, certain restructuring charges were recognized as part of purchase accounting under previous accounting standards. During fiscal 2007 and 2006, the Company recorded certain exit-related liabilities through purchase accounting which consisted of severance for workforce reductions, non-cancelable lease commitments and lease termination charges for leased facilities, and other contract termination costs associated with the exit activities. During fiscal 2011, the Company paid $462,000 in cash associated with these reserves. In addition, the Company released $2,258,000 of lease reserves that were determined to be no longer required and recorded the credit to restructuring, integration and other charges rather than as a credit to goodwill because the goodwill was impaired in fiscal 2009 (see Note 6). As of July 2, 2011, the total remaining reserve was $2,827,000 which related primarily to facility exit costs and other contractual lease obligations which management expects to be substantially utilized by the end of fiscal 2013.

Investments and divestitures

The Company completed its divestiture of New ProSys Corp. (ProSys), a value-added reseller and provider of IT infrastructure solutions. Avnet acquired ProSys as part of the Bell acquisition on July 6, 2010, and announced its intention to sell this business at that time. Total consideration included a cash payment at closing, a short-term receivable and a three-year earn-out based upon ProSys anticipated results. As a result of the divestiture, the Company received cash proceeds of $19,108,000 and wrote off goodwill associated with the ProSys business (see Note 6). No gain or loss was recorded as a result of the divestiture. Also during fiscal 2011, the Company recognized a loss of $6,308,000 pre-tax, $3,857,000 after tax and $0.02 per share on a diluted basis included in Gain on bargain purchase and other related to the write down of prior investments in smaller technology start-up companies (see Notes 5 and 6 for other amounts included in Gain on bargain purchase and other).

During fiscal 2010, the Company recognized a gain on the sale of assets as a result of certain earn-out provisions associated with the prior sale of the Company s equity investment in Calence LLC. The gain on sale of assets was $8,751,000 pre-tax, $5,370,000 after tax and $0.03 per share on a diluted basis. In addition, the Company sold a cost method investment and received proceeds of approximately $3,034,000 in the second quarter of fiscal 2010.

During fiscal 2009, the Company recognized a gain on the sale of assets amounting to $14,318,000 pre-tax, $8,727,000 after tax and $0.06 per share as a result of certain earn-out provisions associated with the prior sale of the Company s equity investment in Calence LLC.

3. Accounts receivable securitization

In August 2010, the Company amended its accounts receivable securitization program (the Program) with a group of financial institutions to allow the Company to sell, on a revolving basis, an undivided interest of up to $600,000,000 ($450,000,000 prior to the amendment) in eligible U.S. receivables while retaining a subordinated interest in a portion of the receivables. The eligible receivables are sold through a wholly-owned bankruptcy-remote special purpose entity that is consolidated for financial reporting purposes. Such eligible receivables are not directly available to satisfy claims of the Company s creditors. Financing under the Program does not qualify as off-balance sheet financing, as a result, the receivables and related debt obligation remain on the Company s consolidated balance sheet as amounts are drawn on the Program. The Program has a one year term that expires at the end of August 2011 which is expected to be renewed for another year on comparable terms. There were $160,000,000 in borrowings outstanding under the Program at July 2, 2011 and no amounts outstanding as of July 3, 2010. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread of 0.425%. The facility fee is 0.50%. Expenses associated with the Program, which were not material in the past three fiscal years, consisted of program, facility and professional fees recorded in selling, general and administrative expenses in the accompanying consolidated statements of operations.

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AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

4. Comprehensive income (loss)

The following table illustrates the accumulated balances of comprehensive income items at July 2, 2011, July 3, 2010 and June 27, 2009:

	July 2, 2011	July 3, 2010	June 27, 2009
		(Thousands)	
Accumulated translation adjustments, net	$ 461,213	$ 131,329	$ 290,846
Accumulated pension liability adjustments, net of income taxes	(84,002)	(103,967)	(72,752)
Total	$ 377,211	$ 27,362	$ 218,094

5. Property, plant and equipment, net

Property, plant and equipment are recorded at cost and consist of the following:

	July 2, 2011	July 3, 2010
	(Thousands)	
Land	$ 22,467	$ 20,697
Buildings	112,072	102,875
Machinery, fixtures and equipment	805,093	663,915
Leasehold improvements	92,728	56,686
	1,032,360	844,173
Less accumulated depreciation and amortization	(613,187)	(541,590)
	$ 419,173	$ 302,583

Depreciation and amortization expense related to property, plant and equipment was $57,516,000, $49,692,000 and $50,653,000 in fiscal 2011, 2010 and 2009, respectively. In addition, the Company recognized other charges of $1,968,000 pre-tax, $1,413,000 after tax and $0.01 per share on a diluted basis primarily related to an impairment of buildings in EMEA (see Notes 2 and 6 for other amounts included in Gain on bargain purchase and other).

6. Goodwill and intangible assets

The following table presents the carrying amount of goodwill, by reportable segment, for the periods presented:

	Electronics Marketing	Technology Solutions	Total
		(Thousands)	
Carrying value at July 3, 2010	$ 242,626	$ 323,683	$ 566,309
Additions	100,356	244,173	344,529
Adjustments		(53,565)	(53,565)
Foreign currency translation	9,888	17,911	27,799
Carrying value at July 2, 2011	$ 352,870	$ 532,202	$ 885,072

The goodwill additions are a result of the Bell acquisition as well as other businesses that were acquired during fiscal 2011 (see Note 2). The Unidux acquisition resulted in $30,990,000 of negative goodwill which was included in Gain

on bargain purchase and other on the consolidated statement of operations (see Notes 2 and 5 for other amounts included in Gain on bargain purchase and other). The adjustments to goodwill resulted from the write off of goodwill as a result of the sale of ProSys (see Note 2) and the recognition of intangible assets associated with an acquisition completed during fiscal 2011 (see *Intangible assets* in this Note 6).

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AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following table presents the gross amount of goodwill and accumulated impairment since fiscal 2009 as of July 3, 2010 and July 2, 2011. All of the accumulated impairment was recognized in fiscal 2009.

	Electronics Marketing	Technology Solutions	Total
		(Thousands)	
Gross goodwill at July 3, 2010	$ 1,287,736	$ 658,307	$ 1,946,043
Accumulated impairment	(1,045,110)	(334,624)	(1,379,734)
Carrying value at July 3, 2010	$ 242,626	$ 323,683	$ 566,309
Gross goodwill at July 2, 2011	$ 1,397,980	$ 866,826	$ 2,264,806
Accumulated impairment	(1,045,110)	(334,624)	(1,379,734)
Carrying value at July 2, 2011	$ 352,870	$ 532,202	$ 885,072

The Company performs its annual goodwill impairment test on the first day of its fiscal fourth quarter. In addition, if and when events or circumstances change that would more likely than not reduce the fair value of any of its reporting units below its carrying value, an interim test would be performed. Based upon the Company s annual impairment tests performed for fiscal 2011 and 2010, there was no impairment of goodwill in the respective fiscal years. During fiscal 2009, the Company recognized goodwill and intangible asset impairment charges of $1,411,127,000 pre-tax, $1,376,983,000 after tax and $9.13 per share resulting from an interim impairment test performed at the end of the second quarter and from the annual impairment test performed during the fourth quarter of fiscal 2009. The non-cash charge had no impact on the Company s compliance with debt covenants, its cash flows or available liquidity, but did have a material impact on its consolidated financial statements.

Fiscal 2009 impairment charges

In the second quarter of fiscal 2009, due to the steady decline in the Company s market capitalization primarily related to the global economic downturn, the Company determined an interim impairment test was necessary. Based upon the test results, it was determined that the fair values of four of the Company s six reporting units were below their carrying values as of the end of the second quarter of fiscal 2009. Accordingly, the Company recognized a non-cash goodwill impairment charge of $1,317,452,000 pre-tax, $1,283,308,000 after-tax and $8.51 per share in its second quarter of fiscal 2009 results.

A two step process is used to test for goodwill impairment. The first step is to determine if there is an indication of impairment by comparing the estimated fair value of each reporting unit to its carrying value including existing goodwill. Goodwill is considered impaired if the carrying value of a reporting unit exceeds the estimated fair value. Upon an indication of impairment, a second step is performed to determine the amount of the impairment by determining the implied fair value of all of the reporting unit s assets and liabilities, including identifiable intangible assets, and comparing the implied fair value of goodwill with its carrying value. The determination of fair value in both step one and step two utilized Level 3 criteria under fair value measurement standards.

To estimate the fair value of its reporting units for step one, the Company utilized a combination of income and market approaches. The income approach, specifically a discounted cash flow methodology, included assumptions for, among others, forecasted revenues, gross profit margins, operating profit margins, working capital cash flow, perpetual growth rates and long term discount rates, all of which require significant judgments by management. These assumptions took into account the recessionary environment at the time the test was being performed and its impact on the Company s business. In addition, the Company utilized a discount rate appropriate to compensate for the additional risk in the equity markets regarding the Company s future cash flows in order to arrive at a control premium

considered supportable based upon historical comparable transactions.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The results of step one indicated that the goodwill related to the EM Asia, TS EMEA and TS Asia reporting units was fully impaired. Therefore, the Company only performed step two of the impairment analysis for its EM Americas reporting unit. Step two of the impairment test required the Company to fair value all of the reporting unit s assets and liabilities, including identifiable intangible assets, and compare the implied fair value of goodwill to its carrying value. The results of step two indicated that the goodwill in the EM Americas reporting unit was also fully impaired.

During the fourth quarter of fiscal 2009, the Company performed its annual goodwill impairment test which indicated that three of its six reporting units, including EM Asia and TS EMEA, continued to have fair values below their carrying values. As a result, the Company was required to recognize the impairment of additional goodwill which arose subsequent to the second quarter of fiscal 2009 in the EM Asia and TS EMEA reporting units. Of the non-cash goodwill impairment charges of $62,282,000 pre- and after tax and $0.41 per share recognized in the fourth quarter, $41,433,000 related to the business acquired in Japan in the third quarter of fiscal 2009, which was assigned to the EM Asia reporting unit. Accounting standards require goodwill from an acquisition to be assigned to a reporting unit and also requires goodwill to be tested on a reporting unit level, not by individual acquisition. As noted above, the annual impairment analysis indicated that the fair value of the EM Asia reporting unit continued to be below its carrying value. As a result, the goodwill from the acquisition was required to be impaired. The remaining $20,849,000 of the impairment charges related to additional goodwill in the TS EMEA reporting unit primarily as a result of final acquisition adjustments during the purchase price allocation period related to an acquisition for which the goodwill had been fully impaired in the second quarter of fiscal 2009.

Intangible assets

As of July 2, 2011, Other assets included customer relationship intangible assets with a carrying value of $124,662,000; consisting of $170,417,000 in original cost value and $45,755,000 of accumulated amortization and foreign currency translation. These assets are being amortized over a weighted average life of eight years. During fiscal 2011, the Company recognized $89,372,000 in intangible assets associated with acquisitions completed during fiscal 2011. Intangible asset amortization expense was $21,240,000, $8,629,000 and $12,272,000 in fiscal 2011, 2010 and 2009, respectively. Amortization expense for the next five years is expected to be approximately $21,000,000 each year for fiscal 2012 through 2015 and $16,000,000 for 2016.

During fiscal 2009, the Company evaluated the recoverability of its long-lived assets at each of the reporting units where goodwill was deemed to be impaired. Based upon this evaluation, which utilized Level 3 criteria under fair value measurement standards, the Company determined that certain of its amortizable intangible assets were impaired. As a result, the Company recognized a non-cash intangible asset impairment charge of $31,393,000 pre- and after tax and $0.21 per share during the second quarter of fiscal 2009. In conjunction with the annual goodwill impairment test, the Company again evaluated the recoverability of its long-lived assets during the fourth quarter of fiscal 2009 and determined that no impairment had occurred.

7. External financing

Short-term debt consists of the following:

	July 2, 2011	July 3, 2010
	(Thousands)	
Bank credit facilities	$ 81,951	$ 35,617
Borrowings under the accounts receivable securitization program	160,000	
Other debt due within one year	1,128	932
Short-term debt	$ 243,079	$ 36,549

Bank credit facilities consist of various committed and uncommitted lines of credit with financial institutions utilized primarily to support the working capital requirements of foreign operations. The weighted average interest rate on the

bank credit facilities was 7.8% and 4.0% at the end of fiscal 2011 and 2010, respectively. In connection with acquisitions completed in fiscal 2011 (see Note 2), the Company assumed debt of $420,259,000, of which $211,933,000 was repaid (including associated fees) at the acquisition dates. As of the end of the fiscal 2011, the outstanding balances associated with the assumed debt and credit facilities consisted of $16,627,000 in bank credit facilities and other debt primarily used to support the acquired foreign operations. The total debt assumed during fiscal 2011 included the 3.75% Notes due March 2024 acquired from Bell which had a fair value of $110,000,000 and that has substantially been repaid as is discussed further below.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In August 2010, the Company amended its accounts receivable securitization program (the Program) with a group of financial institutions to allow the Company to sell, on a revolving basis, an undivided interest of up to $600,000,000 ($450,000,000 prior to the amendment) in eligible receivables while retaining a subordinated interest in a portion of the receivables. The Program does not qualify for sale treatment and, as a result, any borrowings under the Program are recorded as debt on the consolidated balance sheet. The Program contains certain covenants, all of which the Company was in compliance with as of July 2, 2011. The Program has a one year term that expires in August 2011 which is expected to be renewed for another year on comparable terms. There were $160,000,000 in borrowings outstanding under the Program at July 2, 2011 and no amounts outstanding at July 3, 2010. Interest on borrowings is calculated using a base rate or a commercial paper rate plus a spread of 0.425%. The facility fee is 0.50%.

Long-term debt consists of the following:

	July 2, 2011	July 3, 2010
	(Thousands)	
5.875% Notes due March 15, 2014	$ 300,000	$ 300,000
6.00% Notes due September 1, 2015	250,000	250,000
6.625% Notes due September 15, 2016	300,000	300,000
5.875% Notes due June 15, 2020	300,000	300,000
Other long-term debt	126,512	97,217
Subtotal	1,276,512	1,247,217
Discount on notes	(3,003)	(3,536)
Long-term debt	$ 1,273,509	$ 1,243,681

In June 2010, the Company issued $300,000,000 of 5.875% Notes due June 15, 2020. The Company received proceeds of $296,469,000 from the offering, net of discount and underwriting fees. The 5.875% Notes due 2020 rank equally in right of payment with all existing and future senior unsecured debt and interest is payable in cash semi-annually in arrears on June 15 and December 15.

The Company has a five-year $500,000,000 unsecured revolving credit facility (the Credit Agreement) with a syndicate of banks which expires in September 2012. Under the Credit Agreement, the Company may elect from various interest rate options, currencies and maturities. The Credit Agreement contains certain covenants, all of which the Company was in compliance with as of July 2, 2011. As of the end of fiscal 2011, there were $122,093,000 in borrowings outstanding under the Credit Agreement included in other long-term debt in the consolidated financial statements. In addition, there were $16,602,000 in letters of credit issued under the Credit Agreement which represent a utilization of the Credit Agreement capacity but are not recorded in the consolidated balance sheet as the letters of credit are not debt. At July 3, 2010, there were $93,682,000 in borrowings outstanding under the Credit Agreement and $8,597,000 in letters of credit issued under the Credit Agreement.

As a result of the acquisition of Bell, the Company assumed 3.75% Notes due March 2024 which had a fair value of $110,000,000 and that were convertible into Bell common stock; however, as of the acquisition completion date, the debt was no longer convertible into shares. Under the terms of the 3.75% Notes, the Company could have redeemed some or all of the 3.75% Notes for cash anytime on or after March 5, 2011 and the note holders could have required the Company to purchase for cash some or all of the 3.75% Notes on March 5, 2011, March 5, 2014 or March 5, 2019 at a redemption price equal to 100% of the principal amount plus interest. During the first quarter of fiscal 2011, the Company issued a tender offer for the 3.75% Notes for which $5,205,000 was tendered and paid in September 2010. During the third quarter of fiscal 2011, the note holders tendered substantially all of the remaining notes for which $104,395,000 was paid in March 2011. The remaining $400,000 that was not tendered were included in other

long-term debt in the preceeding table.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Aggregate debt maturities for fiscal 2012 through 2016 and thereafter are as follows (in thousands):

2012	$ 243,079
2013	124,545
2014	301,646
2015	321
2016	250,000
Thereafter	600,000
Subtotal	1,519,591
Discount on notes	(3,003)
Total debt	$ 1,516,588

At July 2, 2011, the carrying value and fair value of the Company s debt was $1,516,588,000 and $1,626,394,000, respectively. Fair value was estimated primarily based upon quoted market prices.

8. Accrued expenses and other

Accrued expenses and other consist of the following:

	July 2, 2011	July 3, 2010
	(Thousands)	
Payroll, commissions and related accruals	$ 320,958	$ 212,830
Income taxes (Note 9)	72,495	100,422
Other [1]	279,563	227,524
	$ 673,016	$ 540,776

[1] Includes restructuring reserves recorded through purchase accounting and through restructuring, integration and other charges (see Notes 2 and 17). Amounts presented in this caption were individually not significant.

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AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Income taxes

The components of the provision for income taxes are indicated in the table below. The tax provision for deferred income taxes results from temporary differences arising principally from inventory valuation, accounts receivable valuation, net operating losses, certain accruals and depreciation, net of any changes to the valuation allowance.

	Years Ended		
	July 2, 2011	July 3, 2010	June 27, 2009
	(Thousands)		
Current:			
Federal	$ 64,476	$ 61,892	$ 69,835
State and local	11,724	9,789	7,689
Foreign	109,731	56,608	50,007
Total current taxes	185,931	128,289	127,531
Deferred:			
Federal	41,029	24,251	(55,743)
State and local	5,273	1,290	(5,250)
Foreign	(30,336)	20,883	(31,794)
Total deferred taxes	15,966	46,424	(92,787)
Provision for income taxes	$ 201,897	$ 174,713	$ 34,744

The provision for income taxes noted above is computed based upon the split of income (loss) before income taxes from U.S. and foreign operations. U.S. income (loss) before income taxes was $273,287,000, $241,029,000 and ($733,915,000) and foreign income (loss) before income taxes was $597,679,000, $344,054,000 and ($361,053,000) in fiscal 2011, 2010 and 2009, respectively.

A reconciliation between the federal statutory tax rate and the effective tax rate is as follows:

	Years Ended		
	July 2, 2011	July 3, 2010	June 27, 2009
Federal statutory rate	35.0%	35.0%	(35.0)%
State and local income taxes, net of federal benefit	1.5	1.2	0.3
Foreign tax rates, net of valuation allowances	(5.3)	(6.6)	(2.0)
Release of valuation allowance, net of U.S. tax expense (as discussed below)	(7.4)		
Change in contingency reserves	1.4	2.6	1.1
Tax audit settlements	(0.4)	(1.6)	(2.9)
Impairment charges			41.9
Other, net	(1.6)	(0.7)	(0.2)
Effective tax rate	23.2%	29.9%	3.2%

Foreign tax rates generally consist of the impact of the difference between foreign and federal statutory rates applied to foreign income (losses) and also include the impact of valuation allowances against the Company s otherwise realizable foreign loss carry-forwards.

Avnet s effective tax rate on income before income taxes was 23.2% in fiscal 2011 as compared with an effective tax rate of 29.9% in fiscal 2010. As compared to fiscal 2010, the fiscal 2011 effective tax rate was primarily impacted by a net tax benefit related to the release of a tax valuation allowance (reserve) on certain deferred tax assets which were determined to be realizable (discussed further below) and, to a lesser extent, net favorable tax audit settlements, partially offset by changes to existing tax positions. Excluding the benefit related to the release of the tax valuation allowance, the effective tax rate for fiscal 2011 would have been 30.6%.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During fiscal 2011, the Company had a full tax valuation allowance against significant tax assets related to a legal entity in EMEA due to, among several other factors, a history of losses in that entity. Recently, the entity has been experiencing improved earnings which has required the partial release of the valuation allowance to the extent the entity had taxable income during each of the first three quarters of fiscal 2011. Therefore, the release of valuation allowance, net of the U.S. tax expense, positively impacted the Company s effective tax rate. In addition, during the fourth quarter of fiscal 2011, the Company determined a portion of the tax valuation allowance for this legal entity was no longer required due to the expected continuation of improved earnings in the future and, as a result, the Company s effective tax rate was positively impacted (decreased) upon the release of the tax valuation allowance, net of the U.S. tax expense. The Company will continue to evaluate the need for a valuation allowance against these tax assets and may release additional valuation allowance associated with this entity in the future. Factors that are considered in such an evaluation include historic levels of income, expectations and risk associated with estimates of future taxable income and ongoing prudent and feasible tax planning strategies.

Avnet s effective tax rate on income before income taxes was 29.9% in fiscal 2010 as compared with an effective tax rate of 3.2% in fiscal 2009. The fiscal 2009 effective tax rate was impacted by non-deductible impairment charges and a change to estimates for existing tax positions, net of favorable tax audit settlements of $21,672,000. Excluding the impact of these items, the effective tax rate for fiscal 2009 would have been 28.6%.

The significant components of deferred tax assets and liabilities, included primarily in other assets on the consolidated balance sheets, are as follows:

	July 2, 2011	July 3, 2010
	(Thousands)	
Deferred tax assets:		
Inventory valuation	$ 13,680	$ 8,276
Accounts receivable valuation	27,916	24,264
Federal, state and foreign tax loss carry-forwards	394,093	361,988
Various accrued liabilities and other	57,686	101,254
	493,375	495,782
Less valuation allowance	(310,772)	(331,423)
	182,603	164,359
Deferred tax liabilities:		
Depreciation and amortization of property, plant and equipment	(43,302)	(23,177)
Net deferred tax assets	$ 139,301	$ 141,182

The change in the valuation allowance from fiscal 2010 to fiscal 2011 was a combination of (i) a reduction of $76,055,000 primarily due to the previously mentioned release of valuation allowance in EMEA, of which $64,215,000 impacted the effective tax rate and $11,840,000 did not impact the effective tax rate because deferred income taxes and income tax payables associated with the release of the valuation allowance were recorded which offset a portion of the benefit as a result of the release and (ii) an increase of $55,404,000 related primarily to the translation impact of foreign currency exchange rates and acquired valuation allowances.

As of July 2, 2011, the Company had foreign net operating loss carry-forwards of approximately $1,333,787,000, of which $37,065,000 will expire during fiscal 2012 and 2013, substantially all of which have full valuation allowances, $289,220,000 have expiration dates ranging from fiscal 2014 to 2031 and the remaining $1,007,502,000 have no

expiration date. The carrying value of the Company s net operating loss carry-forwards is dependent upon the Company s ability to generate sufficient future taxable income in certain tax jurisdictions. In addition, the Company considers historic levels of income, expectations and risk associated with estimates of future taxable income and on-going prudent and feasible tax planning strategies in assessing a tax valuation allowance.

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Accruals for income tax contingencies (or accruals for unrecognized tax benefits) are included in accrued expenses and other and other long term liabilities on the consolidated balance sheet. These contingency reserves relate to various tax matters that result from uncertainties in the application of complex income tax regulations in the numerous jurisdictions in which the Company operates. The change to contingency reserves during fiscal 2011 is primarily due to the addition of acquired reserves as a result of fiscal 2011 acquisitions and favorable non-cash audit settlements both of which are included in the additions/reductions for tax positions taken in prior periods captions in the following table. The change to contingency reserves during fiscal 2010 is primarily due to the recognition of uncertainties in current year tax positions. In addition, the change to reserves in fiscal 2010 was also impacted by a change to estimates for existing tax positions and favorable non-cash audit settlements, both of which are included in the additions/reductions for tax positions taken in prior periods captions in the following table. As of July 2, 2011, unrecognized tax benefits were $175,151,000, of which approximately $111,299,000, if recognized, would favorably impact the effective tax rate and the remaining balance would be substantially offset by valuation allowances. As of July 3, 2010, unrecognized tax benefits were $132,828,000, of which approximately $88,811,000, if recognized, would favorably impact the effective tax rate, and the remaining balance would be substantially offset by valuation allowances. In accordance with the Company s accounting policy, accrued interest and penalties, if any, related to unrecognized tax benefits are recorded as a component of income tax expense. The accrual for unrecognized tax benefits included accrued interest expense and penalties of $24,640,000 and $18,308,000, net of applicable state tax benefit, as of the end of fiscal 2011 and 2010, respectively.

A reconciliation of the beginning and ending accrual balance for unrecognized tax benefits is as follows:

	July 2, 2011	July 3, 2010
	(Thousands)	
Balance at beginning of year	$ 132,828	$ 135,891
Additions for tax positions taken in prior periods, including interest	40,218	32,723
Reductions for tax positions taken in prior periods, including interest	(16,837)	(33,168)
Additions for tax positions taken in current period	11,041	4,970
Reductions related to cash settlements with taxing authorities	(616)	(96)
Reductions related to the lapse of statute of limitations	(1,565)	(2,006)
Additions (reductions) related to foreign currency translation	10,082	(5,486)
Balance at end of year	$ 175,151	$ 132,828

The evaluation of income tax positions requires management to estimate the ability of the Company to sustain its position and estimate the final benefit to the Company. To the extent that these estimates do not reflect the actual outcome there could be an impact on the consolidated financial statements in the period in which the position is settled, the statute of limitations expire or new information becomes available as the impact of these events are recognized in the period in which they occur. It is difficult to estimate the period in which the amount of a tax position will change as settlement may include administrative and legal proceedings whose timing the Company cannot control. The effects of settling tax positions with tax authorities and statute expirations may significantly impact the accrual for income tax contingencies. Within the next twelve months, management estimates that approximately $23,000,000 of tax contingencies will be settled primarily through agreement with the tax authorities for tax positions related to valuation matters; such matters are common to multinational companies. The expected cash payment related to the settlement of these contingencies is not significant.

The Company conducts business globally and consequently files income tax returns in numerous jurisdictions including those listed in the following table. It is also routinely subject to audit in these and other countries. The Company is no longer subject to audit in its major jurisdictions for periods prior to fiscal year 1999. The open years,

by major jurisdiction, are as follows:

Jurisdiction	**Fiscal Year**	
Belgium	1999	2011
United States (federal and state) and Singapore	2004	2011
Hong Kong	2005	2011
Germany and Taiwan	2006	2011
United Kingdom	2007	2011
Netherlands	2008	2011

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AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

10. Pension and retirement plans

Pension Plan

The Company s noncontributory defined benefit pension plan (the Plan) covers substantially all domestic employees. Employees are eligible to participate in the Plan following the first year of service during which they worked at least 1,000 hours. The Plan provides defined benefits pursuant to a cash balance feature whereby a participant accumulates a benefit based upon a percentage of current salary, which varies with age, and interest credits. The Company uses June 30 as the measurement date for determining pension expense and benefit obligations for each fiscal year. Not included in the tabulations and discussions that follow are pension plans of certain non-U.S. subsidiaries, which are not material.

The following tables outline changes in benefit obligations, plan assets and the funded status of the Plan as of the end of fiscal 2011 and 2010:

	July 2, 2011	July 3, 2010
	(Thousands)	
Changes in benefit obligations:		
Benefit obligations at beginning of year	$ 276,938	$ 263,324
Service cost	23,874	
Interest cost	13,918	15,748
Plan amendments		34,000
Actuarial loss	5,168	19,591
Benefits paid	(22,371)	(55,725)
Benefit obligations at end of year	$ 297,527	$ 276,938
Change in plan assets:		
Fair value of plan assets at beginning of year	$ 278,964	$ 258,931
Actual return on plan assets	67,659	34,008
Benefits paid	(22,371)	(55,725)
Contributions	500	41,750
Fair value of plan assets at end of year	$ 324,752	$ 278,964
Funded status of the plan recognized as a non-current asset	$ 27,225	$ 2,026
Amounts recognized in accumulated other comprehensive income:		
Unrecognized net actuarial loss	$ 147,311	$ 191,180
Unamortized prior service credit	(14,431)	(16,306)
	$ 132,880	$ 174,874
Other changes in plan assets and benefit obligations recognized in other comprehensive income:		
Net actuarial (gain) loss	$ (34,931)	$ 15,720

Prior service cost				34,000
Amortization of net actuarial loss		(8,938)		(5,687)
Amortization of prior service credit		1,875		4,884
	$	(41,994)	$	48,917

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The Plan was amended effective July 1, 2010 to resume future accruals for compensation paid by the Company on or after July 1, 2010. The pension accrual formula was similar in structure to the formula that was frozen as of July 1, 2009. The Plan changes effected by this amendment were as follows:

- an age-related contribution crediting schedule ranging from 4% to 16% of pension-eligible compensation
- interest credits on post-July 1, 2010 pension accruals of 4% per year
- inclusion of overtime pay in pension-eligible compensation
- increase of the cap on pension-eligible compensation from $100,000 to the statutory limit
- change in the actuarial factor basis used to convert account balances to annuity payment forms.

In October 2009, the Company agreed to settle a pension litigation matter, which was approved by the court in April 2010. As a result, the Plan was amended to increase benefits to certain former employees. This amendment, effective May 21, 2010, increased the benefit obligation by $34,000,000 and results in a prior service cost base which will be amortized over 11 years. To fund this additional liability, the Company made a voluntary contribution of $34,000,000 in June 2010. The impacts of the amendment described above are reflected in the preceding table.

Included in accumulated other comprehensive income at July 2, 2011 is a pre-tax charge of $147,311,000 of net actuarial losses which have not yet been recognized in net periodic pension cost, of which $9,680,000 is expected to be recognized as a component of net periodic benefit cost during fiscal 2012. Also included is a pre-tax credit of $14,431,000 of prior service credit which has not yet been recognized in net periodic pension costs, of which $1,875,000 is expected to be recognized as a component of net periodic benefit costs during fiscal 2012.

Weighted average assumptions used to calculate actuarial present values of benefit obligations are as follows:

	2011	2010
Discount rate	5.25%	5.25%

Weighted average assumptions used to determine net benefit costs are as follows:

	2011	2010
Discount rate	5.25%	6.25%
Expected return on plan assets	8.50%	9.00%

The Company bases its discount rate on a hypothetical portfolio of bonds rated Aa by Moody s Investor Services or AA by Standard & Poors. The bonds selected for this determination are based upon the estimated amount and timing of services of the pension plan.

Components of net periodic pension costs during the last three fiscal years are as follows:

	Years Ended		
	July 2, 2011	July 3, 2010	June 27, 2009
	(Thousands)		
Service cost	$ 23,874	$	$ 16,205
Interest cost	13,918	15,748	18,175
Expected return on plan assets	(27,560)	(30,137)	(26,539)
Recognized net actuarial loss	8,938	5,687	2,325
Amortization of prior service credit	(1,875)	(4,884)	
Net periodic pension cost	$ 17,295	$ (13,586)	$ 10,166

The Company made contributions of $500,000 and $41,750,000 in fiscal 2011 and 2010, respectively.

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Benefit payments are expected to be paid to participants as follows for the next five fiscal years and the aggregate for the five years thereafter (in thousands):

2012	$ 26,463
2013	20,405
2014	20,619
2015	19,258
2016	20,625
2016 through 2021	112,041

The Plan s assets are held in trust and were allocated as follows as of the June 30 measurement date for fiscal 2011 and 2010:

	2011	2010
Equity securities	76%	74%
Debt securities	24	25
Cash and receivables		1

The general investment objectives of the Plan are to maximize returns through a diversified investment portfolio in order to earn annualized returns that meet the long-term cost of funding the Plan s pension obligations while maintaining reasonable and prudent levels of risk. The target rate of return on Plan assets is currently 8.5%, which represents the average rate of earnings expected on the funds invested or to be invested to provide for the benefits included in the benefit obligation. This assumption has been determined by combining expectations regarding future rates of return for the investment portfolio along with the historical and expected distribution of investments by asset class and the historical rates of return for each of those asset classes. The mix of equity securities is typically diversified to obtain a blend of domestic and international investments covering multiple industries. The Plan assets do not include any material investments in Avnet common stock. The Plan s investments in debt securities are also diversified across both public and private fixed income securities. The Company s current target allocation for the investment portfolio is for equity securities, both domestic and international, to represent approximately 76% of the portfolio with a policy for minimum investment in equity securities of 60% of the portfolio and a maximum of 92%. The majority of the remaining portfolio of investments is to be invested in fixed income securities.

As of June 30, 2011, the market value of plan assets by investment category was: U.S. Equity ($194.3 million); U.S. Bonds ($76.5 million); International Equity ($51.9 million) and cash and receivables ($2.0 million). Asset values are Level 1 for all asset categories as the fair values are based upon quoted market prices for identical assets. The pension assets were highly diversified to reduce the potential risk of significant concentrations of credit risk.

11. Long-term leases

The Company leases many of its operating facilities and is also committed under lease agreements for transportation and operating equipment. Rent expense charged to operations during the last three years is as follows:

	Years Ended		
	July 2, 2011	July 3, 2010	June 27, 2009
		(Thousands)	
Buildings	$ 78,371	$ 59,047	$ 58,213
Equipment	8,332	5,440	6,169
	$ 86,703	$ 64,487	$ 64,382

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The aggregate future minimum operating lease commitments, principally for buildings, in fiscal 2012 through 2016 and thereafter (through 2028), are as follows (in thousands):

2012	$ 92,376
2013	73,517
2014	46,800
2015	28,933
2016	20,560
Thereafter	42,421
Total	$ 304,607

The preceding table includes operating lease commitments that have been reserved for as part of the Company s restructuring activities (see Note 17).

12. Stock-based compensation plans

The Company measures all share-based payments, including grants of employee stock options, at fair value and recognizes related expense in the consolidated statement of operations over the service period (generally the vesting period). During fiscal 2011, 2010, 2009, the Company expensed $28,931,000, $28,363,000 and $18,269,000, respectively, for all stock-based compensation awards.

In August 2011, the Board of Directors approved the repurchase of up to an aggregate of $500 million of shares of the Company s common stock through a share repurchase program.

Stock plan

The Company currently has one stock compensation plan pursuant to which it can issue new awards. The 2010 Stock Compensation Plan (2010 Plan) was approved by the shareholders in fiscal 2011. The 2010 Plan has a termination date of November 4, 2020 and 6,694,816 shares were available for grant at July 2, 2011. At July 2, 2011, the Company had 12,074,232 shares of common stock reserved for stock option and stock incentive programs.

Stock options

Option grants under the 2010 Plan have a contractual life of ten years, vest 25% on each anniversary of the grant date, commencing with the first anniversary, and provide for a minimum exercise price of 100% of fair market value at the date of grant. Compensation expense associated with stock options during fiscal 2011, 2010 and 2009 were $3,499,000, $3,558,000 and $4,245,000, respectively.

The fair value of options granted is estimated on the date of grant using the Black-Scholes model based on the assumptions in the following table. The assumption for the expected term is based on evaluations of historical and expected future employee exercise behavior. The risk-free interest rate is based on the U.S. Treasury rates at the date of grant with maturity dates approximately equal to the expected term at the grant date. The historical volatility of Avnet s stock is used as the basis for the volatility assumption.

	Years Ended		
	July 2, 2011	**July 3, 2010**	**June 27, 2009**
Expected term (years)	6.0	6.0	5.75
Risk-free interest rate	1.8%	3.0%	3.4%
Weighted average volatility	33.7%	34.3%	30.7%
Dividend yield			

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following is a summary of the changes in outstanding options for fiscal 2011:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding at July 3, 2010	3,530,118	$ 21.06	56 Months
Granted	382,612	$ 24.41	109 Months
Exercised	(751,396)	$ 18.69	20 Months
Forfeited or expired	(102,119)	$ 29.35	18 Months
Outstanding at July 2, 2011	3,059,215	$ 21.79	59 Months
Exercisable at July 2, 2011	2,139,921	$ 19.99	42 Months

The weighted-average grant-date fair values of stock options granted during fiscal 2011, 2010, and 2009 were $8.72, $9.58 and $10.21, respectively. There were no intrinsic values of share options outstanding or exercisable at July 2, 2011 and July 3, 2010. The total intrinsic values of share options exercised during fiscal 2009 was $3,000.

The following is a summary of the changes in non-vested stock options for the fiscal year ended July 2, 2011:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested stock options at July 3, 2010	881,556	$ 10.40
Granted	382,612	$ 8.72
Vested	(330,200)	$ 10.37
Forfeited	(14,674)	$ 11.67
Non-vested stock options at July 2, 2011	919,294	$ 9.69

As of July 2, 2011, there was $8,910,000 of total unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted-average period of 3.2 years. The total fair values of shares vested during fiscal 2011, 2010 and 2009 were $3,425,000, $3,293,000, $5,555,000, respectively.

Cash received from option exercises during fiscal 2011, 2010 and 2009 totaled $3,506,000, $4,134,000, and $563,000, respectively. The impact of these cash receipts is included in Other, net in financing activities in the accompanying consolidated statements of cash flows.

Incentive shares

Delivery of incentive shares, and the associated compensation expense, is spread equally over a five-year period and is subject to the employee s continued employment by the Company. As of July 2, 2011, 1,414,784 shares previously awarded have not yet been delivered. Compensation expense associated with this program was $17,008,000, $14,614,000 and $14,883,000 for fiscal years 2011, 2010 and 2009, respectively.

AVNET, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following is a summary of the changes in non-vested incentive shares for the fiscal year ended July 2, 2011:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested incentive shares at July 3, 2010	1,258,054	$ 26.57
Granted	817,965	$ 25.40
Vested	(623,333)	$ 25.53
Forfeited	(37,902)	$ 26.24
Non-vested incentive shares at July 2, 2011	1,414,784	$ 26.47

As of July 2, 2011, there was $33,961,000 of total unrecognized compensation cost related to non-vested incentive shares, which is expected to be recognized over a weighted-average period of 2.7 years. The total fair values of shares vested during fiscal 2011, 2010 and 2009 were $15,916,000, $14,301,000, $12,588,000, respectively.

Performance shares

Eligible employees, including Avnet s executive officers, may receive a portion of their long-term equity-based incentive compensation through the performance share program, which allows for the award of shares of stock against performance-based criteria (Performance Share Program). The Performance Share Program provides for the issuance to each grantee of a number of shares of Avnet s common stock at the end of a three-year period based upon the Company s achievement of performance goals established by the Compensation Committee of the Board of Directors for each three-year period. For the Performance Share Program granted in fiscal 2009, the performance goals were initially based upon a three-year cumulative increase in the Company s absolute economic profit, as defined, over the prior three-year period and the increase in the Company s economic profit relative to the increase in the economic profit of a group of specific technology companies. During fiscal 2010, these performance goals were modified to eliminate the absolute economic profit goal; in addition, the fiscal 2009 program was modified to limit the percentage of performance stock units vesting to a maximum of 100%.

For the Performance Share Program granted in fiscal 2011 and 2010, the performance goals are based upon a three-year cumulative increase in the Company s economic profit relative to the increase in the economic profit of a group of specific technology companies.

During fiscal 2011, 2010 and 2009, the Company granted 380,200, 242,390 and 246,650 performance shares, respectively, to be awarded to participants in the Performance Share Program, of which 22,530 cumulatively have been forfeited. For the Performance Share Program granted in fiscal 2011 and 2010, the actual amount of performance shares issued at the end of the three-year period is determined based upon the level of achievement of the defined performance goals and can range from 0% to 200% of the initial award. As previously mentioned, the Performance Share Program granted in fiscal 2009 was limited to 100% of the initial award. The Company anticipates issuing 227,285 shares in the first quarter of fiscal 2012 based upon the goals achieved during the three-year performance period which ended July 2, 2011. During fiscal 2011 and 2010, the Company recognized compensation expense associated with the Performance Share Programs of $7,374,000 and $9,171,000, respectively. During fiscal 2009, the Company recorded a credit of $1,819,000 in selling, general and administrative expenses associated with the Performance Share Programs based upon actual performance under the 2007 Performance Share Program and based upon the probability assessment of the remaining plans.

Outside director equity compensation

Non-employee directors are awarded shares equal to a fixed dollar amount of Avnet common stock upon their re-election each year, as part of their director compensation package. Directors may elect to receive this compensation in the form of common stock or they may elect to defer their compensation to be paid in common stock at a later date.

During fiscal 2011, 2010 and 2009, compensation cost associated with the outside director stock bonus plan was $1,050,000, $1,020,000, $960,000, respectively.

AVNET, INC. AND SUBSIDIARIES
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Employee stock purchase plan

The Company has an Employee Stock Purchase Plan (ESPP) under the terms of which eligible employees of the Company are offered options to purchase shares of Avnet common stock at a price equal to 95% of the fair market value on the last day of each monthly offering period. Based on the terms of the ESPP, Avnet is not required to record expense in the consolidated statements of operations related to the ESPP.

The Company has a policy of repurchasing shares on the open market to satisfy shares purchased under the ESPP, and expects future repurchases during fiscal 2012 to be similar to the number of shares repurchased during fiscal 2011, based on current estimates of participation in the program. During fiscal 2011, 2010 and 2009, there were 62,329, 67,168 and 100,206 shares, respectively, of common stock issued under the ESPP program.

13. Commitments and contingencies

From time to time, the Company may become a party to, or otherwise involved in other pending and threatened litigation, tax, environmental and other matters arising in the ordinary course of conducting its business. Management does not anticipate that any contingent matters will have a material adverse effect on the Company s financial condition, liquidity or results of operations.

14. Earnings per share

Basic earnings per share is computed based on the weighted average number of common shares outstanding and excludes any potential dilution. Diluted earnings per share reflect potential dilution from the exercise or conversion of securities into common stock.

	Years Ended		
	July 2, 2011	**July 3, 2010**	**June 27, 2009**
	(Thousands, except per share data)		
Numerator:			
Net income (loss) for basic and diluted earnings per share	$ 669,069	$ 410,370	$ (1,129,712)
Denominator:			
Weighted average common shares for basic earnings (loss) per share	152,481	151,629	150,898
Net effect of dilutive stock options and performance share awards	1,856	1,464	
Weighted average common shares for diluted earnings per share	154,337	153,093	150,898
Basic earnings (loss) per share	$ 4.39	$ 2.71	$ (7.49)
Diluted earnings (loss) per share	$ 4.34	$ 2.68	$ (7.49)

Options to purchase 238,000 and 700,000 shares of the Company s stock were excluded from the calculations of diluted earnings per shares in fiscal 2011 and 2010, respectively, because the exercise price for those options was above the average market price of the Company s stock during those periods. Inclusion of these options in the diluted earnings per share calculation would have had an anti-dilutive effect.

For fiscal 2009, dilutive effects of stock options, stock awards and shares issuable upon conversion of the Company s 2% Convertible Debentures were excluded from the computation of earnings per diluted share because the Company recognized a net loss and inclusion of these items would have had an anti-dilutive effect. The Convertible Debentures were repaid in March 2009.

AVNET, INC. AND SUBSIDIARIES
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15. Additional cash flow information

Other non-cash and reconciling items consist of the following:

	Years Ended		
	July 2, 2011	July 3, 2010	June 27, 2009
		(Thousands)	
Provision for doubtful accounts	$ 39,255	$ 33,825	$ 32,777
Periodic pension (income) costs (Note 10)	17,295	(13,586)	10,166
Other, net	296	(4,854)	(4,529)
Total	$ 56,846	$ 15,385	$ 38,414

Interest and income taxes paid during the last three years were as follows:

	Years Ended		
	July 2, 2011	July 3, 2010	June 27, 2009
		(Thousands)	
Interest	$ 91,946	$ 60,556	$ 66,895
Income taxes	$ 158,372	$ 92,565	$ 126,010

Non-cash activity during fiscal 2011 included amounts recorded through comprehensive income and, therefore, are not included in the consolidated statement of cash flows. Fiscal 2011 included an adjustment to pension liabilities (including non-U.S. pension liabilities) of $31,987,000 which was recorded net of related deferred tax benefit of $12,022,000 in other comprehensive income (see Notes 4 and 10). Other non-cash activities included assumed debt of $420,259,000 and assumed liabilities of $509,812,000 as a result of the acquisitions completed in fiscal 2011 (see Note 2).

Non-cash activity during fiscal 2010 included amounts recorded through comprehensive income and, therefore, are not included in the consolidated statement of cash flows. Fiscal 2010 included an adjustment to increase pension liabilities (including non-U.S. pension liabilities) of $50,502,000 which was recorded net of related deferred tax benefit of $19,287,000 in other comprehensive income (see Notes 4 and 10). Other non-cash activities included assumed debt of $5,858,000 and assumed liabilities of $35,913,000 as a result of the acquisitions completed in fiscal 2010 (see Note 2).

Non-cash activity during fiscal 2009 included amounts recorded through comprehensive income and, therefore, are not included in the consolidated statement of cash flows. Fiscal 2009 included an adjustment to increase pension liabilities (including non-U.S. pension liabilities) of $42,948,000 which was recorded net of related deferred tax benefit of $16,767,000 in other comprehensive income (see Notes 4 and 10). Other non-cash activities included assumed debt of $146,831,000 and assumed liabilities of $261,434,000 as a result of the acquisitions completed in fiscal 2009 (see Note 2).

16. Segment information

Electronics Marketing and Technology Solutions are the overall segments upon which management primarily evaluates the operations of the Company and upon which management bases its operating decisions. Therefore, the segment data that follows reflects these two segments.

EM markets and sells semiconductors and interconnect, passive and electromechanical devices and embedded products. EM markets and sells its products and services to a diverse customer base serving many end-markets including automotive, communications, computer hardware and peripheral, industrial and manufacturing, medical equipment, military and aerospace. EM also offers an array of value-added services that help customers evaluate,

design-in and procure electronic components throughout the lifecycle of their technology products and systems, including supply-chain management, engineering design, inventory replenishment systems, connector and cable assembly and semiconductor programming.

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TS markets and sells mid- to high-end servers, data storage, software, and the services required to implement these products and solutions to the value-added reseller channel. TS also focuses on the worldwide original equipment manufacturers (OEM) market for computing technology, system integrators and non-PC OEMs that require embedded systems and solutions including engineering, product prototyping, integration and other value-added services.

		Years Ended	
	July 2, 2011	July 3, 2010	June 27, 2009
		(Millions)	
Sales:			
Electronics Marketing	$ 15,066.2	$ 10,966.8	$ 9,192.8
Technology Solutions	11,468.2	8,193.4	7,037.1
	$ 26,534.4	$ 19,160.2	$ 16,229.9
Operating income (loss):			
Electronics Marketing	$ 832.5	$ 491.6	$ 354.5
Technology Solutions	286.7	251.7	201.4
Corporate	(112.0)	(82.3)	(64.5)
	1,007.2	661.0	491.4
Impairment charges (Note 6)			(1,411.1)
Restructuring, integration and other charges (Note 17)	(77.2)	(25.4)	(99.3)
	$ 930.0	$ 635.6	$ (1,019.0)
Assets:			
Electronics Marketing	$ 5,890.9	$ 4,441.8	$ 3,783.4
Technology Solutions	3,765.2	2,553.8	2,036.8
Corporate	249.5	786.8	453.3
	$ 9,905.6	$ 7,782.4	$ 6,273.5
Capital expenditures:			
Electronics Marketing	$ 69.8	$ 30.1	$ 61.1
Technology Solutions	57.4	17.2	38.5
Corporate	21.5	19.6	10.6
	$ 148.7	$ 66.9	$ 110.2
Depreciation & amortization expense:			
Electronics Marketing	$ 28.3	$ 24.6	$ 26.8
Technology Solutions	30.0	15.7	18.3
Corporate	23.1	20.3	20.7
	$ 81.4	$ 60.6	$ 65.8

Sales, by geographic area, are as follows:			
Americas (1)	$ 11,518.5	$ 8,367.3	$ 7,572.2
EMEA (2)	8,393.4	5,948.3	5,268.4
Asia/Pacific (3)	6,622.5	4,844.6	3,389.3
	$ 26,534.4	$ 19,160.2	$ 16,229.9
Property, plant and equipment, net, by geographic area:			
Americas (4)	$ 242.5	$ 182.2	$ 183.9
EMEA (5)	150.6	98.5	101.3
Asia/Pacific	26.1	21.9	20.5
	$ 419.2	$ 302.6	$ 305.7

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(1) Includes sales in the United States of $10.0 billion, $7.6 billion and $6.8 billion for fiscal year 2011, 2010 and 2009, respectively.

(2) Includes sales in Germany and the United Kingdom of $3.1 billion and $1.7 billion, respectively, for fiscal 2011. Includes sales in Germany and the United Kingdom of $2.1 billion and $1.1 billion, respectively, for fiscal 2010. Includes sales in Germany and the United Kingdom of $1.8 billion and $1.0 billion, respectively, for fiscal 2009.

(3) Includes sales of $1.8 billion, $2.4 billion and $1.2 billion in Taiwan, China (including Hong Kong) and Singapore, respectively, for fiscal 2011. Includes sales of $1.3 billion, $2.0 billion and $1.0 billion in Taiwan, China (including Hong Kong) and Singapore, respectively, for fiscal 2010. Includes sales of $966.9 million, $1.3 billion and $752.9 million in Taiwan, China (including Hong Kong) and Singapore, respectively, for fiscal 2009.

(4) Includes property, plant and equipment, net, of $231.3 million, $178.2 million and $179.6 million in the United States for fiscal 2011, 2010 and 2009, respectively.

(5) Includes property, plant and equipment, net of $92.8 million, $23.4 million, and $16.4 million in Germany, Belgium and the United Kingdom, respectively, for fiscal 2011. Fiscal 2010 includes property, plant and equipment, net, of $48.0 million in Germany, $20.4 million in Belgium and $13.4 million in the United Kingdom. Fiscal 2009 includes property, plant and equipment, net, of $41.4 million in Germany, $24.2 million, in Belgium and $26.8 million in the United Kingdom.

The Company manages its business based upon the operating results of its two operating groups before impairment charges (see Note 6) and restructuring, integration and other charges (see Note 17). In fiscal 2011, 2010 and 2009, presented above, the unallocated pre-tax impairment charges and restructuring, integration and other items related to EM and TS, respectively, were $27,879,000 and $38,146,000 in fiscal 2011, $14,701,000 and $10,579,000 in fiscal 2010 and $1,116,335,000 and $389,561,000 in fiscal 2009, respectively. The remaining restructuring, integration and other items in each year relate to corporate activities.

Listed in the table below are the major product categories and the Company s approximate sales of each during the past three fiscal years:

	July 2, 2011	Years Ended July 3, 2010	June 27, 2009
		(Millions)	
Semiconductors	$ 14,149.3	$ 10,098.7	$ 8,324.0
Computer products	10,284.6	7,302.8	6,393.4
Connectors	1,041.4	841.4	735.2
Passives, electromechanical and other	1,059.1	917.3	777.3

	Three Months Ended March 31, 2011	Year Ended December 31, 2010
Cumulus Media s Historical Per Share Data(1):		

Basic net income per share from continuing operations:	$	0.38	$	0.70
Book value per share at period end	$	(8.99)	$	(9.60)
Cash dividends declared per share at period end				
Pro Forma Per Share Data(2):				
Pro forma combined basic net income per share from continuing operations	$	0.28	$	0.82
Pro forma combined book value per share at period end	$	(3.75)	$	(4.02)
Pro forma cash dividends per share at period end				

(1) Historical book value per share is computed by dividing stockholders deficit by the number of shares of common stock outstanding at the end of each period.

(2) Pro forma book value per share is computed by dividing pro forma stockholders deficit by the sum of: (a) the number of shares of our common stock outstanding at the end of each period, and (b) the number of shares of common stock to be issued in connection with the CMP Acquisition and upon the Warrant Exercise.

You should read this data along with our historical consolidated financial statements, including the related notes, incorporated by reference into this proxy statement, and the historical financial statements of CMP, including the related notes, and the unaudited pro forma combined financial statements included in this proxy statement. We have presented the pro forma per share data for illustrative purposes only. The unaudited pro forma per share data is presented for illustrative and informational purposes only and is not intended to represent or be indicative of what our financial condition or results of operations would have been had the CMP Transaction and the other pending transactions described in this proxy statement occurred on the dates indicated.

PROPOSAL NO. 1: TO APPROVE THE AMENDMENT AND RESTATEMENT OF OUR AMENDED AND RESTATED CERTIFICATE OF INCORPORATION

Background

We are submitting this proposal to amend and restate our Charter. The approval of this proposal will satisfy a necessary condition to the consummation of the CMP Transaction. Although the proposal to approve the Charter Amendment is related to the CMP Transaction, you will not be voting to approve the CMP Acquisition or the Restated Warrant Agreement. An understanding of the CMP Transaction is necessary, however, in order to make an informed voting decision with respect to this proposal. See The CMP Transaction included in this proxy statement.

Our Board of Directors has approved resolutions to amend our Charter to, among other things, increase the total number of shares of authorized capital stock from 270,262,000 to 300,000,000, create a new class of non-voting common stock to be designed Class D Common Stock, par value $0.01 per share, and eliminate certain rights applicable to our existing non-voting Class B common stock.

The summary of the Charter Amendment set forth below should be read in conjunction with, and is qualified in its entirety by, the full text of the Charter, as it will be amended and restated pursuant to the Charter Amendment. We have attached a marked copy showing the proposed changes to the Charter as Appendix C to this proxy statement.

Purpose of the Charter Amendment

The purpose of the Charter Amendment is (i) to increase the number of authorized shares to provide for sufficient authorized shares to complete the CMP Transaction and to provide greater flexibility in our capital structure following the closing of the CMP Transaction; (ii) to create a new class of non-voting common stock which will be issued to certain of the CMP Sellers in connection with the CMP Acquisition and to holders of the CMP Warrants upon the exercise of the CMP Warrants following effectiveness of the Restated Warrant Agreement and (iii) to eliminate the requirement that we obtain the consent of holders of shares of Class B common stock to any (x) proposed merger, consolidation or other business combination involving the Company, or sale, transfer or other disposition of all or substantially all of our assets, or (y) any proposed transaction that would result in a change of control.

Description of Class D Common Stock

The terms of the Class D common stock are summarized below.

Voting Rights

Except as may be required by law, the holders of shares of Class D common stock will not be entitled to vote on any matter submitted to a vote of our stockholders.

Dividends and Other Distributions

Each share of Class A common stock, Class B common stock, Class C common stock and Class D common stock will share equally in dividends and other distributions in cash, stock or property (including distributions upon our liquidation and consideration to be received upon a sale or conveyance of all or substantially all of our assets), except that in the case of dividends or other distributions payable on the Class A common stock, Class B common stock, Class C common stock or Class D common stock in shares of such stock, including distributions pursuant to stock

splits or dividends, only Class A common stock will be distributed with respect to Class A common stock, only Class B common stock will be distributed with respect to Class B common stock, only Class C common stock will be distributed with respect to Class C common stock and only Class D common stock will be distributed with respect to Class D common stock. In no event will any of the Class A common stock, Class B common stock, Class C common stock or Class D common stock be split, divided or combined unless each other class is proportionately split, divided or combined.

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Convertibility of Class D Common Stock into Class A Common Stock

The Class D common stock is convertible at any time, or from time to time, at the option of the holder (provided that the prior consent of any governmental authority required under any applicable law, rule, regulation or other governmental requirement to make such conversion lawful has been obtained) without cost to such holder (except any transfer taxes that may be payable if certificates are to be issued in a name other than that in which the certificate surrendered is registered), into Class A common stock on a share-for-share basis; provided such holder is not at the time of such conversion a Disqualified Person (defined herein).

A record or beneficial owner of shares of Class D common stock may transfer such shares (whether by sale, assignment, gift, bequest, appointment or otherwise) to any transferee; provided that the prior consent of any governmental authority required to make such transfer lawful must have first been obtained and the transferee is not a Disqualified Person. Concurrently with any such transfer, each such transferred share of Class D common stock will automatically be converted into one share of Class A common stock.

As a condition to any proposed conversion or transfer, the person who intends to hold the transferred or converted shares will provide us with any information we reasonably request to enable us to determine whether such a person is a Disqualified Person.

A person will be deemed to be a Disqualified Person if (and with respect to any proposed conversion or transfer, after giving effect to such proposed conversion or transfer) our Board of Directors in good faith determines a person is (or would be after giving effect to such conversion or transfer), or a person becomes aware that he or she is (or would be after giving effect to such conversion or transfer), or the FCC determines by a final order that such person is (or would be after giving effect to such conversion or transfer), a person that, directly or indirectly, as a result of ownership of common stock or our other capital stock or otherwise (i) causes (or would cause) us or any of our subsidiaries to violate the multiple, cross-ownership, cross-interest or other rules, regulations, policies or orders of the FCC, (ii) would result in our disqualification or the disqualification of any of our subsidiaries as a licensee of the FCC or (iii) would cause us to violate the provisions with respect to foreign ownership or voting of our company or any of our subsidiaries as set forth in Section 310(b)(3) or (4), as applicable, of the Communications Act of 1934, as amended. Notwithstanding the foregoing, if a person objects in good faith, within ten days of notice from us that our Board of Directors has determined that such person is a Disqualified Person, we or such person will, when appropriate, apply for a determination by the FCC with respect thereto within ten days of notice of such objection. If no determination is made by the FCC within 90 days from the date of such application or if we and such holder determine that it is inappropriate to make any application to the FCC, we and such holder agree that such determination will be made by an arbitrator, mutually agreed upon by us and such holder. Until a determination is made by the FCC (and such determination is a final order) or by the arbitrator, such person will not be deemed a Disqualified Person.

In the event the FCC determines by a final order that a person is, a person obtains knowledge that he is, or, subject to the above, our Board of Directors in good faith determines that a person is, a Disqualified Person, such person must promptly take any and all actions necessary or required by the FCC to cause him to cease being a Disqualified Person, including, without limitation:

- divesting all or a portion of his interest in us;
- making an application to or requesting a ruling from, or cooperating with us in any application to or request for a ruling from, the FCC, seeking a waiver for or an approval of such ownership;
- divesting itself of any ownership interest in any entity which together with its interest in us makes it a Disqualified Person;

entering into a voting trust whereby its interest in us will not make it a Disqualified Person; or

exchanging its shares of common stock for Class B common stock (subject to specified approvals); or

exchanging its shares of common stock for Class D common stock.

Our Charter will provide that all shares of Class D common stock will bear a legend regarding restrictions on transfer and ownership.

Preemptive Rights

Neither the Class D common stock nor any other class of our common stock carry any preemptive rights enabling the holder thereof to subscribe for or receive shares of our stock of any class or any other securities convertible into shares of our stock.

Liquidation, Dissolution or Winding Up

In the event of any liquidation, dissolution or winding up of our company, whether voluntarily or involuntarily, after payment or provision for payment of our debts and other liabilities, and the preferential amounts that the holders of any stock ranking prior to our common stock in the distribution of assets are entitled upon liquidation, the holders of each of our classes of common stock will be entitled to share in our remaining assets in proportion to the respective number of shares of common stock held by such holder compared to the aggregate number of shares of common stock outstanding.

Description of Increase in Authorized Shares

Our authorized capital stock currently consists of 270,262,000 shares divided into four classes. If the stockholders approve and adopt the Charter Amendment, then our Charter will be amended to authorize 300,000,000 shares divided into five classes.

Effects of the Authorization of Additional Shares

The increase in authorized shares will not have any immediate effect on the rights of existing stockholders, although the issuance of shares of common stock in connection with the CMP Transaction will have an immediate and substantive dilutive impact on our stockholders. In addition, our Board of Directors will have the authority to issue authorized shares without requiring future stockholder approval of such issuances, except as may be required by applicable law or requirements of the NASDAQ Marketplace Rules or the rules of any other stock exchange on which our shares are listed. To the extent that additional authorized shares are issued in the future, they may further decrease the existing stockholder s percentage equity ownership and, depending on the price at which they are issued, could be dilutive to the existing stockholders.

Although the proposal is made in response to the need to increase the number of our authorized shares in order to have sufficient authorized but unissued shares to complete the CMP Transaction, authorized but unissued shares could, within the limits imposed by applicable law, be issued subsequent to the shares of common stock proposed to be issued in connection with the CMP Transaction, in one or more transactions which would make a change in control of us more difficult, and therefore less likely. Any such issuance of additional shares could have the effect of diluting the earnings per share and book value per share of outstanding shares and such additional shares could be used to dilute the stock ownership or voting rights of a person seeking to obtain control of us.

Required Vote; Filing of Charter

Under General Corporation Law of the State of Delaware, the approval of the Charter Amendment requires the affirmative vote of a majority of the votes of the issued and outstanding shares of common stock entitled to vote on the proposal. Pursuant to the Voting Agreements, we have received commitments from holders of approximately 54%

of the outstanding voting power of our common stock to vote in favor of approval of the Charter Amendment. As a result, we expect such proposal to be approved at the annual meeting.

If approved by the required vote of the stockholders, we intend to file the revised Charter that reflects the Charter Amendment with the Delaware Secretary of State, which will give effect to the Charter Amendment. The revised Charter will be effective immediately upon acceptance of filing by the Delaware Secretary of

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State. The filing of the revised Charter with the Delaware Secretary of State is expected to occur at or shortly prior to the closing of the CMP Acquisition. Our Board of Directors reserves the right to abandon or delay the filing of the revised Charter even if it is approved by the stockholders.

Consequences of Failure to Approve the Charter Amendment

Pursuant to the Exchange Agreement, receipt of stockholder approval of the Charter Amendment is a condition to the consummation of the CMP Acquisition. If such approval is not obtained, we will not be able to consummate the CMP Acquisition, the Restated Warrant Agreement will not become effective, the Radio Holdings Warrants will remain outstanding and the amendment to the Radio Holdings Warrants pursuant to the Restated Warrant Agreement will not occur.

Recommendation of the Board of Directors

Your Board of Directors recommends a vote FOR approval of the Charter Amendment.

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PROPOSAL NO. 2: TO APPROVE THE ISSUANCE OF SHARES OF OUR COMMON STOCK IN CONNECTION WITH THE CMP TRANSACTION

Background

On January 31, 2011, we entered into the Exchange Agreement with the CMP Sellers pursuant to which we agreed to (i) acquire all of the outstanding equity interests of CMP that we currently do not own in exchange for 3,315,238 shares of our Class A common stock and 6,630,476 shares of our Class D common stock and (ii) enter into an agreement with the holders of outstanding Radio Holdings Warrants that would amend the Radio Holdings Warrants to provide that, upon the closing of the CMP Acquisition, in lieu of being exercisable for shares of common stock of Radio Holdings, the Radio Holdings Warrants would instead be exercisable for an aggregate of 8,267,968 shares of our Class D common stock (subject to adjustment for rounding due to any fractional shares). As a result of the transactions contemplated by the Exchange Agreement, CMP will become our wholly-owned subsidiary, the CMP Sellers will acquire shares of our common stock that are, or are convertible into shares that are, publicly tradeable rather than holding equity interests in a private company, and holders of the Radio Holdings Warrants will be entitled to acquire shares of our publicly-traded common stock rather than shares of our privately-owned subsidiary.

In accordance with the Exchange Agreement, on June 21, 2011, Radio Holdings, Radio Holdco, the Warrant Agent and holders of the requisite majority of outstanding Radio Holdings Warrants entered into a written consent to the Radio Holdings Warrant Agreement to amend and restate such agreement. Pursuant to the Restated Warrant Agreement, which will be entered into on the date of closing of the CMP Acquisition, the outstanding Radio Holdings Warrants, which were originally exercisable for an aggregate of 3,740,893 shares of common stock of Radio Holdings, will instead become exercisable, commencing on the CMI Delivery Date, into an aggregate of 8,267,968 shares of our Class D common stock (subject to adjustment for rounding due to any fractional shares) on the terms and subject to the conditions set forth in the Restated Warrant Agreement.

Following the issuance of shares of our Class D common stock pursuant to the CMP Acquisition or upon a Warrant Exercise, such shares of Class D common stock will be convertible by their terms into shares of our Class A common stock at the times and in the manner described in this proxy statement under the heading Proposal No. 1 Description of Class D Stock Convertibility of Class D Common Stock into Class A Common Stock.

NASDAQ Stockholder Approval Requirement

Rule 5635 of the NASDAQ Marketplace Rules requires stockholder approval if a listed company issues common stock or securities convertible into or exercisable for common stock in connection with the acquisition of the stock or assets of another company which exceed 20% of the voting power or the total shares outstanding on a pre-transaction basis. Rule 5635 also requires stockholder approval if a listed company issues common stock or securities convertible into or exercisable for common stock equal to 20% or more of the common stock or 20% or more of the voting power outstanding before the issuance for less than greater of book or market value of the stock.

Consequences of Failure to Approve the Issuance of Shares

Under the Exchange Agreement, receipt of stockholder approval of the issuance of shares of common stock to the CMP Sellers pursuant to the CMP Acquisition is a condition to its consummation. If such approval is not obtained, we will not be able to consummate the CMP Acquisition. In addition, if such approval is not obtained, the Restated Warrant Agreement will not become effective, the Radio Holdings Warrants will remain outstanding and the

amendments to the Radio Holdings Warrants pursuant to the Restated Warrant Agreement will not occur.

Effect of the Issuance of Shares

If our stockholders approve this proposal and the CMP Acquisition is consummated, Blackstone will receive 3,315,238 million shares of our Class A common stock and, in order to ensure compliance with broadcast ownership rules of the FCC, Bain and THL will each receive 3,315,238 million shares of Class D common stock. In exchange, each of Blackstone, Bain and THL will transfer to us their equity interests in CMP and CMP will become a wholly-owned subsidiary of the Company. In addition, upon the Warrant Exercise and assuming the Restated Warrant Agreement becomes effective, we will issue an aggregate of 8,267,968 new shares of our Class D common stock (assuming all CMP Warrants are exercised). Each holder of shares of Class D common stock will be entitled at any time, or from time to time, to convert its shares into shares of Class A common stock on a share-for-share basis so long as at the time of conversion it is not a Disqualified Person and any required consent of any governmental authority has been obtained. As a result of the CMP Acquisition, Warrant Exercise and Class D Conversions (and assuming all CMP Warrants are exercised and shares of Class D common stock are converted in full), we would issue up to a total of 18,213,682 new shares of our Class A common stock, representing approximately 53.1% of the number of shares of our Class A common stock outstanding as of March 31, 2011.

Required Vote

In order for the proposal relating to the issuance of shares of Class A common stock and Class D common stock in connection with the CMP Acquisition, the issuance of shares of Class D common stock upon the Warrant Exercise and the issuance of shares of Class A common stock upon any Class D Conversions to be approved, a majority of the votes cast at the annual meeting by holders of our Class A common stock and Class C common stock, voting together as a single class, must be voted **FOR** the proposal. Pursuant to the Voting Agreements, we have received commitments from holders of approximately 54% of the outstanding voting power of our common stock to vote in favor of approval required by Rule 5635 of the NASDAQ Marketplace Rules for issuance of the shares of common stock to be issued pursuant to the Exchange Agreement. As a result, we expect such proposal to be approved at the annual meeting.

Recommendation of the Board of Directors

Your Board of Directors recommends that you vote FOR the approval of the issuance of shares of our Class A common stock and Class D common stock in connection with the CMP Transaction.

PROPOSAL NO. 3: ELECTION OF DIRECTORS

Our Board of Directors is currently comprised of five members. Pursuant to our Charter and bylaws, at the 2011 annual meeting of stockholders, those directors whose terms expire at that meeting (or such directors successors) will be elected to hold office for a one-year term expiring at the 2012 annual meeting of stockholders. All five of our directors are currently in a term of office that will expire at this annual meeting. Except for Mr. David M. Tolley, each director nominee was elected by our stockholders at our 2010 annual meeting of stockholders. In January 2011, Mr. Tolley was appointed as a director after he was designated as the Blackstone Designee pursuant to the Exchange Agreement, as described below.

As described under Members of the Board of Directors, pursuant to a voting agreement entered into in 1998 with the holders of our Class C common stock, one of our directors, Robert H. Sheridan, III, has been designated to serve as a director by one of our principal stockholders, BA Capital Company, L.P. (BA Capital), which is one of the BofA Entities. The holders of our Class C common stock, voting as a single class, are obligated under that voting agreement to elect Mr. Sheridan to our Board of Directors. Lewis W. Dickey, Jr., our Chairman, President and Chief Executive Officer and the holder of all outstanding shares of our Class C common stock, has informed us that in accordance with the terms of the Dickey Voting Agreement, he intends to vote all of his shares of Class C common stock to reelect Mr. Sheridan. The holders of our Class A common stock are not entitled to vote for BA Capital s director designee.

On January 31, 2011, Mr. Tolley, a Senior Managing Director of Blackstone, joined our Board of Directors. Mr. Tolley was appointed to the Board of Directors pursuant to the Exchange Agreement and subject to a written agreement to promptly resign in the event the Exchange Agreement is terminated prior to the consummation of the CMP Acquisition. Mr. Tolley has been designated to serve as the Blackstone Designee pursuant to the Exchange Agreement and the Voting Agreements, and for each of our next three successive annual meetings of stockholders, including the 2011 annual meeting, our Board of Directors is obligated to nominate Mr. Tolley, or his designated successor, for election, until such time as affiliates of Blackstone as a group cease to beneficially own at least one-half of the aggregate amount of the Company s common stock that they receive upon consummation of the CMP Acquisition. The Dickeys and the BofA Entities have agreed to vote their shares of in favor of the election of Mr. Tolley.

Messrs. Dickey, Everett, Robison and Tolley have been nominated for election by our Board of Directors, upon the recommendation of a majority of our independent directors. Accordingly, our Board of Directors urges you to vote **FOR** the election of the director nominees. If elected, Messrs. Dickey, Everett, Robison and Tolley would serve until the 2012 annual meeting of stockholders or until each is succeeded by another qualified director who has been elected.

Detailed information about Messrs. Dickey, Everett, Robison, and Tolley is provided in Members of the Board of Directors elsewhere in this proxy statement. Our Board of Directors has no reason to believe that these individuals will be unable to serve as directors. If for any reason these individuals become unable to serve before the annual meeting, the persons named in the proxy will vote for the election of such other persons as our Board of Directors may recommend.

Recommendation of the Board of Directors

Your Board of Directors recommends a vote FOR the election of the director nominees for director.

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INFORMATION ABOUT THE BOARD OF DIRECTORS

The Board of Directors is elected by our stockholders to oversee management and to assure that the long-term interests of our stockholders are being served. The primarily role of the Board of Directors is to maximize stockholder value over the long term. Our business is conducted by our employees, managers and officers under the direction of the Chief Executive Officer and the oversight of the Board of Directors.

The Board of Directors held six meetings during 2010. Each director attended at least 75% of the meetings of the Board of Directors and the committees on which he served. We do not have a formal policy regarding attendance by directors at our annual meetings, but we encourage all incumbent directors, as well as all director nominees, to attend the annual meeting. All director nominees who were then members of our Board of Directors attended last year s annual meeting of stockholders, either in person or telephonically.

Director Independence

Our Board of Directors has reviewed the standards of independence for directors established by applicable laws and regulations, including the current listing standards of the NASDAQ Marketplace Rules, and has reviewed and evaluated the relationships of the directors with us and our management. Based upon this review and evaluation, our Board of Directors has determined that none of the current non-employee members of the Board of Directors has a relationship with us or our management that would interfere with such director s exercise of independent judgment, and that each non-employee member of the Board of Directors Messrs. Everett, Robison, Sheridan and Tolley is an independent director. The independent directors meet periodically in executive sessions.

Board of Directors Leadership Structure

Lewis W. Dickey, Jr. serves as our Chairman, President and Chief Executive Officer. Our Board of Directors believes that Mr. L. Dickey s service as both Chairman of the Board and Chief Executive Officer is in our and our stockholders best interests. He has extensive experience in radio broadcasting, is viewed as a leader in the industry, and possesses detailed and in-depth knowledge of the issues, opportunities and challenges that we face. Our Board of Directors believes that he is, therefore, best positioned to develop agendas that ensure that our Board of Directors time and attention are focused on the most critical matters. His combined role enables decisive leadership, ensures clear accountability, and enhances our ability to communicate our message and strategy clearly and consistently to our stockholders, employees, customers and suppliers, as well as to the investment community and the capital markets, particularly given the turbulent economic conditions and changes within the industry.

Given its relatively small size, our Board of Directors has not found a need to designate one of the four independent directors as a lead independent director, but instead believes that, at this time, each of the four independent directors (two of whom serve as Chairman of the two standing Board of Directors committees and three of whom serve as members of both of such committees) is able to be fully and effectively engaged in all issues relevant to the Board of Directors, and, to date, has viewed the creation of a lead independent director as unnecessary. This structure has, in the Board of Directors view, provided for a highly conducive atmosphere for directors to exercise their responsibilities and fiduciary duties, and to enjoy adequate opportunities to thoroughly deliberate matters before the Board of Directors and to make informed decisions. Our Board of Directors believes that this approach appropriately and effectively complements the combined Chairman/Chief Executive Officer structure. As a consequence, the Board of Directors has determined that no significant benefit would be realized by separating the roles of Chairman and Chief Executive Officer.

Although our Board of Directors believes that the combination of the Chairman and Chief Executive Officer roles is appropriate in the current circumstances, our Board of Directors has not established this approach as policy, and will routinely review its determination as circumstances dictate and from time to time.

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Committees of the Board of Directors

The Board of Directors has an Audit Committee and a Compensation Committee. All members of each committee are non-employee, independent directors.

The Audit Committee.

The purpose of the Audit Committee is to assist our Board of Directors in fulfilling its oversight responsibilities with respect to: (i) our accounting, reporting and oversight practices; (ii) our compliance with legal and regulatory requirements; (iii) our independent registered public accounting firm s qualifications and independence; and (iv) the performance of our independent registered public accounting firm, and our own internal, audit function. The Audit Committee is responsible for overseeing our accounting and financial reporting processes and the audits of our financial statements on behalf of our Board of Directors. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent registered public accounting firm (including resolution of any disagreements between our management and independent registered public accounting firm regarding financial reporting), and our independent registered public accounting firm s report directly to the Audit Committee.

The Audit Committee met four times in 2010. The current members of the Audit Committee are Robert H. Sheridan, III (Chairman), Ralph B. Everett, and Eric P. Robison. Our Board of Directors has determined that each Audit Committee member is independent, as such term is defined under the rules of the SEC and the NASDAQ Marketplace Rules applicable to audit committee members, and meets the financial literacy requirements of the NASDAQ Marketplace Rules. None of the aforementioned members has participated in the preparation of the financial statements of Cumulus Media or its subsidiaries at any time during the past three years. Our Board of Directors has determined that Mr. Sheridan (1) is an audit committee financial expert, as such term is defined under the rules of the SEC, and (2) meets the NASDAQ Marketplace Rules professional experience requirements.

The Audit Committee operates pursuant to a written charter, which is reviewed on an annual basis and complies with the applicable provisions of the Sarbanes-Oxley Act of 2002, the related rules of the SEC, and the NASDAQ Marketplace Rules. A copy of our Audit Committee charter is available on our corporate website, at *www.cumulus.com*.

The Compensation Committee.

The Compensation Committee oversees the determination of all matters relating to employee compensation and benefits and specifically reviews and approves salaries, bonuses and equity-based compensation for our executive officers. The Compensation Committee met twice in 2010. The current members of the Compensation Committee are Eric P. Robison (Chairman), Ralph B. Everett and Robert H. Sheridan, III, each of whom is independent, as such term is defined under the NASDAQ Marketplace Rules.

The Compensation Committee does not have a formal charter. Our Board of Directors has delegated to the Compensation Committee the following areas of responsibilities:

- performance evaluation, compensation and development of our executive officers;
- establishment of performance objectives under the Company s short- and long-term incentive compensation arrangements and determination of the attainment of such performance objectives; and
- oversight and administration of benefit plans.

The Compensation Committee generally consults with management in addressing executive compensation matters. The parameters for the compensation of our Chief Executive Officer, which were developed in 2006 with the assistance of a compensation consultant, are largely established by his employment agreement, and the compensation of the other executive officers is determined after taking into account compensation recommendations made by the Chief Executive Officer. Our Chief Executive Officer, based on the performance evaluations of the other executive officers, recommends to the Compensation Committee compensation for those executive officers. The executive officers, including our Chief Financial Officer, also

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provide recommendations to the Compensation Committee from time to time regarding key business drivers included in compensation program designs, especially incentive programs, which may include defining related measures and explaining the mutual influence on or by other business drivers and the accounting and tax treatment relating to certain awards. Our Chief Executive Officer also provides regular updates to the Compensation Committee regarding current and anticipated performance outcomes, including the impact on executive compensation. The Compensation Committee has the authority to retain compensation consultants from time to time as it deems appropriate.

Risk Oversight

Our Board of Directors as a whole has responsibility for risk oversight, with reviews of certain areas being conducted by the relevant Board of Director committees that report on their deliberations to the full Board of Directors, as further described below. Given the small size of the Board, the Board of Directors feels that this structure for risk oversight is appropriate (except for those risks that require risk oversight by independent directors only) and, as only independent directors serve on the Board of Directors standing committees, each independent director has full access to all available information for risks that may affect us.

The Audit Committee is specifically charged with discussing risk management (primarily financial and internal control risk), and receives regular reports from management (including legal and financial representatives), independent auditors, internal audit and outside legal counsel on risks related to, among others, our financial controls and reporting, covenant compliance and interest-rate hedging. The Compensation Committee reviews risks related to compensation and makes recommendations to the Board of Directors with respect to whether the Company s compensation policies are properly aligned to discourage inappropriate risk-taking, and is regularly advised by management (including legal and financial representatives) and outside legal counsel. In addition, the Company s management, including the Company s General Counsel, regularly communicates with the Board of Directors to discuss important risks for its review and oversight, including regulatory risk and risks stemming from periodic litigation or other legal matters in which we are involved. Finally, our Board of Directors believes that our Board of Directors leadership structure of a combined Chairman and Chief Executive Officer allows for quick and definitive assessment of issues that should be brought to the Board of Directors attention.

Nomination Process

Our Board of Directors does not have a standing nominating committee. Due to the small size of our Board of Directors and the historically low turnover of its members, we do not currently foresee the need to establish a separate nominating committee or to adopt a charter to govern the nomination process. Similarly, we do not have a formal process for identifying and evaluating nominees for director. Generally, director candidates have been first identified by evaluating the current members of our Board of Directors whose term will be expiring at the next annual meeting and who are willing to continue in service. If a member whose term is expiring no longer wishes to continue in service, or if our Board of Directors decides not to re-nominate such member, our Board of Directors would then determine whether to commence a search for qualified individuals meeting the criteria discussed below. To date, we have not engaged third parties to identify or evaluate, or assist in identifying or evaluating, potential director nominees.

In accordance with Board policy and the NASDAQ Marketplace Rules, the director nominees (other than Mr. Tolley, who is nominated pursuant to certain contractual rights held by certain of our stockholders, and Mr. Sheridan, who is elected solely by the holders of our Class C common stock) must either be (1) recommended by a majority of the independent directors for selection by our Board of Directors or (2) discussed by the full Board of Directors and approved for nomination by the affirmative vote of a majority of our Board of Directors, including the affirmative vote of a majority of the independent directors.

Historically, we have not had a formal policy with regard to the consideration of director candidates recommended by our stockholders. To date, our Board of Directors has not received any recommendations from stockholders requesting that it consider a candidate for inclusion among our Board of Directors slate of nominees in our proxy statement, other than pursuant to the exercise of the aforementioned contractual rights.

The absence of such a policy does not mean, however, that a recommendation would not have been considered had one been received, or will not be considered, if one is received in the future. Our Board of Directors will give consideration to the circumstances in which the adoption of a formal policy would be appropriate.

Our Board of Directors evaluates all candidates based upon, among other factors, a candidate s financial literacy, knowledge of our industry or other background relevant to our needs, status as a stakeholder, independence (for purposes of compliance with the rules of the SEC and the NASDAQ Marketplace Rules), and willingness, ability and availability for service. Other than the foregoing, there are no stated minimum criteria for director nominees, although our Board of Directors may also consider such other factors as it may deem are in the best interests of us and our stockholders. The Board of Directors considers diversity as it deems appropriate in this context (without having a formal diversity policy), given our current needs and the current needs of the Board of Directors to maintain a balance of knowledge, experience and capability. When considering diversity, the Board of Directors considers diversity as one factor, of no greater or lesser importance than other factors and considers diversity in a broad context of race, gender, age, business experience, skills, international experience, education, other board experience and other relevant factors.

Our bylaws provide for stockholder nominations to our Board of Directors, subject to certain procedural requirements. To nominate a director to our Board of Directors, you must give timely notice of your nomination in writing to our Corporate Secretary, not later than 90 days prior to the anniversary date of the annual meeting of stockholders in the preceding year. All such notices must include (1) your name and address, (2) a representation that you are one of our stockholders, and will remain so through the record date for the upcoming annual meeting, (3) the class and number of shares of our common stock that you hold (beneficially and of record), and (4) a representation that you intend to appear in person or by proxy at the upcoming annual meeting to make the nomination. You must also provide information on your prospective nominee, including such person s name, address and principal occupation or employment, a description of all arrangements or understandings between you, your prospective nominee and any other persons (to be named), the written consent of the prospective nominee, and such other information as would be required to be included in a proxy statement soliciting proxies for the election of your prospective nominee.

MEMBERS OF THE BOARD OF DIRECTORS

Directors Nominated for Election to Serve until the 2012 Annual Meeting

Lewis W. Dickey, Jr., age 49, is our Chairman, President and Chief Executive Officer. Mr. L. Dickey has served as Chairman, President and Chief Executive Officer since December 2000. Mr. Dickey was one of our founders and initial investors, and served as Executive Vice Chairman from March 1998 to December 2000. Mr. L. Dickey is a nationally regarded consultant on radio strategy and the author of The Franchise Building Radio Brands, published by the National Association of Broadcasters, one of the industry s leading texts on competition and strategy. Mr. L. Dickey also serves as a member of the National Association of Broadcasters Radio board of directors. Mr. L. Dickey is the brother of John W. Dickey, our Executive Vice President and Co-Chief Operating Officer.

Mr. L. Dickey has over 27 years of experience in the radio broadcasting industry in a variety of strategic, operational and financing areas. As a founder of Cumulus Media, Mr. L. Dickey was instrumental in our development and growth. His service as our Chairman and Chief Executive Officer over the past ten years has resulted in his having a unique level of knowledge of the opportunities and challenges associated with our business. Among other things, he brings to our Board of Directors his extensive background in station acquisition, integration and management. Mr. L. Dickey s familiarity with us, our industry and various market participants makes him uniquely qualified to lead and advise the Board of Directors as Chairman.

Ralph B. Everett, age 59, has served as one of our directors since July 1998. Since January 2007, Mr. Everett has served as the President and Chief Executive Officer of the Joint Center for Political and Economic Studies, a national, nonprofit research and public policy institution located in Washington, D.C. Prior to 2007, and for more than eighteen years, Mr. Everett had been a partner with the Washington, D.C. office of the law firm of Paul, Hastings, Janofsky & Walker LLP, where he headed the firm s Federal

Legislative Practice Group. He had previously worked in the U.S. Senate for more than a decade, including serving as a staff director and chief counsel of the Committee on Commerce, Science and Transportation. In 1998, Mr. Everett was appointed by President Clinton as United States Ambassador to the 1998 International Telecommunication Union Plenipotentiary Conference. In the same year, he led the U.S. delegation to the Second World Telecommunication Development Conference in Malta, joining participants from more than 190 nations. He is also a member of the Board of Visitors of Duke University Law School and serves on the boards of Connection Nation and Independent Sector.

Mr. Everett possesses an extensive legal background, particularly in FCC/radio broadcasting matters, as evidenced by his various legal and advisory positions held during his career. In addition, Mr. Everett s management experience as a chief executive officer of a public policy institution focused on political and economic matters provides a valuable perspective to our Board of Directors and enables Mr. Everett to provide value in the oversight of the Company through his service on the Audit Committee and the Compensation Committee.

Eric P. Robison, age 51, has served as one of our directors since August 1999. Mr. Robison is currently the President and Chief Executive Officer of Lynda.com, an Internet-based software and education training company, which he joined in January 2008. From 2002 to 2008, he was President of IdeaTrek, Inc., a company that provides business consulting services. From 1994 to 2002, Mr. Robison was Vice President, Business Development at Vulcan Inc., the holding company that manages all personal and business interests for investor Paul G. Allen, where Mr. Robison managed various projects and analyzed investment opportunities. He has previously served as a director of several publicly traded companies in various industries.

Mr. Robison brings to our Board of Directors substantial corporate management experience through his high-level positions at technology, business services and training companies, as well as past experience on boards of directors, including CNET Networks. Mr. Robison has particular skill and experience in business development and investments and acquisitions, and particularly in connection with internet initiatives and related ventures, all of which is useful given our business strategy, and provides value in the oversight of the Company through his service on the Audit Committee and as Chairman of the Compensation Committee.

David M. Tolley, age 43, has served as one of our directors since January 31, 2011. Mr. Tolley is currently a Senior Managing Director of Blackstone. Mr. Tolley has been employed by Blackstone since 2000. Prior to joining Blackstone, he held a series of positions at Morgan Stanley & Co. He has served as a director of CMP since 2006, and is the former Chairman of the board of directors of NewSkies Satellites.

Mr. Tolley has over fifteen years of experience in private equity investments and investment banking, with extensive experience in mergers, acquisitions and financings. He has particular experience in the telecommunications and media sectors. His competence in critical financial analysis and strategic planning, and vast experience in both transactions in, and overseeing operations of, numerous companies in the telecommunications and media industries, bring essential skills and a unique perspective to the Board of Directors.

Pursuant to the Voting Agreements, for each of our next three successive annual stockholders meetings, beginning with the 2011 annual meeting, our Board of Directors is obligated to nominate the Blackstone Designee for election, until such time as affiliates of Blackstone as a group cease to beneficially own at least one-half of the aggregate amount of the Company s common stock that they receive upon consummation of the CMP Acquisition. Mr. Tolley has served as the Blackstone Designee since January 31, 2011.

Director Designated by Holders of Class C Common Stock to Serve until 2012 Annual Meeting

Robert H. Sheridan, III, age 48, has served as one of our directors since July 1998. Mr. Sheridan is currently a partner at Ridgemont Equity Partners, a private equity firm that provides buyout and growth capital to closely-held private

companies and new business platforms. Prior to joining Ridgemont Equity Partners in

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August 2010, Mr. Sheridan served as Managing Director, and Co-Head of the Americas, for BAML Capital Partners (BAMLCP), the private equity and mezzanine group within Bank of America Corporation, since January 1998, and was a Senior Vice President and Managing Director of BA Capital, which was formerly known as NationsBanc Capital Corp. Affiliates of Ridgemont Equity Partners are the successor general partners to certain affiliates of BAMLCP, which previously served as general partners of the BofA Entities. Mr. Sheridan has an economic interest in the entities comprising the general partners of the BofA Entities. He was a Director of NationsBank Capital Investors, the predecessor of BAMLCP, from January 1996 to January 1998.

Mr. Sheridan s expertise in a variety of financial matters, in private equity and in capital markets and acquisition transactions, makes him a valuable member of our Board of Directors, and enhances the value of his service as Chairman of the Audit Committee, and a member of the Compensation Committee. Mr. Sheridan s significant experience as a senior-level private equity professional provides a solid platform for him to advise and consult with our Board of Directors on financial, strategic and acquisition-related matters.

Pursuant to our Charter and a voting agreement entered into in 1998 by Cumulus Media, BA Capital (through its predecessor entity) and the holders of our Class C common stock, the holders of our Class C common stock (all of which is currently owned by Mr. L. Dickey) have the right, voting as a single class, to elect one director to our Board of Directors (the Class C Director), and such stockholders are obligated to elect a person designated by BA Capital to serve as such director. The rights and obligations under the voting agreement shall continue until such time that BA Capital, together with its affiliates, no longer own at least 50% of the number of shares of our common stock as BA Capital held on June 30, 1998. At such time, the term of the Class C Director, and the right of the holders of our Class C common stock to elect the Class C Director, shall terminate. Mr. Sheridan has served as BA Capital s designee for such position since July 1998.

STOCKHOLDER COMMUNICATION WITH THE BOARD OF DIRECTORS

Any matter intended for our Board of Directors, or for any individual member or members of our Board of Directors, should be directed to Richard S. Denning, Corporate Secretary, at our principal executive offices, 3280 Peachtree Road, N.W., Suite 2300, Atlanta, Georgia 30305, with a request to forward the same to the intended recipient. In the alternative, stockholders may direct correspondence to our Board of Directors to the attention of the chairman of the Audit Committee of the Board, in care of Richard S. Denning, Corporate Secretary, at our principal executive offices. All such communications will be forwarded unopened.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Pursuant to Section 16(a) of the Securities Exchange Act of 1934, our directors and executive officers, and any persons who beneficially own more than 10% of our common stock, are required to file initial reports of ownership and reports of changes in ownership with the SEC. Based upon our review of copies of such reports for our 2010 fiscal year and written representations from our directors and executive officers, we believe that our directors and executive officers, and beneficial owners of more than 10% of our common stock, have complied with all applicable filing requirements for our 2010 fiscal year.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table lists information concerning the beneficial ownership of our common stock as of April 28, 2011 (unless otherwise noted) by (1) each of our directors and each of our named executive officers, (2) all of our directors and executive officers as a group, and (3) each person known to us to own beneficially more than 5% of any class of our common stock.

Name of Stockholder	Class A Common Stock Number of Shares	Class A Common Stock Percentage	Class B Common Stock(1) Number of Shares	Class B Common Stock(1) Percentage	Class C Common Stock(1)(2) Number of Shares	Class C Common Stock(1)(2) Percentage	Percentage of Voting Control
Banc of America Capital Investors SBIC, L.P.(3)	821,568	2.3%	4,959,916	85.4%			1.9%
BA Capital Company, L.P.(3)	849,475	2.4%	849,275	14.6%			2.0%
Lewis W. Dickey, Sr.(4)	10,490,054	29.0%			644,871	100%	39.7%
Dimensional Fund Advisors LP(5)	2,751,298	7.6%					6.5%
Wallace R. Weitz & Company(6)	1,900,000	5.3%					4.5%
Lewis W. Dickey, Jr.(7)	10,490,054	29.0%			644,871	100%	39.7%
John W. Dickey(8)	2,122,067	5.9%					5.0%
Joseph P. Hannan	31,504	*					*
Jon G. Pinch(9)	302,123	*					*
Robert H. Sheridan, III(10)	47,223	*					*
Ralph B. Everett(11)	52,047	*					*
Eric P. Robison(11)	65,077	*					*
David M. Tolley							
All directors and executive officers as a group (9 persons)(12)	13,216,582	36.3%			644,871	100%	45.9%

* Indicates less than one percent.

(1) Except upon the occurrence of certain events, holders of Class B common stock are not entitled to vote, whereas each share of Class A common stock entitles its holder to one vote and, subject to certain exceptions, each share of Class C common stock entitles its holder to ten votes. The Class B common stock is convertible at any time, or from time to time, at the option of the holder of the Class B common stock (provided that the prior consent of any governmental authority required to make the conversion lawful has been obtained) without cost to such holder (except any transfer taxes that may be payable if certificates are to be issued in a name other than that in which the certificate surrendered is registered), into Class A common stock or Class C common stock on a share-for-share basis; provided that our Board of Directors has determined that the holder of Class A common

stock at the time of conversion would not disqualify us under, or violate, any rules and regulations of the FCC.

(2) Subject to certain exceptions, each share of Class C common stock entitles its holder to ten votes. The Class C common stock is convertible at any time, or from time to time, at the option of the holder of the Class C common stock (provided that the prior consent of any governmental authority required to make such conversion lawful has been obtained) without cost to such holder (except any transfer taxes that may be payable if certificates are to be issued in a name other than that in which the certificate surrendered is registered), into Class A common stock on a share-for-share basis; provided that our Board of Directors has determined that the holder of Class A common stock at the time of conversion would not disqualify us under, or violate, any rules and regulations of the FCC. In the event of the death of Mr. L. Dickey or in the event he becomes disabled and, as a result, terminates his employment with us, each share of Class C common stock held by him, or any party related to or affiliated with him, will be automatically be converted into one share of Class A common stock.

(3) The address of BA Capital Company, L.P. and Banc of America Capital Investors, SBIC, L.P. is 150 North College Street, Suite 2500, Charlotte, North Carolina 28202. This information is based in part on a Schedule 13D/A filed on February 11, 2011.

(4) Represents (i) direct ownership of 884,000 shares of Class A common stock; (ii) indirect beneficial ownership of 6,215,679 shares of Class A common stock registered in the name of the Lewis W. Dickey, Sr. Revocable Trust, by virtue of his position as trustee; and (iii) in accordance with Regulation 13D of the Exchange Act, indirect beneficial ownership of 3,288,531 shares of Class A common stock, 101,844 shares of Class A common stock underlying options that are presently exercisable and 644,871 shares of Class C common stock beneficially owned by his son, Lewis W. Dickey, Jr. (see footnote 7). Mr. L. Dickey, Sr. disclaims beneficial ownership of all of the shares owned or controlled by Mr. L. Dickey, Jr. The address of Lewis W. Dickey, Sr., and the Lewis W. Dickey, Sr. Revocable Trust is 11304 Old Harbor Road, North Palm Beach, Florida 33408. The information for Mr. L. Dickey, Sr. and the Lewis W. Dickey, Sr. Revocable Trust is based on a Form 4/A filed on January 27, 2009.

(5) The address of Dimensional Fund Advisors LP is Palisades West Building One 6300 BeeCave Road, Austin, Texas 78746. This information is based on a Schedule 13G/A filed on February 11, 2011.

(6) The address of Wallace R. Weitz & Company is 1125 South 103rd Street, Suite 600, Omaha, Nebraska 68124. This information is based on a Schedule 13G/A filed on January 28, 2011.

(7) Represents (i) direct ownership by Mr. L. Dickey, Jr. of 3,278,531 shares of Class A common stock and 644,871 shares of Class C common stock; (ii) indirect beneficial ownership of 10,000 shares of Class A common stock registered in the name of DBBC, LLC, by virtue of his controlling interest in that entity; (iii) 101,844 shares of Class A common stock underlying options that are presently exercisable; and (iv) in accordance with Regulation 13D of the Exchange Act, indirect beneficial ownership 7,099,679 shares of Class A common stock beneficially owned by his father, Lewis W. Dickey, Sr. (see footnote 4). Mr. L. Dickey, Jr. disclaims beneficial ownership of all of the shares held by DBBC, LLC except to the extent of his pecuniary interest therein, and disclaims beneficial ownership of all of the shares owned or controlled by Mr. L. Dickey, Sr.

(8) Represents beneficial ownership attributable to Mr. J. Dickey as a result of his direct ownership of 2,029,298 shares of Class A common stock and 92,769 shares of Class A common stock underlying options that are presently exercisable.

(9) Represents beneficial ownership attributable to Mr. Pinch as a result of his direct ownership of 270,662 shares of Class A common stock and 31,461 shares of Class A common stock underlying options that are presently exercisable.

(10) Consists of 26,976 restricted shares of Class A common stock and presently exercisable options to purchase 20,247 shares of such stock, which he holds for the benefit of BA Capital. Does not reflect any shares owned by BACI or by BA Capital. Mr. Sheridan is a partner in Ridgemont Equity Partners, affiliates of which are deemed to have voting and dispositive power with respect to, and have an economic interest in, the shares owned by BACI and BA Capital. As BA Capital s designee to our Board of Directors, Mr. Sheridan disclaims beneficial ownership of the options except to the extent of his pecuniary interest therein.

(11) Includes shares of Class A common stock underlying options that are presently exercisable as follows: Mr. Everett (22,725 shares) and Mr. Robison (23,534 shares).

(12) Includes 304,955 shares of Class A common stock underlying options that are presently exercisable.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

This compensation discussion and analysis provides an overview of our compensation objectives and policies, the elements of compensation that we provide to our top executive officers, and the material factors that we considered in making the decisions to pay such compensation. Following this analysis, we have provided a series of tables containing specific information about the compensation earned in or paid for 2010 to the following individuals, whom we refer to as our named executive officers:

Lewis W. Dickey, Jr., our Chairman, President and Chief Executive Officer;

Joseph P. Hannan, our Senior Vice President, Treasurer and Chief Financial Officer;

Jonathan G. (John) Pinch, our Executive Vice President and Co-Chief Operating Officer; and

John W. Dickey, our Executive Vice President and Co-Chief Operating Officer.

The discussion below is intended to help you understand the information provided in those tables and put that information in context within our overall compensation program.

Executive Compensation Program Objectives

Our compensation program has three primary and related objectives:

to provide a total compensation package that allows us to compete effectively in attracting, rewarding and retaining executive leadership talent;

to reward executives for meaningful performance that contributes to enhanced long-term stockholder value and our general long-term financial health; and

to align the interests of our executives with those of our stockholders.

In accordance with these goals, we provide a material portion of each named executive officer s compensation in the form of at-risk incentive awards that measure individual performance and our success as a company in achieving our business strategy and objectives. With respect to our performance, we focus primarily on the performance and results of our stations, as measured by Station Operating Income, which is a financial measure that isolates the amount of income generated solely by our stations, and Adjusted EBITDA, another financial measure that isolates the amount of income generated by our stations after the incurrence of corporate general and administrative expenses. These measures assist our management in evaluating the earnings potential of our station portfolio and the cash flow generated by our business.

Our compensation program is implemented by the Compensation Committee of our Board of Directors. Information about the Compensation Committee and its composition, responsibilities and operations can be found in Information About the Board of Directors Committees of the Board of Directors The Compensation Committee.

Compensation Program Elements and Their Purpose

The compensation program for our named executive officers consists primarily of the following integrated components: base salary, annual incentive awards and long-term incentive opportunities. The program also contains elements relating to retirement, severance and other employee benefits.

Base Salary. Base salary is the fixed portion of a named executive officer s annual compensation and is intended to recognize fundamental market value for the skills and experience of the individual relative to the responsibilities of his position with us. Changes to base salary are generally intended to reflect, among other things, the officer s performance as indicated through functional progress, career and skill development and mastery of position competency requirements. Base salary is the fundamental element of the total compensation package to which most other elements relate.

Annual Incentive. Unlike base salary, which is fixed, annual incentive compensation is intended to vary as a direct reflection of Company and individual performance over a twelve-month period. The incentive opportunity is typically expressed as a percentage of base salary and is typically paid in the form of a cash bonus, although the Compensation Committee has discretion to grant bonuses, in whole or in part, in the form of equity awards. In addition to amounts that may be awarded pursuant to annual incentive performance awards, the Compensation Committee has the authority to make discretionary bonus awards, including awards based on Company or individual performance.

Long-Term Incentives. Long-term incentive awards, which have historically been made in the form of grants of options exercisable shares of for our common stock or awards of restricted shares of our common stock, are granted with the intent to reward performance over a multi-year period with clear links to performance criteria, continued service and long-term stockholder value. For Mr. L. Dickey, the incentive opportunity through May 2013 has been set pursuant to the terms of his current employment agreement, which took effect on December 20, 2006, and was designed to maintain a desired balance between short- and long-term compensation over the term of the agreement, as discussed further below. The incentive opportunity for our other named executive officers, which is determined on an annual basis by the Compensation Committee, is designed to maintain a similar balance. The realized compensation from these incentives will vary as a reflection of stock price or other financial performance over time. For 2010, we used awards of restricted stock to deliver long-term incentive opportunity to our named executive officers.

Employee Retirement/Health and Welfare Benefit Plans. These benefits are intended to provide competitive levels of medical, retirement and income protection, such as life and disability insurance coverage, for the executives and their families. Our named executive officers generally participate in the same programs pertaining to medical coverage (active employee and retiree), life insurance, disability and retirement offered to all of our eligible employees. In addition, our named executive officers participate in an executive life insurance program. We believe that our benefits and retirement programs are comparable to those offered by other companies in our peer group and, as a result, are needed to ensure that compensation for our named executive officers remains competitive.

Severance and Other Termination Payments. Other than Mr. Hannan, each named executive officer currently employed by us is party to an employment agreement under which he may receive severance benefits upon his termination of employment in various circumstances, including following a change of control. The severance-related agreements available to those named executive officers are described in more detail under Potential Payments upon Termination or Change of Control. We believe that our severance arrangements, including the amount of the severance benefit, are comparable to those offered by the companies in our peer group and, as a result, are needed to ensure that compensation for our named executive officers remains competitive.

Executive Perquisites. We have typically provided a car allowance to each of our named executive officers. We do not provide other perquisites such as financial planning or country club memberships.

Compensation Levels Among Named Executive Officers. There are no policy differences with respect to the compensation of individual named executive officers even though the level of compensation may differ based on scope of responsibilities and performance. The compensation disparity between our Chief Executive Officer and the other named executive officers is primarily due to the Chief Executive Officer having significantly greater responsibilities for management and oversight of a large enterprise and the corresponding market factors reflecting this difference. From an operations oversight perspective, we have divided responsibility for our radio markets in half, and Mr. J. Dickey and Mr. Pinch, who each serve as Executive Vice President and Co-Chief Operating Officer, are each responsible for one-half of our operating markets. Mr. J. Dickey also has responsibility for overseeing our programming, market promotion and engineering across all markets. Consequently, Mr. J. Dickey s base salary and incentive awards reflect the multiple categories of responsibilities that he holds. Mr. Hannan was named Senior Vice President, Treasurer and Chief Financial Officer in March 2010, after having served as Interim Chief Financial Officer since July 2009. Mr. Hannan s base salary was increased in connection with the March 2010 appointment.

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Determining the Amount of Each Element

Base Salary. We are party to employment agreements with each of our current named executive officers, other than Mr. Hannan. Each of these agreements provides for a contractual level of base salary. Mr. L. Dickey s employment agreement provides for annual increases of $40,000, subject to further merit increases as the Compensation Committee deems appropriate, while the agreements with Messrs. Pinch and J. Dickey provide for discretionary annual increases. The Compensation Committee seeks to set base salaries at levels that it considers fair, after considering a variety of factors, including the scope and complexity of the officer s position; the officer s expertise; the officer s experience relative to his position and responsibilities; the officer s contributions and importance to us; the officer s historical compensation; the salary ranges for persons in comparable positions at comparable companies (to the extent available); the competitiveness of the market for the officer s services; and the recommendations of our Chief Executive Officer (except in the case of his own performance).

Determinations as to appropriate base salaries of our named executive officers (other than Mr. L. Dickey s, whose salary is generally set pursuant to his employment agreement) historically have not been made by applying a particular formula or the use of designated benchmarks. In March 2010, the Compensation Committee determined to award Messrs. J. Dickey, Pinch and Hannan base salaries of $597,400, $525,300 and $250,000, respectively, which represented 3% increases to each of Messrs. J. Dickey and Pinch, and a 43% increase for Mr. Hannan in recognition of his appointment as Chief Financial Officer and commensurate increased responsibilities. While the Compensation Committee approved the $40,000 increase to base salary mandated by his employment agreement, Mr. L. Dickey, recognizing the uncertain economic conditions, voluntarily elected not to accept the increase in base salary as recommended by the Compensation Committee until these conditions improved or stabilized. As a result, while he was contractually entitled to a base salary of $1,020,000 for 2010, Mr. L. Dickey s base salary did not increase from $940,000 in 2010.

Annual Incentive. Like base salary, the parameters of the annual bonus also are set forth in the employment agreements with each of the named executive officers who have such agreements. However, the Compensation Committee maintains a level of discretion and flexibility, including the ability to make annual bonus awards to executives even in circumstances where pre-established performance targets have not been established or are not satisfied, and to make bonus awards in stock in lieu of cash. The decision to increase or decrease annual bonuses from year to year is generally based on a variety of factors the Compensation Committee deems appropriate, including our overall performance, the executive s individual performance, the business environment over the course of the prior year, and any extraordinary accomplishments by the Company or the individual during the prior year, as further described below. The Compensation Committee believes this flexibility, coupled with a history of appropriately rewarding performance, provide an effective incentive for the continued superior performance of our executives.

With regard to the annual bonus paid to Mr. L. Dickey in 2011, awarded for performance in 2010, in March 2010 the Compensation Committee reviewed management s 2010 operating budget, including budgeted Adjusted EBITDA of $84.117 million and approved the following targets for his annual incentive bonus for 2010:

If Adjusted EBITDA was 90% of the budgeted Adjusted EBITDA, then Mr. L. Dickey would have been eligible for a bonus of 50% of his 2010 base salary, or $470,000;

If Adjusted EBITDA was 100% of the budgeted Adjusted EBITDA, then Mr. L. Dickey would have been eligible for a bonus of 75% of his 2010 base salary, or $705,000; and

If Adjusted EBITDA was 105% of the budgeted Adjusted EBITDA, then Mr. L. Dickey would have been eligible for a bonus of 100% of his 2010 base salary, or $940,000.

To the extent that Adjusted EBITDA was between the targeted amounts, the bonus would be adjusted on a sliding scale between 50% and 100% of base salary to include an amount proportionate to the amount achieved in excess of the 90% and 110% target amounts.

For fiscal year 2010, Adjusted EBITDA was $87.5 million, or 104% of the budgeted Adjusted EBITDA amount. In February 2011, the Compensation Committee reviewed the short-term annual bonus targets and recognized that despite the adverse business cycle, Mr. L. Dickey had nevertheless made significant contributions to the Company in 2010, including providing strategic leadership for our operations in an extremely challenging business environment, implementing significant cost-cutting initiatives to meet the realities of our business operations while preserving our quality and efficiency of operations and maintaining cash flow, and providing strategic negotiations for the Company s purchase of all of the outstanding maximum equity interests of CMP that are not currently owned by us. The Compensation Committee determined that, while we had not achieved the maximum Adjusted EBITDA threshold for Mr. L. Dickey to be entitled to the maximum annual cash bonus payment, based upon the significant contributions that Mr. L. Dickey had made to the Company in 2010 by exceeding the budgeted Adjusted EBITDA amount as well as the other operational and strategic leadership Mr. L. Dickey provided, he was deserving of the maximum bonus amount in recognition of those contributions. The bonus awarded to Mr. L. Dickey for 2010 represents 100% of the maximum bonus amount that he would have been eligible to receive under his employment agreement for that year.

With regard to annual bonuses paid to Messrs. J. Dickey, Pinch and Hannan in 2011, awarded for performance in 2010, the Compensation Committee had determined in March 2010 not to set any specific award levels or objectives but instead to evaluate bonuses on a discretionary basis after completing an evaluation of both Company and individual performance during 2010 as part of the compensation review process in early 2011. In evaluating potential annual bonuses for the named executive officers, the Compensation Committee considered the following factors:

Management s ability to defend our Adjusted EBITDA, given the difficult economic environment in 2010. Adjusted EBITDA increased 20.5%, to $87.5 million, from $72.6 million in 2009 and the Compensation Committee recognized that on a percentage basis, we outperformed many of our peers.

Management s ability to optimize our capital structure and maintain compliance with the restrictive financial covenants in the credit agreement governing our senior secured credit facilities. During 2010, management successfully achieved levels of Adjusted EBITDA and cash flow that enabled the Company to meet the required principal repayment amounts during 2010 and to accelerate our reduction in outstanding debt under our credit facility.

Management s ability to engage in strategic corporate development activities during the year. In 2010, management continued to make significant progress on efforts to create standardization across our station platform where possible by developing and implementing best-in-class practices and to evaluate effectiveness using real-time reporting enabled by our proprietary technologies; as well as to use our national scale and unique communities of listeners to create new digital media properties and e-commerce opportunities.

After consideration of these factors, the Compensation Committee approved discretionary annual cash bonus awards for Messrs. L. Dickey, J. Dickey, Pinch and Hannan in the aggregate amounts of $939,960, $290,000, $240,000 and $100,000, respectively, all of which paid one-half in cash and one-half in shares of Class A common stock, which were issued in accordance with the terms of the Company s 2008 Equity Incentive Plan, were freely tradeable and contained no restrictions thereon.

Long-Term Incentives. In connection with determining the long-term equity incentive compensation for each of our named executive officers for 2010, the Compensation Committee considered a number of factors, including:

Annual performance. The Compensation Committee considered our operating performance for 2010 compared to our business plan, and recognized the efforts and success in achieving various plan objectives, even in light of ongoing challenges to business conditions.

Performance relative to our peers in the industry. Our 2010 results were higher than our results for 2009. In addition, the Compensation Committee examined our results as compared to similarly situated competitors in our industry, including Saga Communications, Inc., Radio One, Inc. Entercom

Communications Corp. and Emmis Communications Corporation, noting that on a relative basis, our operating performance was stronger than several of our competitors.

Cumulus Media Partners. The Compensation Committee gave considerable weight to the additional responsibilities placed on our named executive officers in managing our affiliate, CMP, a private partnership created by Cumulus Media and affiliates of Bain Capital Partners LLC, The Blackstone Group and Thomas H. Lee Partners, L.P., and operating the large-market radio stations owned by CMP. The Compensation Committee recognizes, and in making compensation decisions took into account, the fact that our named executive officers now manage an enterprise that is nearly double the size as a result of the CMP partnership, based on station operating income.

As with determinations of base salary and annual short-term incentives, determinations as to appropriate long-term incentives of our named executive officers (other than Mr. L. Dickey s, whose incentives are generally set pursuant to his employment agreement) historically have not depended upon the application of a particular formula or the use of designated benchmarks.

For Mr. L. Dickey, in March 2010 the Compensation Committee awarded 320,000 shares of restricted stock, of which 160,000 are time-vested (vesting at a rate of 80,000 shares on the second anniversary of the date of grant, and 40,000 shares on each of the third and fourth anniversary of the date of grant) and 160,000 have performance-based vesting objectives, all in accordance with the terms of Mr. Dickey s employment agreement. With respect to the performance-based awards, the Compensation Committee considered the various measures discussed above, including our performance relative to budget and to our industry peers, and determined that the performance objective for Mr. L. Dickey s 2010 equity awards would be met, and the shares would vest in full, on March 31, 2013 if the average annual Adjusted EBITDA over the three-year period ending December 31, 2012 meets a specified threshold, subject to proportionate adjustment for any acquisitions or divestitures during the performance measurement period. For Messrs. Dickey, Pinch and Hannan in March 2010 the Compensation Committee considered the various measures discussed above, including our performance relative to budget and to our industry peers, and determined to award Messrs. Dickey, Pinch and Hannan 70,000, 40,000 and 10,000 restricted shares, respectively. These restricted shares vest at a rate of 50% on the second anniversary of the date of grant and 25% on the third and fourth anniversaries.

In early 2011, the Compensation Committee also reviewed the three-year performance criteria established in February 2008 for the 160,000 performance-based shares of restricted stock awarded to Mr. L. Dickey on February 8, 2008. The vesting conditions for those restricted shares required that the Company achieve an average annual Adjusted EBITDA of $108.0 million (subject to adjustment for acquisitions and dispositions) for the three year period ending December 31, 2010. That threshold was not achieved for that cycle. Nevertheless, the Compensation Committee determined that in light of the unprecedented adverse developments in the economy in general, during a significant amount of that performance period, and the radio industry in particular, it would be appropriate to modify the performance requirements and extend the vesting period so that Mr. L. Dickey would retain the ability to achieve vesting on those shares of restricted stock if the revised performance criteria were achieved. Accordingly, and effective as of February 2011, the terms of Mr. L. Dickey s 2008 performance-based restricted stock award of 160,000 shares were amended to provide that those shares would vest in full on February 24, 2014 if the Company achieves a specified average annual Adjusted EBITDA for the three-year period ending December 31, 2013.

Compensation of the Chief Executive Officer. As noted above, Mr. L. Dickey is compensated pursuant to the terms of his Employment Agreement, which was entered into on December 20, 2006. See Employment Agreements. The Compensation Committee does retain the ability to subjectively exercise discretion in making compensation decisions and awards, and has exercised that discretion in various circumstances, as described hereinabove.

Allocating Between Long-term and Annual Compensation

We seek to maintain an executive compensation program that is balanced in terms of each element of pay relative to competitive practices, with the incentive emphasis placed on long-term results. The overall program

is intended to balance business objectives for executive pay for performance, retention, competitive market practices and stockholder interests. Based on the fair value of equity awards granted to named executive officers in 2010 and the 2010 base salary of the named executive officers, approximately 16% of the annual total direct compensation target opportunity was subject to performance risk for named executive officers through the annual and long-term incentive plans. Annual cash-incentive awards, which constitute short-term incentives, accounted for approximately 15% of annual target compensation for the named executive officers. Long-term incentive awards made up approximately 26% of the annual target compensation mix for the named executive officers. The Compensation Committee allocates total compensation between short- and long-term incentives for 2010 based upon its own analysis of general compensation practices at similar companies and based on its view of how best to maintain key personnel.

When Long-term Grants are Made

The Compensation Committee typically grants long-term incentive awards annually at a regularly-scheduled meeting of our Board of Directors, usually in the first quarter of the fiscal year. The meeting date is scheduled well in advance and without regard to potential stock price movement.

The Role of Executive Officers in Determining Executive Compensation

Our Chief Executive Officer develops recommendations regarding executive compensation, including proposals relative to compensation for individual executive officers, using internal and external resources. These resources may include such things as compensation surveys, external data and reports from consultants and data, reports and recommendations from internal staff. Recommendations from our Chief Executive Officer include and consider all aspects of the compensation program philosophy, design, compliance and competitive strategy as well as specific actions regarding individual executive officer compensation. The Compensation Committee reviews and discusses these recommendations, and decides whether to accept, reject, or revise the proposals.

Our Chief Executive Officer and our Chief Financial Officer assist the Compensation Committee in understanding key business drivers included in program designs, especially incentive programs. This may include defining related measures and explaining the mutual influence on or by other business drivers and the accounting and tax treatment relating to certain awards. Our Chief Executive Officer also provides periodic updates to the Compensation Committee regarding current and anticipated performance outcomes and their impact on executive compensation.

Our General Counsel, with the assistance of our outside counsel, ensures that appropriate plan documentation and approvals are received in order to keep executive pay programs in compliance with applicable laws and stock exchange listing requirements. Our General Counsel and outside counsel also advise the Compensation Committee and our Board of Directors regarding compliance with appropriate governance standards and requirements.

Discretion to Modify Awards

As previously noted, annual incentive awards are based on our performance and that of each individual named executive officer over the most recently completed fiscal year. The Compensation Committee reserves the right to adjust individual goals during the course of the year in order to reflect changes in our business.

Under our equity incentive plans, the Compensation Committee has certain discretion to adjust or modify the terms of an award that might otherwise be forfeited. The Compensation Committee generally does not have the authority to unilaterally rescind an award. Each award defines the terms under which it would be forfeited according to the terms of the applicable equity incentive plan.

Impact of Restated Earnings on Previously Paid or Awarded Compensation

We have not had to restate earnings in a manner that would impact incentive award payments. If future restatements are necessary, the Compensation Committee and the Board of Directors will consider the facts

and circumstances relating to the cause of the restatement, as well as the requirements under Section 304 of the Sarbanes-Oxley Act of 2002, in determining whether any payments based upon the financial results were made unjustly and the materiality and methods for recovering such payments.

Accounting and Tax Treatment of Direct Compensation

For executives, all compensation is subject to federal, state and local taxes as ordinary income or capital gains as various tax jurisdictions provide. Section 162(m) of the U.S. tax code places a limit of $1,000,000 on the amount of compensation that we may deduct in any one year with respect to any one of our named executive officers. However, qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. To maintain flexibility in compensating our named executive officers, however, the Compensation Committee reserves the right to use its judgment to authorize compensation payments that may be subject to the limit when the Compensation Committee believes that such payments are appropriate. Accordingly, certain components of the compensation program for our named executive officers are designed to be qualifying performance-based compensation under Section 162(m) while others are not.

With the adoption of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, Stock Compensation, we do not expect accounting treatment of differing forms of equity awards to vary significantly and, therefore, accounting treatment is not expected to have a material effect on the selection of forms of compensation.

Summary of Compensation and Benefit Plan Risk

The Compensation Committee considers potential risks when reviewing and approving compensation programs. After assessing compensation related risks for our employees, the Compensation Committee determined that the Company s compensation and benefit policies and practices are not likely to have a material adverse effect on the Company and that the plans currently in place or contemplated are appropriately balanced between retention and incentive to enable the Company to retain its management team and provides the Chief Executive Officer and the other executive officers with incentives focused on meeting the objectives, developed by management and the Board of Directors, designed to create long-term stockholder value. Our compensation and benefits policies and practices include a number of features designed to address potential risks while rewarding employees for achieving long-term financial and strategic objectives through prudent business judgment and appropriate risk taking. These include a balanced mix of compensation components and prudent performance goals discussed above.

Compensation Committee Report

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on this review and discussions, the Compensation Committee recommended to the Board of Directors that the Compensation Discussion and Analysis be included in this proxy statement.

The Compensation Committee of the Board of Directors:

Eric P. Robison, Chairman
Ralph B. Everett
Robert H. Sheridan, III

Summary Compensation Table

We have employment agreements with each of our named executive officers except Mr. Hannan, as described under Employment Agreements below. The following table summarizes the total compensation paid or earned by each of the named executive officers for the fiscal years ended December 31, 2010, December 31, 2009, and December 31, 2008.

Based on the fair value of equity awards granted to named executive officers in 2010 and the 2010 base salary of the named executive officers, approximately 73% of the annual total direct compensation was base salary. Cash-incentive awards, which constitute short-term incentives, accounted for approximately 15% of annual target compensation and restricted share grants, which constitute long-term incentives, made up approximately 26% of the annual compensation mix for the named executive officers.

Name and Principal Position	Year	Salary ($)	Bonus ($)(1)	Stock Awards ($)(2)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Lewis W. Dickey, Jr.	2010	$ 940,000	$ 939,960	$ 1,008,000				$ 17,904(4)	$ 2,905,864
Chairman, President	2009	921,884	469,900	547,200				17,115(5)	1,956,179
and Chief Executive	2008	941,171	500,000	1,942,400				17,310(6)	3,400,881
Officer									
Joseph P. Hannan(3)	2010	250,000	100,000	31,500					381,500
Senior Vice President,	2009	159,612	17,500						177,112
Treasurer and Chief									
Financial Officer									
John Pinch	2010	525,300	240,000	126,000				17,982(7)	909,282
Executive Vice	2009	500,193	120,000	68,400				17,599(8)	706,192
President and Co-Chief	2008	510,000	100,000	100,800				17,236(9)	728,036
Operating Officer									
John W. Dickey	2010	597,400	290,000	220,500				17,904(10)	1,125,804
Executive Vice	2009	568,847	145,000	119,700				17,115(11)	850,662
President and Co-Chief	2008	580,001	165,000	302,400				17,310(12)	1,064,711
Operating Officer									

(1) We consider the bonuses paid in a given fiscal year as being earned in the prior fiscal year. Amounts reflect the bonus earned in the year indicated. For 2010, includes the grant date fair value of awards of stock granted in February 2011 in lieu of cash bonuses as follows: Mr. L. Dickey ($469,980), Mr. Hannan ($50,000), Mr. Pinch

($120,000) and Mr. J. Dickey ($145,000).

(2) Reflects the grant date fair value of awards made pursuant to the 2004 Equity Incentive Plan and 2008 Equity Incentive Plan in accordance with FASB ASC Topic 718. These amounts do not include awards dated December 30, 2008 made pursuant to an exchange offer to our employees and non-employee directors to exchange outstanding options granted after October 2, 2000 for a combination of restricted shares and replacement options. See Note 11, Stock Options and Restricted Stock, in the notes to our audited consolidated financial statements incorporated by reference in this proxy statement for certain assumptions underlying the value of the awards.

(3) Mr. Hannan served as interim Chief Financial Officer from July 1, 2009 through March 3, 2010, on which date he was appointed Senior Vice President, Treasurer and Chief Financial Officer. This table reflects his compensation for 2010 and 2009, the only years covered by the table in which he served as our principal financial officer.

(4) Reflects an automobile allowance of $12,000, employer-paid health insurance premiums of $2,028, employer-paid life insurance premiums of $1,590, and employer-paid short and long-term disability of $2,286.

(5) Reflects an automobile allowance of $11,500, employer-paid health insurance premiums of $1,739, employer-paid life insurance premiums of $1,590, and employer-paid short and long-term disability of $2,286.

(6) Reflects an automobile allowance of $12,000, employer-paid health insurance premiums of $1,739, employer-paid life insurance premiums of $1,590, and employer-paid short and long-term disability of $1,981.

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(7) Reflects an automobile allowance of $8,400, employer-paid health insurance premiums of $5,706, employer-paid life insurance premiums of $1,590, and employer-paid short and long-term disability of $2,286.

(8) Reflects an automobile allowance of $8,050, employer-paid health insurance premiums of $5,673, employer-paid life insurance premiums of $1,590, and employer-paid short and long-term disability of $2,286.

(9) Reflects an automobile allowance of $8,400, employer-paid health insurance premiums of $5,265, employer-paid life insurance premiums of $1,590, and employer-paid short and long-term disability of $1,981.

(10) Reflects an automobile allowance of $12,000, employer-paid health insurance premiums of $2,028, employer-paid life insurance premiums of $1,590, and employer-paid short and long-term disability of $2,286.

(11) Reflects an automobile allowance of $11,500, employer-paid health insurance premiums of $1,739, employer-paid life insurance premiums of $1,590, and employer-paid short and long-term disability of $2,286.

(12) Reflects an automobile allowance of $12,000, employer-paid health insurance premiums of $1,739, employer-paid life insurance premiums of $1,590, and employer-paid short and long-term disability of $1,981.

2010 Grants of Plan-Based Awards

The Compensation Committee approved awards of restricted common stock, pursuant to our 2008 Equity Incentive Plan, to each of our executive officers in 2010.

The restricted share grants to Messrs. Hannan, Pinch and J. Dickey on March 26, 2010 were of time-vested shares: One-half of each grant will vest on the second anniversary of the grant date, with the remainder to vest one-quarter at each of the third and fourth anniversaries. The grants are conditioned on the continuous employment of the grant recipients.

With regard to the grant to Mr. L. Dickey on March 26, 2010, half of the grant was of time-vested restricted shares, which will vest according to the same schedule as the grants to the other executive officers, as described above. The remaining portion of the grant was for performance-based restricted stock awards, which will vest upon achievement of a Compensation Committee-approved target average annual Adjusted EBITDA (calculated on a same-station basis) for the three-year period ending December 31, 2012.

The table below summarizes the grants of plan-based awards to each of the named executive officers for the fiscal year ended December 31, 2010.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards		Grant Date Fair Value of Stock and Option
Name	Grant Date	Threshold ($)	Target ($)	Maximum ($)	Threshold (#)	Target (#)	Maximum (#)	Awards(1)

Lewis W. Dickey, Jr. Chairman, President and Chief Executive Officer	March 26, 2010	320,000	$ 1,008,000
Joseph P. Hannan Senior Vice President, Treasurer and Chief Financial Officer	March 26, 2010	10,000	$ 31,500
John Pinch Executive Vice President and Co-Chief Operating Officer	March 26, 2010	40,000	$ 126,000
John W. Dickey Executive Vice President and Co-Chief Operating Officer	March 26, 2010	70,000	$ 220,500

(1) Reflects the grant date fair value as calculated in accordance with FASB ASC Topic 718.

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Outstanding Equity Awards at 2010 Fiscal Year-End

The following table sets forth the number and value of restricted stock and stock options held by each named executive officer that were outstanding as of December 31, 2010. The value of restricted stock awards was calculated based on a price of $4.31 per share, the closing price of the Company s common stock on December 31, 2010.

	Option Awards*						
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable(1)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#)	Option Exercise Price ($)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Lewis W. Dickey, Jr.						1,114,622(2)	$ 4,804,021
Chairman,	33,948	33,948	0	$ 2.79	12/30/2018		
President and	33,948	33,948	0	2.92	12/30/2018		
Chief Executive Officer	33,948	33,948	0	3.30	12/30/2018		
Joseph P. Hannan						10,000(3)	43,100
Senior Vice President, Treasurer and Chief Financial Officer							
John Pinch						101,467(3)	437,323
Executive Vice	10,487	10,488	0	2.54	12/30/2018		
President and Co-Chief	10,487	10,488	0	2.92	12/30/2018		
Operating Officer	10,487	10,488	0	3.30	12/30/2018		
John W. Dickey						203,243(3)	875,977
Executive Vice	30,923	30,924	0	2.79	12/30/2018		
President and	30,923	30,924	0	2.92	12/30/2018		
Co-Chief Operating Officer	30,923	30,924	0	3.30	12/30/2018		

* Includes awards made pursuant to an option exchange offer consummated on December 30, 2008.

(1) Options become exercisable as to one-half of the shares on December 30, 2011 and as to the remaining shares on December 30, 2012.

(2) Half of the time-vested restricted shares vest on the second anniversary of the grant date and the remainder vest in equal parts on the third and fourth anniversaries of the grant date. The performance-based restricted shares vest in accordance with the terms of Mr. L. Dickey s employment agreement.

(3) Restricted shares vest 50% on the second anniversary of the grant date and 25% on each of the two succeeding anniversaries thereafter.

2010 Option Exercises and Stock Vested

The following table provides the number of shares acquired upon vesting of stock awards in 2010 and the value realized for each named executive officer. No stock options were exercised during 2010.

	Stock Awards	
Name	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
Lewis W. Dickey, Jr. Chairman, President and Chief Executive Officer	154,622	$ 463,495
Joseph P. Hannan Senior Vice President, Treasurer and Chief Financial Officer		
John Pinch Executive Vice President and Co-Chief Operating Officer	26,467	107,131
John W. Dickey Executive Vice President and Co-Chief Operating Officer	78,243	316,250

(1) Calculated by multiplying the number of shares acquired by the market value of the shares as of the relevant vesting dates.

Potential Payments upon Termination or Change of Control

The following analyses reflect the amount of compensation payable to each of the named executive officers in the event of termination of employment under the following scenarios: resignation for good reason, termination without cause, termination for cause, resignation without reason (voluntary resignation), termination in connection with a change of control, and termination due to death or disability. The analyses assume that the date of termination was December 31, 2010, and the dollar value of any equity is calculated using a per share price of $4.31, which was the reported closing price of our Class A common stock on that date. In addition, the analyses assume the sale, on that date, of all restricted shares whose vesting is accelerated as a result of termination, and the forfeiture, pursuant to their terms, of all Class A common stock issuable upon exercise of unvested options not granted pursuant to an employment agreement, but not the sale of existing holdings of Class A or Class C common stock or Class A common stock issuable upon exercise of already vested options.

Upon termination or resignation for any reason, the named executive officers are entitled to any earned but unpaid base salary and bonus, as well as reimbursement of any unreimbursed business expenses and payments due under the terms of our benefit plans. Our analyses assume that all such amounts have been paid as of the date of termination and thus are not otherwise reflected.

Unless otherwise specified, all cash payments are lump-sum payments.

Lewis W. Dickey, Jr. The following analysis describes the potential payments upon termination of employment for Lewis W. Dickey, Jr., our Chairman, President and Chief Executive Officer. All potential payments to Mr. L. Dickey upon termination of his employment or upon a change of control are governed by his current employment contract, described under Employment Agreements.

According to Mr. L. Dickey s current employment agreement, he would be entitled to compensation upon resignation for good reason, termination without cause, or by death or disability. He would be eligible for additional compensation upon termination without cause during the six-month period preceding a change of control. According to his current employment agreement:

good reason means the assignment of duties inconsistent with Mr. L. Dickey s position, authority, duties or responsibilities, or any adverse change in reporting responsibilities, other than isolated or insubstantial actions we take not in bad faith and that we correct;

cause means Mr. L. Dickey s conviction of a felony, conviction of a crime involving Cumulus Media, willful misconduct or failure to substantially perform his duties in an way that materially adversely affects us, or willful fraud or material dishonesty; and

change of control means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one or a series of related transactions, of all or substantially all of our assets taken as a whole to any person or group of related persons (as such terms are used in Section 13(d)(3) of the Securities Exchange Act of 1934), (ii) the adoption of a plan relating to our liquidation or dissolution, (iii) the consummation of any transaction (including, without limitation, any purchase, sale, acquisition, disposition, merger or consolidation) the result of which is that any Person or Group becomes the beneficial owner (as such term is defined in Rule 13d-3 and Rule 13d-5 under the Securities Exchange Act of 1934) of more than 50% of the aggregate voting power of all classes of our capital stock having the right to elect directors under ordinary circumstances, or (iv) the first day on which a majority of the members of the Board of Directors are not Continuing Directors (as defined in the employment

agreement).

Any severance payment payable to Mr. L. Dickey would be payable in four equal consecutive installments, provided that if the payment would constitute a deferral of compensation under Section 409A of the Internal Revenue Code of 1986, as amended, and Mr. L. Dickey were to be a specified employee under Section 409A, then the payment would be payable upon the earlier of 6 months from the date of termination or death. Any bonus payment payable to Mr. L. Dickey would be payable upon the final preparation of audited financial statements for the year of termination.

Mr. L. Dickey s current employment agreement contains a confidentiality provision, an 18-month non-compete covenant, an 18-month prohibition on the solicitation of employees, customers or suppliers, and a covenant of confidentiality.

Assuming a termination had occurred on December 31, 2010, Mr. L. Dickey would have been entitled to receive:

for resignation for good reason or termination without cause (other than during the six-month period preceding a change of control), a total of $4,286,214, which consists of: $1,880,000 (representing a severance payment equal to two years base salary), plus, in the case of termination without cause other than during the six-month period preceding a change of control only, $2,402,010 (representing the proceeds from the sale at $4.31 per share of 557,311 shares, or 50%, of his unvested restricted shares as of the date of termination), plus $4,204 (the value of 12 months continued coverage under our employee benefit plans);

for termination without cause during the six-month period preceding a change of control, a total of $6,688,225, which consists of: $1,880,000 (representing a severance payment of two years base salary), plus $4,804,021 (representing the proceeds from the sale at $4.31 per share of 1,114,622 shares, or 100%, of his unvested restricted shares as of the date of termination), plus $4,204 (the value of 12 months continued coverage under our employee benefit plans); and

for termination upon death or disability, a total of $6,248,225, which consists of: $940,000 (representing one year s salary continuation), plus $4,804,021 (representing the proceeds from the sale at $4.31 per share of 1,114,622 shares, or 100%, of his unvested restricted shares as of the date of termination), plus $4,204 (the value of 12 months continued coverage under our employee benefit plans), plus a benefit of $500,000 under his executive life insurance policy.

Assuming Mr. L. Dickey s employment was terminated for cause or he resigned without good reason, Mr. L. Dickey would have received no severance payments, forfeited any bonus for 2010, forfeited any unvested restricted shares or options and, pursuant to the terms of his current employment agreement, would have been obligated to promptly pay a $2.5 million retention plan payment to us in cash.

John Pinch and John W. Dickey. The following analysis describes the potential payments upon termination of employment for John Pinch, our Executive Vice President and Co-Chief Operating Officer, and John W. Dickey, our Executive Vice President and Co-Chief Operating Officer. All potential severance payments are governed by their current employment contracts, described under Employment Agreements. All potential accelerated vesting of restricted share awards are governed by the applicable award agreements, and provide for full acceleration upon a change of control and an additional 12 months vesting upon termination for death or disability.

According to their respective current employment agreements, each of Messrs. Pinch and J. Dickey would be entitled to compensation upon resignation for good reason, termination without cause or by death or disability. They each would be eligible for additional compensation upon termination in connection with a change of control. According to their current employment agreements:

good reason means the assignment of duties materially inconsistent with their respective positions (including status, offices, titles or reporting relationships), authority, duties or responsibilities, any material adverse change in their respective reporting responsibilities, or any action by us that results in a material diminution in their respective positions, authority, duties or responsibilities, but excluding an action not taken in bad faith that we correct; (ii) any failure by us to comply in a material respect with the compensation and benefits provisions their respective employment agreements, but excluding a failure or action not taken in bad faith that we correct; or relocation of their respective job locations by more than a specified amount;

cause means the gross negligence or willful misconduct in the performance of their respective duties; commission of any felony or act of fraud or material dishonesty involving us that is likely to have a material adverse effect upon our business or reputation or their respective abilities to perform their

duties for us; material breach of any agreement with us concerning noncompetition or the confidentiality of proprietary information; or any material breach of their respective fiduciary duties; and

change of control means (a) the sale or other disposition (other than by way of merger or consolidation) of all or substantially all of our assets to any person or group other than Lewis W. Dickey, Jr. or a pre-existing controlling stockholder (or their affiliates); (b) the adoption of a plan relating to our liquidation or dissolution; (c) the consummation of any transaction the result of which is that any person or group becomes the beneficial owner of more than 35% of our voting capital stock; or (d) the first day on which a majority of the members of our Board of Directors are not continuing directors . According to the 2004 Equity Incentive Plan, which governs the accelerated vesting of any equity incentives under such plan change of control means (e) the acquisition by any person of beneficial ownership of 35% or more of the voting power of our common stock (other than any acquisition directly by or from us or an employee benefit plan or related trust we sponsor or maintain); (f) under certain circumstances, a change in a majority of the members of the Board of Directors; (g) consummation of a business combination transaction, unless, following such transaction, no person beneficially owns, directly or indirectly, 35% or more of the voting power of the entity resulting from such transaction and at least half of the members of the board of directors of the surviving entity were members of our Board of Directors at the time we agreed to the transaction; (h) approval by our stockholders of our complete liquidation or dissolution; or (i) such other event as the Board of Directors may determine by express resolution to constitute a change in control. According to the 2008 Equity Incentive Plan, which governs the accelerated vesting of any equity incentives under such plan, change of control means (v) the sale or other disposition (other than by way of merger or consolidation) of all or substantially all of our assets to any person or group of related persons; (w) the adoption of a plan relating to our liquidation or dissolution; (x) the consummation of any transaction the result of which is that any person or group becomes the beneficial owner of more than 50% of the aggregate voting power of all classes of our capital stock having the right to elect directors under ordinary circumstances; (y) the first day on which a majority of the members of our Board of Directors are not continuing directors ; or (z) such other event as the Board of Directors may determine by express resolution to constitute a change in control.

For Messrs. Pinch or J. Dickey, any such severance payment would be payable in four equal consecutive quarterly installments, with the first such payment to be made within 15 days following the date of termination.

Each of their respective current employment agreements contain a confidentiality provision, a 12-month non-compete covenant, a 12-month prohibition on the solicitation of employees, customers or suppliers, and a covenant of confidentiality.

Assuming a termination had occurred on December 31, 2010, Messrs. Pinch and J. Dickey would each have been entitled to receive:

for resignation for good reason or termination without cause, a total of $525,300 and $597,400, respectively (representing a severance payment equal to one year s base salary);

for termination in connection with a change of control, a total of $962,623 and $1,473,377, respectively, which consists of: $525,300 and $597,400, respectively (representing a severance payment of one year s base salary), plus $437,323 and $875,977, respectively (representing the proceeds from the sale at $4.31 per share of 101,467 and 203,243 shares, respectively, or 100%, of each of their unvested restricted shares as of the date of termination); and

for termination upon death or disability, a total of $1,160,453 and $1,392,618, respectively, which consists of: $525,300 and $597,400, respectively, representing one year s salary continuation, plus $135,153 and $295,218,

respectively (representing the proceeds from the sale at $4.31 per share of 31,358 and 68,496 shares, respectively, the number of restricted shares that would have vested during the next 12 months), plus $500,000 and $500,000, respectively (representing proceeds from their respective executive life insurance policies).

Assuming termination of employment for cause or voluntary resignation, Messrs. Pinch and J. Dickey would have received no severance payments and would have forfeited any bonus for 2010. In addition, upon termination for cause due to an intentional act by any of them that was adverse to us, the Board of Directors would have the right to declare all of such executive s unvested restricted shares forfeited.

In addition to the benefits described above, according to their respective current employment agreements, upon resignation for good reason, termination without cause, death or disability, unvested options that would have vested in the 12 months after the date of termination will immediately vest, and upon termination within one year following a change of control, all unvested options will immediately vest. As of the assumed date of termination, none of Messrs. Pinch or J. Dickey had unvested options granted pursuant to their respective employment agreements.

Director Compensation

We use a combination of cash and stock-based incentive compensation to attract and retain qualified candidates to serve on our Board of Directors. In setting director compensation, we consider the significant amount of time that directors expend in fulfilling their duties as directors as well as the expertise and knowledge required. Generally, non-employee directors have received a fee of $7,500 per quarter ($30,000 annually). Additionally, each non-employee director has received an additional $2,500 per quarter ($10,000 annually) for each committee membership he held. Each non-employee director also received a $1,500 fee for each in-person meeting of our Board of Directors (or for each in-person meeting of a committee, if not conducted in connection with a Board of Directors meeting) and $300 for each telephonic meeting of our Board of Directors or a committee thereof. In addition, in May 2010, each non-employee director received a grant of 6,000 shares of restricted stock which vest 50% on the second anniversary of the grant date and 25% on each of the two succeeding anniversaries thereof. Finally, each non-employee director received reimbursement of out-of-pocket expenses incurred in connection with attendance at each such meeting.

Name(1)	Fees Earned or Paid in Cash ($)	Stock Awards ($)(2)	Total ($)
Ralph B. Everett	$ 52,200	$ 28,680	$ 80,880
Eric P. Robison	54,500	28,680	83,180
Robert H. Sheridan, III	58,400	28,680	87,080
David M. Tolley(3)			

(1) Lewis W. Dickey, Jr., our Chairman, President and Chief Executive Officer, is not included in this table as he is an employee and thus receives no compensation for his services as a director. The compensation Mr. L. Dickey received as an employee is shown in the Summary Compensation Table elsewhere in this annual report.

(2) The aggregate number of outstanding stock options held by individual non-employee directors at December 31, 2010 was: Mr. Everett (45,450), Mr. Robison (47,067) and Mr. Sheridan (40,494). At December 31, 2010, Mr. Everett, Mr. Robison and Mr. Sheridan had 20,148, 20,274, and 20,129 shares of restricted stock outstanding, respectively.

(3) Mr. Tolley was appointed to the Board of Directors on January 31, 2011, and therefore did not receive any compensation in 2010.

Employment Agreements

As discussed more particularly below, we have entered into employment agreements with certain of our named executive officers. Subject to certain exceptions, these employment agreements prohibit the respective executive officer from competing with us for a specified period of time after a termination of employment.

Lewis W. Dickey, Jr., serves as our Chairman, President and Chief Executive Officer. On December 20, 2006, we entered into a Third Amended and Restated Employment agreement with Mr. L. Dickey. The agreement has an initial term through May 31, 2013, and is subject to automatic extensions of one-year terms

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thereafter unless terminated by advance notice by either party in accordance with the terms of the agreement. Mr. L. Dickey received a base salary of $940,000 in 2010, and is entitled to annual increases of $40,000, subject to further merit increases as the Compensation Committee deems appropriate. Mr. L. Dickey is also eligible for an annual bonus of between 75% and 100% of his base salary.

The agreement also provides for grants of 160,000 shares of time-vested restricted Class A common stock and 160,000 shares of performance restricted Class A common stock in each fiscal year during his employment term. The time-vested restricted shares shall vest in three installments, with one-half vesting on the second anniversary of the date of grant, and one-quarter vesting on each of the third and fourth anniversaries of the date of grant, in each case contingent upon Mr. L. Dickey s continued employment. Vesting of performance restricted shares is dependent upon achievement of Compensation Committee-approved criteria for the three-year period beginning on January 1 of the fiscal year of the date of grant, in each case contingent upon Mr. L. Dickey s continued employment. Any performance-restricted shares that do not vest according to this schedule will be forfeited. In the event that we undergo a change of control, as defined in the agreement, then any issued but unvested portion of the restricted stock grants held by Mr. L. Dickey will become immediately and fully vested. In addition, upon such a change of control, we will issue Mr. L. Dickey a predetermined award of shares of Class A common stock, such number of shares decreasing by 70,000 shares upon each of the first five anniversaries of the date of the agreement (currently 220,000 shares). Mr. L. Dickey may not transfer any restricted shares, except to us, until they vest. In addition to the specified grants of restricted stock, Mr. L. Dickey remains eligible for the grant of stock options or other equity incentives as determined by the Compensation Committee.

As an inducement to entering into the agreement, the agreement provided for a signing bonus grant of 685,000 deferred shares of Class A common stock, issued on December 20, 2007. The agreement also provides that, should Mr. L. Dickey resign his employment or we terminate his employment, in each case other than under certain permissible circumstances, Mr. L. Dickey shall pay to the Company, in cash, a predetermined amount (such amount decreasing by $1.0 million on each of the first six anniversaries of the date of the agreement; $2.5 million currently). This payment is automatically waived upon a change of control.

Mr. L. Dickey s agreement further provides that in the event we terminate his employment without cause, or if he terminates his employment for good reason (as these terms are defined in the agreement), then we must pay an amount equal to two times his annual base salary then in effect, payable in four equal quarterly installments. We must also pay to Mr. L. Dickey a lump-sum amount equal to the sum of (A) his earned but unpaid base salary through the date of termination, (B) any earned but unpaid annual bonus for any completed fiscal year, and (C) any unreimbursed business expenses or other amounts due from us as of the date of termination. Finally, we must pay to Mr. L. Dickey, upon the final preparation of our audited financial statements for the year of termination, a prorated bonus to reflect the partial year of service.

In the event Mr. L. Dickey voluntarily terminates his employment for good reason, he will forfeit all unvested time-vested restricted shares and performance restricted shares. In the event we terminate Mr. L. Dickey s employment without cause, 50% of any unvested time-vested restricted shares and performance restricted shares will become immediately and fully vested, and the remaining 50% of any time-vested restricted shares and performance restricted shares will be forfeited. However, if we terminate his employment without cause within six months prior to a change of control, then 100% of any issued but unvested restricted shares will become immediately and fully vested.

In the event Mr. L. Dickey s employment is terminated with cause, or if he terminates his employment without good reason, then we are obligated to pay him only for compensation, bonus payments or unreimbursed expenses that were accrued but unpaid through the date of termination or resignation. Further, Mr. L. Dickey will forfeit all unvested restricted shares.

John Pinch serves as our Executive Vice President and Co-Chief Operating Officer. Under the terms of his Employment Agreement, dated December 1, 2000, he is entitled to merit increases to his annual based salary, as the Compensation Committee deems appropriate. The agreement provides that Mr. Pinch may receive an annual bonus, based upon the achievement of Board-approved budgeted revenue and cash flow

targets as adjusted by our Chief Executive Officer and the Compensation Committee in their collective discretion. Mr. Pinch s employment agreement had a three-year term, which expired on December 1, 2003, and since that date has automatically renewed for successive one-year terms.

Mr. Pinch s employment agreement also provides that in the event we terminate his employment without cause, or if he terminates his employment for good reason, then, in addition to amounts that he is owed through the date of termination, he shall also receive a severance payment equal to the greater of (1) two-thirds of his aggregate base salary (at the rate in effect at the time of termination), which would remain payable until the expiration of the employment agreement term, or (2) the amount equal to his annual base salary in effect at the time of termination. In addition, any unvested time-vested stock options that would otherwise vest within one year of the date of termination will become exercisable. Finally, in the event that we undergo a change of control, then, in addition to being entitled to receive the severance payments and equity rights that would be due upon a termination without cause, all unvested stock options held by Mr. Pinch will become immediately exercisable.

John W. Dickey serves as our Executive Vice President and Co-Chief Operating Officer. Under the terms of Mr. J. Dickey s Employment Agreement, dated January 1, 2001, he receives an annual base salary that is subject to merit increases, as the Compensation Committee has deemed appropriate. The agreement provides that Mr. J. Dickey may receive a bonus of up to 50% of his base salary, half of which is based upon the achievement of Board-approved budgeted revenue and cash flow targets, and half of which is based upon the collective discretion of our Chief Executive Officer and the Compensation Committee. The initial term of Mr. J. Dickey s employment agreement expired on January 1, 2003, and since that date has automatically renewed for successive one-year terms.

Mr. J. Dickey s agreement also provides that in the event we terminate his employment without cause, or if he terminates his employment for good reason, then, in addition to amounts that he is owed through the date of termination, he shall also receive a severance payment equal to the greater of (1) two-thirds of the aggregate base salary payments (at the rate in effect at the time of termination) that would remain payable until the expiration of the employment agreement term, or (2) the amount equal to his annual base salary in effect at the time of termination. In addition, any unvested time-vested stock options that would otherwise vest within one year of the date of termination will become exercisable. Finally, in the event we undergo a change of control, then, in addition to being entitled to receive the severance payments and equity rights that would be due upon a termination without cause, all unvested stock options held by Mr. J. Dickey will become immediately exercisable.

On December 31, 2008, we entered into amendments to the above-described employment agreements for the purpose of ensuring the compliance of such employment agreements with section 409A of the Internal Revenue Code.

Compensation Committee Interlocks and Insider Participation

During 2010, Eric P. Robison (Chairman), Ralph B. Everett, Robert H. Sheridan, III, none of whom is one of our officers or employees, were members of the Compensation Committee of our Board of Directors, which determines, or makes recommendations with respect to, compensation matters for our executive officers. None of the Compensation Committee members serve as members of the board of directors or compensation committee of any entity that has one or more executive officers serving as a member of our Board of Directors or Compensation Committee.

AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors offers this report regarding the Company s audited financial statements contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2010, and regarding certain matters with respect to PricewaterhouseCoopers LLP, the Company s independent registered public accounting firm for the fiscal year ended December 31, 2010. This report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this proxy statement into any filing with the SEC by the Company, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed to be filed with the SEC.

The Audit Committee has reviewed and discussed with the Company s management and with PricewaterhouseCoopers LLP, its independent registered public accounting firm for the fiscal year ended December 31, 2010, the Company s audited financial statements contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2010. The Audit Committee has also discussed with PricewaterhouseCoopers LLP the matters required to be discussed by the statement on Auditing Standards No. 61, as amended (AICPA, *Professional Standards,* Vol 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T.

The Audit Committee has received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding PricewaterhouseCoopers LLP s communications with the Audit Committee concerning independence, and has discussed with PricewaterhouseCoopers LLP its independence. The Audit Committee has also considered whether the provision of certain non-audit services to the Company by PricewaterhouseCoopers LLP is compatible with maintaining its independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors of the Company that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2010, filed with the Securities and Exchange Commission.

The Audit Committee of the Board of Directors:

Robert H. Sheridan, III, Chairman
Ralph B. Everett
Eric P. Robison

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our Board of Directors recognizes that related person transactions present a heightened risk of conflicts of interest. The Audit Committee has been delegated the authority to review and approve all related party transactions involving directors or executive officers of the Company. Generally, a related person transaction is a transaction in which we are a participant and the amount involved exceeds $120,000, and in which any related person had or will have a direct or indirect material interest. Related persons include (a) our executive officers, directors, and holders of more than 5% of our common stock, and any of their immediate family members.

Under the policy, when management becomes aware of a related person transaction, management reports the transaction to the Audit Committee and requests approval or ratification of the transaction. Generally, the Audit Committee will approve only related party transactions that are on terms comparable to those that could be obtained in arm s length dealings with an unrelated third person. The Audit Committee will report to the full Board of Directors all related person transactions presented to it.

DM Luxury Agreement

During the third quarter of 2010, we entered into a management agreement (the DM Luxury Agreement) with DM Luxury, LLC (DM Luxury). DM Luxury is 50% owned by Dickey Publishing, Inc. and Dickey Media Investments, LLC, each of which is partially owned by Lewis W. Dickey, Jr., our Chief Executive Officer. The remaining interest in DM Luxury is held by Macquarie. Pursuant to the DM Luxury Agreement, we have agreed to provide certain back office shared services, including finance, accounting, use of corporate headquarters, legal, human resources and other services, for an annual management fee equal to the greater of $0.5 million and 5.0% of DM Luxury s adjusted EBITDA on an annual basis. The Company recorded $0.1 million of revenues from the DM Luxury Agreement during the year ended December 31, 2010. The DM Luxury Agreement will expire on September 15, 2013.

Translator Sale

During the fourth quarter of 2010, we entered into an agreement to sell a translator to Dickey Broadcasting Company, Inc. (DBC), which is partially owned by Mr. Lewis W. Dickey, Jr., our Chief Executive Officer, and Mr. John W. Dickey, our Co-Chief Operating Officer, for a purchase price of $597,000. This transaction closed on May 18, 2011.

Other Relationships

DBC has entered into an agreement with Atlanta National League Baseball Club, Inc. (the Atlanta Braves) relating to the 2010 through 2014 major league baseball seasons (the Braves Agreement). The Braves Agreement sets out certain rights and obligations of DBC with respect to the production and broadcast of Atlanta Braves baseball games and related programming. Pursuant to the Braves Agreement, DBC is entitled to share in the related net revenues from, among other things, the sale of programming, advertising inventory, sponsorships and entitlements relating thereto. Pursuant to the terms of the Braves Agreement, DBC is obligated to cause Cumulus Media and CMP to perform certain of its broadcasting obligations thereunder. In exchange for the assumption of these obligations, CMP received revenues under the Braves Agreement of less than $100,000 in 2010.

DBC, CMP and Atlanta Hawks, L.P. (the Atlanta Hawks), among others, are party to a Radio License Agreement relating to the 2010 through the 2013 national basketball association seasons (the Hawks Agreement). The Hawks Agreement sets out certain rights and obligations of DBC and CMP with respect to the promotion, production and broadcast of Atlanta Hawks basketball games and related programming. Pursuant to the Hawks Agreement, each of

DBC and CMP is entitled to a portion of the related net revenues from, among other things, the sale of programming, advertising inventory, sponsorships and entitlements. Pursuant to the Hawks Agreement, CMP received revenues of less than $100,000 in 2010.

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DBC and Susquehanna are parties to a sublease agreement (the Sublease), pursuant to which Susquehanna subleases certain office space to DBC. The Sublease commenced on September 24, 2010 and expires on March 31, 2016. Under the Sublease, DBC pays annual base rent of approximately $52,000 (subject to annual increases), plus a pro rata share of all property taxes, insurance and utilities. DBC accrued approximately $13,000 to be paid to Susquehanna for 2010 pursuant to the terms of the Sublease.

In January 2009, CMP and Cumulus Broadcasting LLC (CBL), an indirect wholly-owned subsidiary of Cumulus Media, entered into a Facilities and Services Agreement (the F&S Agreement), pursuant to which CMP provides CBL access to certain radio studios (the Stations) and services, including maintenance, administrative and management services, in connection with CBL s provision of programming and broadcast services on the Stations. In consideration for the facilities and services provided, CBL pays CMP a monthly fee based on average of the percentage of revenue and EBITDA (as defined in the F&S Agreement) that the Stations represent at the combined group of Cumulus Media and CMP stations, respectively. CBL paid CMP approximately $100,000 under the F&S Agreement in 2010. This agreement expires in January 2012.

In March 2009, CMP and CBL entered into a Translator Agreement (the Translator Agreement), relating to the operation of a translator station in Riverdale, Georgia (the Translator Station). Pursuant to the Translator Agreement, CBL permits CMP to broadcast certain programming on the Translator Station. In exchange therefor, CMP pays CBL one-half of all net revenues generated by CMP s use of the Translator Station. CMP received revenues of approximately $146,000 under this agreement in 2010. This agreement expires in March 2012.

PROPOSAL NO. 4: RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Audit Committee of the Board of Directors is responsible for the appointment, compensation, and retention of our independent registered public accounting firm.

The Audit Committee has appointed PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2011, and urges you to vote **FOR** ratification of the appointment. PricewaterhouseCoopers LLP has served as our independent registered public accounting firm since June 17, 2008. While stockholder ratification of the selection of PricewaterhouseCoopers LLP as our independent registered public accounting firm is not required by our bylaws or otherwise, our Board of Directors is submitting the selection of PricewaterhouseCoopers LLP to our stockholders for ratification. If our stockholders fail to ratify the selection, the Audit Committee may, but is not required to, reconsider whether to retain that firm. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in the best interests of us and our stockholders.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting and will have the opportunity to make a statement on behalf of the firm if they desire to do so, and to respond to appropriate questions from stockholders.

Auditor Fees and Services

Audit Fees

PricewaterhouseCoopers LLP billed us $533,085, in the aggregate, for professional services rendered to audit our annual financial statements for the fiscal year ended December 31, 2010, to evaluate the effectiveness of our internal control over financial reporting as of December 31, 2010, and to review the interim financial statements included in our quarterly reports on Form 10-Q filed in 2010. PricewaterhouseCoopers LLP billed us $571,025, in the aggregate, for audit services rendered in 2009.

Audit Related Fees

PricewaterhouseCoopers LLP billed us $47,500, in the aggregate, for professional services rendered related to SEC comment letters in the fiscal year ended December 31, 2010. PricewaterhouseCoopers LLP did not render audit related services in 2009.

Tax Fees

PricewaterhouseCoopers LLP billed us $180,000, in the aggregate, for tax consulting and tax return preparation services during 2010. PricewaterhouseCoopers LLP billed us $150,000, in the aggregate, for tax consulting and tax return preparation services during 2009.

All Other Fees

PricewaterhouseCoopers LLP billed us $2,400 for access to its on-line research library during each of 2010 and 2009.

Policy on Pre-Approval of Services Performed by Independent Registered Public Accounting Firm

The policy of the Audit Committee is to require pre-approval of all audit and permissible non-audit services to be performed by the independent registered public accounting firm during the fiscal year. The Audit Committee regularly considers all non-audit fees when reviewing the independence of our independent registered public accounting firm.

Recommendation of the Board of Directors

Your Board of Directors recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm.

CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics, referred to as our Code of Ethics, that applies to all of our employees, executive officers and directors and meets the requirements of the rules of the SEC and the NASDAQ Marketplace Rules. The Code of Ethics is available on our website, *www.cumulus.com,* or can be obtained without charge by written request to Richard S. Denning, Corporate Secretary, at our principal executive offices, 3280 Peachtree Road, N.W., Suite 2300, Atlanta, Georgia 30305. If we make any substantive amendments to this Code of Ethics, or if our Board of Directors grants any waiver, including any implicit waiver, from a provision thereof to our executive officers or directors, we will disclose the nature of such amendment or waiver, the name of the person to whom the waiver was granted and the date of the waiver in a current report on Form 8-K.

SUBMISSION OF STOCKHOLDER PROPOSALS FOR THE 2012 ANNUAL MEETING

In accordance with the rules of the Securities and Exchange Commission, if you wish to submit a proposal to be brought before the 2012 annual meeting of stockholders, we must receive your proposal a reasonable period of time before we begin to print and mail our proxy materials for the 2012 annual meeting, in order to be included in our proxy materials relating to that meeting. Stockholder proposals must be accompanied by certain information concerning the proposal and the stockholder submitting it. We currently expect to begin printing and mailing our proxy materials for the 2012 annual meeting in early April 2012, and will include stockholder proposals that are properly submitted by January 6, 2012 in our proxy statement and form of proxy for that annual meeting. Stockholder proposals submitted after that date will be excluded, unless otherwise required to be included pursuant to Rule 14a-8 under the Securities Exchange Act of 1934, the rules and regulations of the SEC or other applicable law. Proposals should be directed to Richard S. Denning, Corporate Secretary, at our principal executive offices, 3280 Peachtree Road, N.W., Suite 2300, Atlanta, Georgia 30305. To avoid disputes as to the date of receipt, it is suggested that any stockholder proposal be submitted by certified mail, return receipt requested.

In addition, in accordance with our bylaws, for any proposal to be submitted by a stockholder for a vote at the 2012 annual meeting of stockholders, whether or not submitted for inclusion in our proxy statement, we must receive advance notice of such proposal not later than February 3, 2011. The proxy to be solicited on behalf of our Board of Directors for the 2012 annual meeting of stockholders may confer discretionary authority to vote on any such proposal received after that date.

ANNUAL REPORT

A copy of the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 as required to be filed with the SEC has been provided concurrently with this proxy statement to all stockholders entitled to notice of, and to vote at, the annual meeting. Stockholders may also obtain a copy of the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 without charge upon written request to: Corporate Secretary, Cumulus Media, Inc., 3280 Peachtree Road, N.W., Suite 2300, Atlanta, Georgia 30305. The proxy statement and the Annual Report on Form 10-K for the fiscal year ended December 31, 2010 are available at www.cumulus.com/investors.aspx.

WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. These SEC filings are available to the public over the Internet at the SEC s website at www.sec.gov and our website at www.cumulus.com. You may also read and copy any document we file with the SEC at the SEC s public reference

room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

As permitted by Item 13(b) of Schedule 14A of Regulation 14A under the Securities Exchange Act of 1934 (the Exchange Act), we are incorporating by reference into this proxy statement specific documents

that we filed with the SEC, which means that we may disclose important information to you by referring you to those documents that are considered part of this proxy statement. Information that we file subsequently with the SEC will automatically update and supersede this information.

We incorporate by reference into this proxy statement the following documents filed with the SEC , and any future documents that we file with the SEC prior to our special meeting, excluding any reports or portions thereof that have been furnished but not filed for purposes of the Exchange Act):

1. Our Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and filed on March 14, 2011 (as amended by our Annual Report on Form 10-K/A filed on May 2, 2011);

2. Our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 and filed on May 16, 2011;

3. Our Current Reports on Form 8-K filed with the SEC on February 2, 2011, February 18, 2011, March 2, 2011, March 10, 2011, March 14, 2011, April 25, 2011, and May 16, 2011; and

4. The description of the Class A common stock, $0.01 par value, contained in Post-Effective Amendment No. 1 to the Registration Statement on Form 8-A, filed on August 2, 2002, and any amendment or report filed for the purpose of updating such description, including any amendments or reports filed for the purpose of updating such description, which is also incorporated by reference herein.

We will provide to each person, including any beneficial owner, to whom a proxy statement is delivered, upon written or oral request and without charge, a copy of the documents referred to above that we have incorporated by reference. You can request copies of such documents if you call or write us at the following address or telephone number: Cumulus Media Inc., 3280 Peachtree Road, N.W., Suite 2300, Atlanta, Georgia 30305; (404) 949-0700.

This proxy statement or information incorporated by reference herein, contains summaries of certain agreements that we have filed as exhibits to various SEC filings, as well as certain agreements that we will enter into in connection with the transactions discussed in this proxy statement. The descriptions of these agreements contained in this proxy statement or information incorporated by reference herein do not purport to be complete and are subject to, or qualified in their entirety by reference to, the definitive agreements. Copies of the definitive agreements will be made available without charge to you by making a written or oral request to us.

Any statement contained herein or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this proxy statement to the extent that a statement contained herein, in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified and superseded, to constitute a part of this proxy statement.

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Unaudited Pro Forma Condensed Consolidated Financial Information

The following unaudited pro forma condensed consolidated financial information is based on our historical consolidated financial statements, which are incorporated by reference in this proxy statement, and the historical consolidated financial statements of each of CMP and Citadel, which are included elsewhere in this proxy statement.

The following unaudited pro forma condensed consolidated financial information is intended to provide information about how each of the CMP Acquisition and the Citadel Acquisition, and the related refinancing transactions, might have affected our historical consolidated financial statements if such transactions had closed as of January 1, 2010, in the case of the statements of operations and, as of March 31, 2011, in the case of the balance sheet information.

The unaudited pro forma condensed consolidated financial information is presented on:

a CMP Pro Forma Basis, giving effect to the 2019 Notes Offering and the CMP Acquisition (including certain developments in its business); and

an Overall Pro Forma Basis, giving effect to the 2019 Notes Offering, the CMP Acquisition (including certain developments in its business), the Citadel Acquisition and the Global Refinancing.

Pursuant to the Citadel Merger Agreement, Cumulus Media has agreed to issue to holders of Citadel common stock (including holders of warrants to acquire Citadel common stock) up to 151,485,282 shares of Cumulus Media common stock (plus an additional number of shares based upon the number of shares of common stock that are issued upon the exercise of stock options to purchase shares of Citadel common stock prior to the closing date of the Citadel Acquisition) (the Maximum Stock Scenario) and has agreed to pay to holders of Citadel common stock (including holders of warrants to acquire Citadel common stock) up to $1,408.7 million in cash (plus an additional amount based on the number of shares of common stock that are issued upon the exercise of stock options to purchase shares of Citadel common stock prior to the closing of the Citadel Acquisition, less the cash value of any dissenting shares) (the Maximum Cash Scenario), with the actual number of shares to be issued, and amount of cash to be paid, dependent upon elections to be made by Citadel Stockholders prior to the completion of the Citadel Acquisition. For purposes of this unaudited pro forma condensed consolidated financial information, Cumulus Media has assumed that the Citadel Acquisition Consideration will consist of $1,261.9 million in cash and the issuance of 115,210,000 shares of Cumulus Media common stock (which represents the arithmetic mean, or midpoint of the amount of cash which would be payable, and the number of shares of Cumulus Media common stock which would be issuable, to holders of Citadel common stock in each of the Maximum Cash Scenario and Maximum Stock Scenario), which shares have an assumed aggregate value of $483.9 million (based on an assumed price per share of Cumulus Media common stock of $4.20, the closing price of such common stock on the Nasdaq Global Market on May 20, 2011, the most recent practicable date). If investors elect the Maximum Cash Scenario, Cumulus Media would potentially draw an additional $70.0 million on the revolving credit facility from what is borrowed under the mid-point model presented which would result in incremental interest expense of $0.6 million for the three months ended March 31, 2011 and $2.6 million for the twelve months ended December 31, 2010 in the following Overall Pro Forma Basis Condensed Consolidated Statements of Operations.

Each of the CMP Acquisition and Citadel Acquisition will be accounted for as a business combination using the purchase method of accounting and, accordingly, is expected to result in the recognition of assets acquired and liabilities assumed at fair value. However, as of the date of this proxy statement, we have not performed the valuation studies necessary to estimate the fair values of the assets we expect to acquire and the liabilities we expect to assume to reflect the allocation of purchase price to the fair values of such amounts.

For purposes of preparing the following pro forma adjustments to reflect the CMP Acquisition, we have estimated the fair values of the indefinite-lived intangible assets based on information available as of December 31, 2010. For purposes of preparing the pro forma adjustments to reflect the Citadel Acquisition, we have carried forward the net book value of the indefinite-lived and definite-lived intangible assets from those appearing in Citadel s consolidated financial statements as of December 31, 2010, which are included elsewhere in this proxy statement, as we do not have any independent third-party valuations or other valuation studies estimating the value of these intangible assets. However, due to Citadel s application of fresh-start accounting upon its emergence from bankruptcy on June 3, 2010, Citadel s intangible assets were adjusted to fair value during 2010. For each of the CMP Acquisition and the Citadel Acquisition, the excess of the consideration expected to be transferred over the fair value of the net assets expected to be acquired has been presented as an adjustment to goodwill. We have not estimated the fair value of other assets expected to be acquired or liabilities expected to be assumed, including, but

not limited to, current assets, property and equipment, current liabilities, other miscellaneous liabilities and other finite-lived intangible assets and related deferred tax liabilities. A final determination of these fair values will be based upon appraisals prepared by independent third parties and on the actual tangible and identifiable intangible assets and liabilities that exist as of the closing date of each respective acquisition. The actual allocations of the consideration transferred may differ materially from the allocations assumed in this unaudited pro forma condensed consolidated financial information.

The presentation of financial information on an Overall Pro Forma Basis for the year ended December 31, 2010 includes the combined results of operations of Citadel for its predecessor and successor periods. In connection with its emergence from bankruptcy on June 3, 2010 and in accordance with accounting guidance on reorganizations, Citadel adopted fresh-start reporting as of May 31, 2010. See the footnotes to Citadel s audited historical financial statements, which are included elsewhere in this Proxy statement for more information. Historical financial results of Citadel are presented for the Predecessor entity for periods prior to Citadel s emergence from bankruptcy and for the Successor entity for periods after Citadel s emergence from bankruptcy. As a result, financial results of periods prior to Citadel s adoption of fresh-start reporting are not comparable to financial results of periods after that date. The combined operating results of Citadel including the Successor and Predecessor periods in 2010 are not necessarily indicative of the results that may be expected for a full fiscal year. Presentation of the combined financial information of the Predecessor and Successor for the twelve months ended December 31, 2010 is not in accordance with GAAP. However, we believe that the combined financial results are useful for management and investors to assess Citadel s ongoing financial and operational performance and trends.

The unaudited pro forma condensed consolidated financial information below is based upon currently available information and estimates and assumptions that we believe are reasonable as of the date hereof. These estimates and assumptions relate to matters including, but not limited to, Cumulus Media s stock price at the date of closing of each of the CMP Acquisition and the Citadel Acquisition (assumed to be $4.20 per share, the closing price of Cumulus Media s common stock on the Nasdaq Global Market on May 20, 2011, the most recent practicable date), which will be used to determine a portion of the final purchase price consideration, the LIBOR rate in effect for borrowings at the date of closing of the Global Refinancing, which will be used to determine the interest rate on borrowings under the Acquisition Credit Facility, and the form of the investment in our equity securities made by MIHI pursuant to the Investment Agreement, which is assumed to be common stock, all of which will impact, among other things, our available cash, interest expense and stockholders equity. We have also assumed that, in connection with obtaining FCC or other federal regulatory approval required to complete the Citadel Acquisition, any radio stations that we may be required to divest would not be material to our consolidated financial position or results of operations and, as a result, we have not made provision in this unaudited pro forma condensed consolidated financial information for any such divestitures.

Any of the factors underlying these estimates and assumptions may change or prove to be materially different, and the estimates and assumptions may not be representative of facts existing at the closing date of either the CMP Acquisition or the Citadel Acquisition. The unaudited pro forma condensed consolidated financial information is presented for illustrative and informational purposes only and is not intended to represent or be indicative of what our financial condition or results of operations would have been had the transactions described above occurred on or as of the dates indicated. The unaudited pro forma condensed consolidated financial information also should not be considered representative of our future financial condition or results of operations. In addition to the pro forma adjustments to our historical consolidated financial statements, various other factors are expected to have an effect on our financial condition and results of operations, both before and after the closing of each of the Acquisitions and related financing transactions.

You should read the unaudited pro forma condensed consolidated financial information in conjunction with the information under the heading Management s Discussion and Analysis of Financial Condition and Results of

Operations, in Cumulus Media s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 and Quarterly Report on Form 10-Q for the three months ended March 31, 2011, each of which is incorporated by reference in this proxy statement, and the information under the heading CMP Management s Discussion and Analysis of Financial Condition and Results of Operations, which is included elsewhere in this proxy statement. You should also read this information in conjunction with our consolidated financial statements and the related notes, which are incorporated by reference in this proxy statement, and the consolidated financial statements and the related notes of each of CMP and Citadel, which are included elsewhere in this proxy statement.

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Unaudited CMP Pro Forma Basis Condensed Consolidated Statement of Operations for the Three Months Ended March 31, 2011

	CMI Historical	CMP Historical	KC LLC Historical(A)	CMP Pro Forma Basis Adjustments	CMP Pro Forma Basis
			(Dollars in thousands)		
Broadcast revenues	$ 56,733	$ 39,143	$ (1,779)	$	$ 94,097
Management fees	1,125			(1,000)(B)	125
Net revenues	57,858	39,143	(1,779)	(1,000)	94,222
Operating expenses					
Station operating expenses (excluding depreciation, amortization and LMA fees)	37,555	23,757	(1,564)		59,748
Depreciation and amortization	2,123	2,116	(443)		3,796
LMA fees	581				581
Corporate general and administrative expenses	8,129	2,482	(461)	(1,000)(B)	9,150
Gain on exchange of assets or stations	(15,158)				(15,158)
Realized loss on derivative instrument	40				40
Other operating expenses		(6)			(6)
Total operating expenses	33,270	28,349	(2,468)	(1,000)	58,151
Operating income	24,588	10,794	689		36,071
Non-operating (expense) income:					
Interest expense, net	(6,318)	(6,219)	1,559	(5,861)(C)	(16,839)
Total non-operating expense, net	(6,318)	(6,219)	1,559	(5,861)	(16,839)
Income (loss) before income taxes and equity in net losses of affiliate	18,270	4,575	2,248	(5,861)	19,232
Income tax (expense) benefit	(2,149)	(2,479)	17	2,227(D)	(2,384)
Net income (loss)	$ 16,121	$ 2,096	$ 2,265	$ (3,634)	$ 16,848

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Unaudited CMP Pro Forma Basis Condensed Consolidated Statement of Operations for the Year Ended December 31, 2010

	CMI Historical	CMP Historical	KC LLC Historical(A)	CMP Pro Forma Basis Adjustments	CMP Pro Forma Basis
			(Dollars in thousands)		
Broadcast revenues	$ 259,187	$ 188,718	$ (7,043)	$	$ 440,862
Management fees	4,146			(4,000)(B)	146
Net revenues	263,333	188,718	(7,043)	(4,000)	441,008
Operating expenses:					
Station operating expenses (excluding depreciation, amortization and LMA fees)	159,807	103,103	(6,086)		256,824
Depreciation and amortization	9,098	8,576	(1,780)		15,894
LMA fees	2,054				2,054
Corporate general and administrative expenses	18,519	8,397	(1,138)	(4,000)(B)	21,778
Loss on sale of assets		29			29
Realized loss on derivative instrument	1,957				1,957
Impairment of intangible assets and goodwill	671	3,296	(3,296)		671
Total operating expenses	192,106	123,401	(12,300)	(4,000)	299,207
Operating income	71,227	65,317	5,257		141,801
Non-operating income (expense):					
Interest expense, net	(30,307)	(28,171)	6,034	(18,391)(C)	(70,835)
Terminated transaction expense	(7,847)				(7,847)
Other income (expense), net	108	349	(350)		107
Total non-operating expense, net	(38,046)	(27,822)	5,684	(18,391)	(78,575)
Income (loss) before income taxes and equity in net losses of affiliate	33,181	37,495	10,941	(18,391)	63,226
Income tax (expense) benefit	(3,779)	(18,210)	847	6,989(D)	(14,153)
Net income (loss)	$ 29,402	$ 19,285	$ 11,788	$ (11,402)	$ 49,073

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Unaudited CMP Pro Forma Basis Condensed Consolidated Balance Sheet as of March 31, 2011

	CMI Historical	CMP Historical	KC LLC Historical(A)	CMP Pro Forma Basis Adjustments	CMP Pro Forma Basis
			(Dollars in thousands)		
Assets					
Current assets:					
Cash and cash equivalents	$ 2,435	$ 12,717	$ (1,920)	$ 20,507(C)	$ 33,739
Restricted cash	604	601			1,205
Accounts receivable, less allowance for doubtful accounts	33,377	29,009	(1,199)		61,187
Trade receivable	2,977	1,078			4,055
Prepaid expenses and other current assets	4,996	8,494	41	(1,000)(B)	12,531
Total current assets	44,389	51,899	(3,078)	19,507	112,717
Property and equipment, net	38,927	24,362	(5,385)		57,904
Intangible assets, net	171,214	243,027	(15,233)	19,037(E)	418,045
Goodwill	60,422	79,700		450,559(E)	590,681(J)
Deferred financing costs	818	4,512	(152)	12,907(C)	18,085
Long-term investments		4,000		2,400(E)	6,400
Other assets	3,106	333	(48)		3,391
Total assets	$ 318,876	$ 407,833	$ (23,896)	$ 504,409	$ 1,207,223
Liabilities and Stockholders (Deficit) Equity					
Current liabilities:					
Accounts payable and accrued expenses	$ 22,929	$ 20,626	$ (9,288)	$ (2,260)(B)	$ 32,007
Trade payable	3,094	802			3,896
Derivative instrument		1,666			1,666
Current portion of long-term debt	5,982	93,228	(86,228)	(5,982)(C)	7,000
Total current liabilities	32,005	116,322	(95,516)	(8,242)	44,569
Long-term debt	567,287	613,984		42,713(C)	1,223,984
Other liabilities	17,223	8,157	(21)	(1,715)(E)	23,644
Deferred income taxes	26,764	84,315		7,234(E)	118,313
Total liabilities	643,279	822,778	(95,537)	39,990	1,410,510

Stockholders (deficit) equity:					
Preferred stock					
Class A common stock	596			116(L)	712
Class B common stock	58				58
Class C common stock	6				6
Class D common stock				66(L)	66
Treasury stock, at cost	(251,360)				(251,360)
Additional paid-in-capital	959,512	310,850	(367)	(225,493)(E)	1,044,502
Accumulated deficit	(1,033,215)	(793,272)	72,008	733,131(B,C,E)	(1,021,348)
Noncontrolling interest		67,477		(43,400)(E)	24,077
Total stockholders (deficit) equity	(324,403)	(414,945)	71,641	464,420	(203,287)
Total liabilities and stockholders (deficit) equity	$ 318,876	$ 407,833	$ (23,896)	$ 504,410	$ 1,207,223

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Unaudited Overall Pro Forma Basis Condensed Consolidated Statement of Operations for the Three Months Ended March 31, 2011

	CMI Historical	CMP Historical	CMP Pro Forma Basis Adjustments	CMP Pro Forma Basis	Citadel Historical[M]	Citadel Pro Forma and Global Refinancing Basis Adjustments	Overall Pro Forma Basis
	(Dollars in thousands)						
Broadcast revenues	$ 56,733	$ 39,143	$ (1,779)[A]	$ 94,097	$ 160,022	$	$ 254,119
Management fees	1,125		(1,000)[B]	125			125
Net revenues	57,858	39,143	(2,779)	94,222	160,022		254,244
Operating expenses							
Station operating expenses (excluding depreciation, amortization and LMA fees)	37,555	23,757	(1,564)[A]	59,748	114,714		174,462
Depreciation and amortization	2,123	2,116	(443)[A]	3,796	23,043		26,839
LMA fees	581			581	99		680
Corporate general and administrative expenses	8,129	2,482	(1,461)[A,B]	9,150	14,452		23,602
Gain on exchange of assets or stations	(15,158)			(15,158)	166		(14,992)
Realized loss on derivative instrument	40			40			40
Other operating expenses		(6)		(6)	7,118		7,112
Total operating expenses	33,270	28,349	(3,468)	58,151	159,592		217,743
Operating income	24,588	10,794	689	36,071	430		36,501
Non-operating expense:							
Interest expense, net	(6,318)	(6,219)	(4,302)[A,C]	(16,839)	(12,411)	(9,504)[I]	(38,754)
Total non-operating expense, net	(6,318)	(6,219)	(4,302)	(16,839)	(12,411)	(9,504)	(38,754)

Income (loss) before income taxes and equity in net losses of affiliate		18,270		4,575		(3,613)		19,232		(11,981)		(9,504)		(2,253)
Income tax (expense) benefit		(2,149)		(2,479)		2,244(A,D)		(2,384)		5,343		3,611(D)		6,570
Net income (loss)	$	16,121	$	2,096	$	(1,369)	$	16,848	$	(6,638)	$	(5,893)	$	4,317

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Unaudited Overall Pro Forma Basis Condensed Consolidated Statement of Operations for the Year Ended December 31, 2010

	CMI Historical	CMP Historical	CMP Pro Forma Basis Adjustments	CMP Pro Forma Basis	Predecessor Citadel Historical[M]	Successor Citadel Historical[M]	Combined Citadel Historical[M]	Citadel Pro Forma and Global Refinancing Basis Adjustments
					(Dollars in thousands)			
nues	$ 259,187	$ 188,718	$ (7,043)[A]	$ 440,862	$ 295,424	$ 444,142	$ 739,566	$
es	4,146		(4,000)[B]	146				
	263,333	188,718	(11,043)	441,008	295,424	444,142	739,566	
nses:								
ng uding d	159,807	103,103	(6,086)[A]	256,824	194,685	278,231	472,916	
nd	9,098	8,576	(1,780)[A]	15,894	11,365	58,564	69,929	20,204[K]
	2,054			2,054	455	379	834	
ral ive	18,519	8,397	(5,138)[A,B]	21,778	8,929	26,394	35,323	6,500[G]
		29		29	859	271	1,130	
n ument	1,957			1,957				
s and	671	3,296	(3,296)[A]	671				
g					(5)	7,215	7,210	
	192,106	123,401	(16,300)	299,207	216,288	371,054	587,342	26,704
me	71,227	65,317	5,257	141,801	79,136	73,088	152,224	(26,704)
se):								

e, net	(30,307)	(28,171)	(12,357)[A,C]	(70,835)	(17,771)	(46,349)	(64,120)	(19,992)[I]
ense	(7,847)			(7,847)				
	108	349	(350)[A]	107	1,014,077	(20,969)	993,108	(993,108)[K]
ating se),	(38,046)	(27,822)	(12,707)	(78,575)	996,306	(67,318)	928,988	(1,013,100)
efore nd sses	33,181	37,495	(7,450)	63,226	1,075,442	5,770	1,081,212	(1,039,804)
fit	(3,779)	(18,210)	7,836[A,D]	(14,153)	(5,737)	(7,553)	(13,290)	9,775[D]
ss)	$ 29,402	$ 19,285	$ 386	$ 49,073	$ 1,069,705	$ (1,783)	$ 1,067,922	$ (1,030,029)

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Unaudited Overall Pro Forma Basis Condensed Consolidated Balance Sheet as of March 31, 2011

	CMI Historical	CMP Historical	CMP Pro Forma Basis Adjustments	CMP Pro Forma Basis	Citadel Historical(M)	Citadel Pro Forma and Global Refinancing Basis Adjustments	Overa Pro For Basis
				(Dollars in thousands)			
assets:							
d cash equivalents	$ 2,435	$ 12,717	$ 18,587(A,C)	$ 33,739	$ 145,257	$ (74,665)(I)	$ 104
ed cash	604	601		1,205	3,846		5
ts receivable, less ce for doubtful s	33,377	29,009	(1,199)(A)	61,187	122,611	(1,077)(F)	182
eceivable	2,977	1,078		4,055	1,848		5
d tax asset					23,023		23
expenses and rrent assets	4,996	8,494	(959)(A,B)	12,531	15,072		27
rrent assets	44,389	51,899	16,429	112,717	311,657	(75,742)	348
y and equipment,	38,927	24,362	(5,385)(A)	57,904	197,667		255
ble assets, net	171,214	243,027	3,804(A,E)	418,045	1,094,833		1,512
ill	60,422	79,700	465,288(E,J)	605,410	763,849	465,686(F)	1,834
d financing costs	818	4,512	12,755(A,C)	18,085	19,978	22,924(I)	60
rm investments		4,000	2,400(E)	6,400			6
ssets	3,106	333	(48)(A)	3,391	19,461		22
ssets	$ 318,876	$ 407,833	$ 495,243	$ 1,221,952	$ 2,407,445	$ 412,868	$ 4,042
ies and olders (Deficit)							
liabilities:							
ts payable and expenses	$ 22,929	$ 20,626	$ (11,548)(A,B)	$ 32,007	$ 60,440	$ (7,103)(F,G)	$ 85
ayable	3,094	802		3,896	1,176		5
ive instrument		1,666		1,666			1
portion of rm debt	5,982	93,228	(92,210)(A,C)	7,000	875	(7,875)(A,I)	
rrent liabilities	32,005	116,322	(103,758)	44,569	62,491	(14,978)	92

erm debt	567,287	613,984	42,713(C)	1,223,984	745,625	938,536(I)	2,908
abilities	17,223	8,157	(1,736)(A)	23,644	56,440	(1,716)(I)	78
d income taxes	26,764	84,315	7,233(E)	118,312	262,839		381
abilities	643,279	822,778	(55,548)	1,410,509	1,127,395	921,842	3,459
olders (deficit)							
ed stock							
common stock	596		116(L)	712	5	2,140(L)	2
common stock	58			58	18	(18)(F)	
common stock	6			6			
common stock			66(L)	66			
sor equity held in					12,883	(12,883)(F)	
y stock, at cost	(251,360)			(251,360)			(251
nal paid-in-capital	959,512	310,850	(225,860)(A,E)	1,044,502	1,275,565	(420,230)(F,H,L)	1,899
ulated deficit	(1,033,215)	(793,272)	805,139(C,E)	(1,021,348)	(8,421)	(39,176)(F,G,I)	(1,068
trolling interest		67,477	(28,670)(J)	38,807		(38,807)(J)	
ockholders) equity	(324,403)	(414,945)	550,791	(188,557)	1,280,050	(508,974)	582
abilities and lders equity	$ 318,876	$ 407,833	$ 495,243	$ 1,221,952	$ 2,407,445	$ 412,868	$ 4,042

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Pro Forma Adjustments
Footnotes

A. *Adjustments to reflect the KC Restructuring.* As described in more detail under CMP Management s Discussion and Analysis of Financial Condition and Results of Operations, on February 4, 2011, CMP, Radio Holdco and KC LLC entered into the KC Restructuring Agreement with the lenders under the CMP KC Credit Facility (as defined under CMP Management s Discussion and Analysis of Financial Condition and Results of Operations) regarding the KC Restructuring. The KC Restructuring is expected to be implemented through a pre-packaged plan of reorganization filed with the United States Bankruptcy Court for the District of Delaware (the Pre-packaged Bankruptcy Proceeding). CMP expects that the Pre-packaged Bankruptcy Proceeding will occur, and the KC Restructuring is contemplated to be completed, during the third quarter of 2011. If the KC Restructuring is completed in accordance with the terms and conditions of the KC Restructuring Agreement, among other things: (1) Radio Holdco will distribute all of the outstanding common stock of Radio Holdings to CMP; (2) KC LLC s outstanding debt and owners interest of $92.6 million at March 31, 2010 will be reduced to $20 million; (3) all of the equity of Radio Holdco will be transferred to the lenders under the CMP KC Credit Facility or their nominee; and (4) Cumulus Media will continue to manage the radio stations of KC LLC in 2011, which will be subject to annual renewal of the management arrangement thereafter. As a result, CMP does not expect that it will thereafter have an ownership interest in KC LLC.

Because CMP does not expect that it will have a continuing ownership interest in KC LLC upon consummation of the KC Restructuring, pro forma adjustments are being made to exclude KC LLC s financial condition and results of operations as of and for the three months ended March 31, 2011 and as of and for the year ended December 31, 2010 from CMP s corresponding historical results of operations and financial condition in the accompanying unaudited pro forma condensed consolidated financial information, and these related footnotes.

B. *Adjustments to reflect the termination of the CMP Management Agreement and write off of deferred financing fees, net of tax.* Cumulus Media recorded approximately $1.3 million in deferred income taxes associated with the write off of $3.3 million in deferred financing fees related to the CMP Management Agreement. Under the terms of the CMP Management Agreement, CMP is required to pay to Cumulus Media the greater of $4.0 million or 4% of Radio Holdco s adjusted EBITDA on an annual basis. At March 31, 2011, Cumulus Media had deferred revenue of $1.0 million and CMP had prepaid expenses of $1.0 million related to this agreement. Upon the closing of the CMP Acquisition, the CMP Management Agreement will no longer be in effect.

(Dollars in thousands)

Pro Forma Balance Sheet as of March 31, 2011 Adjustment:	
Elimination of prepaid management fee and deferred revenue:	
Pro forma adjustment to line item, Prepaid expenses and other current assets	$ 1,000
Pro forma adjustment to line item, Accounts payable and accrued expenses	$ 1,000
Accrual of tax benefit from write off of Cumulus Media deferred financing fees and debt discount:	
Cumulus Media deferred financing fees	$ 3,317
Combined federal and state statutory rate	38%
Tax benefit from the write off of deferred financing costs and debt discount	$ 1,260
Elimination of deferred revenue	$ 1,000

Accrual of tax benefit from write off of Cumulus Media deferred financing fees and debt discount		1,260
Pro forma adjustment to line item Accounts payable and accrued expenses	$	2,260
Pro Forma Statement Of Operations for the three months ended March 31, 2011 Adjustment:		
Elimination of management fee income and expense:		
Pro forma adjustment to line item, Management fees	$	1,000
Pro forma adjustment to line item, Corporate general and administrative expenses	$	1,000
Pro Forma Statement of Operations for the year ended December 31, 2010 adjustment:		
Elimination of 2011 management fee income and expense:		
Pro forma adjustment to line item, Management fees	$	4,000
Pro forma adjustment to line item, Corporate general and administrative expenses	$	4,000

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C. *Adjustments to reflect issuance of the 2019 Notes.* In connection with the repayment of the term loan under the Existing Credit Agreement using proceeds from the issuance of the 2019 Notes on April 29, 2011, the current portion, ($6.0 million) of Cumulus Media s existing debt was eliminated. Adjustments also reflect the elimination of deferred financing costs and related amortization associated with the term loan under the Existing Credit Agreement and the recordation of deferred financing costs of $13.7 million and related amortization of $0.4 million associated with the issuance of the 2019 Notes. Deferred financing fees will be amortized through interest expense using the effective interest method. As a result, interest expense on a CMP Pro Forma Basis was $16.8 million and $70.8 million for the three months ended March 31, 2011 and the year ended December 31, 2010, respectively.

Pro Forma Balance Sheet Adjustments	**Amounts (Dollars in thousands)**	
Change In Long-Term Debt at March 31, 2011:		
Issuance of 2019 Notes	$	610,000
Non-cash debt discount		2,499
Repayment of term loan under Existing Credit Agreement (excluding $6.0 million of short-term debt)		(569,786)
	$	42,713
Change In Deferred Financing Costs at March 31, 2011:		
Reclassification of deferred financing costs under Existing Credit Agreement	$	(818)
Deferred financing costs associated with 2019 Notes		13,725
Pro forma adjustment to line item Deferred financing costs	$	12,907
Change In Cash And Cash Equivalents at March 31, 2011:		
Proceeds from issuance of 2019 Notes	$	610,000
Repayment of term loan under Existing Credit Agreement		(575,768)
Deferred financing costs		(13,725)
CMP Pro Forma Basis cash adjustment	$	20,507

Pro Forma Statement Of Operations Adjustments	**Interest Rate**	**For the Three Months Ended March 31, 2011**		**For the Year Ended December 31, 2010**	
		(Dollars in thousands)			
Pro Forma Interest Expense:					
2019 Notes	7.75%	$	11,819	$	47,275
CMP (excluding KC LLC) debt interest expense	n/a		4,660		22,137

Amortization of deferred financing fees and related amortization	n/a	360	1,423
		$ 16,839[a]	$ 70,835[a]

(a) Represents pro forma interest expense for the respective periods presented, which is equal to the historical interest expense for CMI and CMP plus the additional interest expense pro forma adjustment as set out below:

	For the Three Months Ended March 31, 2011	For the Year Ended December 31, 2010
	(Dollars in thousands)	
Historical CMI interest expense	$ 6,318	$ 30,307
Historical CMP interest expense (excluding KC LLC)	4,660	22,137
Combined historical CMI and CMP (excluding KC LLC) interest expense	$ 10,978	$ 52,444
Interest expense on a CMP Pro Forma Basis	16,839	70,835
Interest expense adjustment on a CMP Pro Forma Basis	$ 5,861	$ 18,391

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D. *Adjustments to reflect income tax benefit.* Adjustment to reflect the income tax benefit resulting from pro forma adjustments to the condensed consolidated statements of operations based on an estimated combined federal and state statutory tax rate of 38.0%.

	For the Three Months Ended March 31, 2011	For the Year Ended December 31, 2010
	(Dollars in thousands)	
Pro Forma Income Tax (Expense) Benefit:		
Pro forma interest expense adjustment (CMP Pro Forma Basis) (see note C)	$ 5,861	$ 18,391
Combined federal and state statutory rate	38%	38%
Pro forma adjustment to line item, Income tax (expense) benefit	$ 2,227	$ 6,989
Pro Forma Income Tax (Expense) Benefit:		
Pro forma interest expense adjustments (Overall Pro Forma Basis) (see note J)	$ 9,504	$ 19,992
Pro forma corporate general and administrative adjustment (see note G)		6,500
Pro forma depreciation and amortization adjustments (Citadel Pro Forma Basis) (see note K)		20,204
Pro forma net debt extinguishment adjustment (see note K)		(20,969)
	$ 9,504	$ 25,727
Combined federal and state statutory rate	38%	38%
Pro forma adjustment to line item, Income tax (expense) benefit	$ 3,611	$ 9,775

E. *Adjustments to reflect the CMP Acquisition.* The CMP Acquisition will result in the issuance by Cumulus Media of 9,945,714 shares of its common stock and the elimination of CMP and KC LLC s historical members equity. The amount reflected in retained earnings (accumulated deficit) in the accompanying unaudited pro forma condensed consolidated balance sheet includes the gain recognized on Cumulus Media s existing equity interest in CMP. The gain of $13.9 million is the difference between the estimated fair value of Cumulus Media s existing investment in CMP and the book value of such investment, which had been reduced to zero in Cumulus Media s historical consolidated financial statements as a result of CMP s accumulated historical losses.

The following table sets forth a preliminary purchase price allocation for the CMP Acquisition as of March 31, 2011 (dollars in thousands):

Equity consideration to CMP Sellers	$ 85,172[a]
Fair value of non-controlling interests preferred stock	24,077[b]
Assumption of debt	620,984[c]

Total purchase price	$ 730,233
Fair value of Cumulus Media s existing equity interest in CMP	13,924[e]
Total fair value for allocation	$ 744,157
Current assets	47,821[d]
Intangible assets	246,832[f]
Plant, property and equipment, net	18,977[d]
Other assets	11,045[d]
Current liabilities	(12,806)[d]
Other long-term liabilities	(6,421)[d]
Deferred income tax liabilities	(91,550)[g]
Allocation to goodwill	530,259[h]
Total purchase price allocation	$ 744,157

(a) Represents the estimated fair value (at $4.20 per share) of 9,945,714 shares of Cumulus Media common stock to be issued to the CMP Sellers. In addition, includes $43.4 million of Cumulus Media Class A common stock warrant in exchange for a warrant in CMPSC.

(b) Represents the estimated fair value of the non-controlling interest of preferred stock, and warrants to purchase common stock of Radio Holdings held by persons other than the CMP Sellers.

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(c) Consists of $7.0 million of short-term debt under the CMPSC Credit Agreement, $587.9 million of long-term debt pursuant to the CMPSC Credit Agreement and an aggregate amount of $26.1 million related to the CMP 9.875% Notes and CMP 2014 Notes.

(d) Represents the book value of CMP, adjusted as follows:

CMP historical current assets	$ 51,899
Exclusion of KC LLC (see note A)	(3,078)
Elimination of amounts related to CMP Management Agreement (see note B)	(1,000)
Current assets for CMP Acquisition purchase price allocation	$ 47,821
CMP historical plant property and equipment	$ 24,362
Exclusion of KC LLC (see note A)	(5,385)
Plant property and equipment for CMP Acquisition purchase price allocation	$ 18,977
Deferred financing costs and other assets	$ 4,845
Long-term investments	4,000
Exclusion of KC LLC (see note A)	(200)
Fair value adjustment to CMP s investment in San Francisco Giants	2,400
Other assets for CMP Acquisition purchase price allocation	$ 11,045
CMP historical current liabilities, excluding short-term debt	$ 23,094
Exclusion of KC LLC (see note A)	(9,288)
Elimination of amounts related to management services agreement (see note B)	(1,000)
Current liabilities for CMP Acquisition purchase price allocation	$ 12,806
CMP historical other long-term liabilities	$ 8,157
Exclusion of KC LLC (see note A)	(21)
Elimination of accrued bond interest	(1,715)
Other long-term liabilities for CMP Acquisition purchase price allocation	$ 6,421

(e) Represents the estimated fair value of Cumulus Media existing equity interest in CMP, which is not being acquired in the CMP Acquisition.

(f) Includes an adjustment of $19.0 million to fair value of CMP s FCC license intangible assets. The adjustment is based upon fair value information as of March 31, 2011.

(g) The deferred income tax assets of CMP were adjusted by the FCC license intangible assets fair value adjustment of $19.0 million multiplied by an estimated combined federal and state statutory tax rate of 38%:

Pro forma adjustment to fair value the FCC license intangible assets	$ 19,037
Combined federal and state statutory rate	38%
Pro forma adjustment to line item Deferred income taxes	$ 7,233

(h) Represents allocation to goodwill resulting from the CMP Acquisition. Below is a reconciliation of CMP historical goodwill as of March 31, 2011 and the CMP Pro Forma Basis goodwill adjustment resulting from the CMP Acquisition:

CMP Preliminary purchase price allocation to goodwill as of March 31, 2011	$ 530,259
Less: Existing CMP goodwill balance at March 31, 2011	(79,700)
CMP Pro Forma Basis goodwill adjustment	$ 450,559

F. *Adjustments to reflect the Citadel Acquisition.* For purposes of this unaudited pro forma condensed consolidated financial information, Cumulus Media has assumed that the Citadel Acquisition consideration will consist of a payment of $1,261.9 million in cash (which represents the arithmetic mean, or midpoint, of the amount of cash which would be payable to holders of Citadel common stock in each of the Maximum Stock Scenario and the Maximum Cash Scenario), and the issuance of 115,210,000 shares of Cumulus common stock, (which represents the arithmetic mean, or midpoint, of the number of shares of

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Cumulus Media common stock that would be issued to Citadel stockholders in each of the Maximum Stock Scenario and the Maximum Cash Scenario). Because applicable accounting guidance prohibits the inclusion in this unaudited condensed consolidated pro forma financial information of the impact of any cash flow from operations expected to be generated by each of CMP and Citadel prior to the closing date of each respective acquisition, and also prohibits the inclusion of any expected cost synergies related thereto, in the event of the Maximum Cash Scenario, an additional $70.6 million of borrowings under the revolving credit facility under the Acquisition Credit Facility and a corresponding increase of $0.6 million in interest expense would be required to fund such payments, and would also be included in the presentation on an Overall Pro Forma Basis.

The final adjustment to reflect the issuance of Cumulus Media common stock in the Citadel Acquisition will depend upon the actual number of shares of Cumulus Media stock issued and the market price thereof on the closing date, and could be materially different from that presented herein. The Citadel Acquisition will also result in the elimination of Citadel s historical equity, including $12.9 million of successor equity held in reserve. We also eliminated $1.1 million of intercompany receivables and payables.

The cash portion of the purchase price in the Citadel Acquisition is expected to be funded pursuant to the Global Refinancing. The Overall Pro Forma Basis adjustments include the $25.3 million in payments pursuant to the acceleration and cashless exercise provisions relating to options to purchase Citadel common stock (and unvested restricted common stock) pursuant to the Citadel Merger Agreement. Additional information is set forth below:

(Dollars in thousands)		
Cash consideration to Citadel stockholders	$	1,261,857[a]
Equity consideration to Citadel stockholders		483,880[a]
Assumption of debt		746,500[b]
Total purchase price	$	2,492,237
Current assets	$	311,657
Intangible assets		1,094,833
Plant, property and equipment, net		197,667
Other assets		39,439
Current liabilities		(61,616)[c]
Other long-term liabilities		(56,440)
Deferred tax liabilities		(262,839)
Allocation to goodwill		1,229,536[d]
Total purchase price allocation	$	2,492,237

(a) In accordance with the terms of the Citadel Merger Agreement, the amount of cash and Cumulus Media common stock to be issued may vary depending upon certain elections by the Citadel stockholders, subject to certain maximum amounts.

(b) Represents short-term debt of $0.9 million and long-term debt of $745.6 million.

(c) Represents current liabilities of $62.5 million less $0.9 million of short-term debt included in the assumption of debt.

(d) Represents additional goodwill generated by the Citadel Acquisition at March 31, 2011 as follows:

Overall Pro Forma Basis goodwill	$ 1,834,945
Less: Existing Citadel goodwill balance	763,849
Less: CMP Pro Forma Basis goodwill	605,410
Overall Pro Forma Basis goodwill adjustment	$ 465,686

G. *Adjustment to recognize additional severance and retention bonuses to be paid to Citadel employees and executives in connection with the Citadel Acquisition.* Severance amounts of $17.7 million and retention bonuses of $13.0 million were negotiated as a part of the Citadel Merger Agreement or will otherwise be due under preexisting agreements, and will be accounted for in accordance with ASC 805, *Business*

Combinations. Retention bonuses of $6.5 million for pre-acquisition services are payable as of the date of the closing of the Citadel acquisition and are reflected in the Overall Condensed Consolidated Balance Sheet. The remaining $6.5 million in retention bonuses for post-acquisition services are payable subsequent to the closing of the Citadel acquisition and are reflected in the Overall Pro Forma Basis Condensed Consolidated Statement of Operations.

H. *Adjustments to reflect Equity Investment.* Pursuant to the terms of the Investment Agreement, Cumulus Media has agreed to sell up to $500.0 million, in the aggregate, of its equity securities to the Investors, net of fees of $21.4 million. To the extent that the Citadel Acquisition Consideration requires the payment of cash in an amount payable less than the Maximum Cash Scenario, the Investors commitments will be reduced, subject to a minimum investment of $395.0 million. Based on the assumed cash consideration to Citadel stockholders of $1,256.7 million, the value of the equity securities to be sold pursuant to the Investment Agreement is $373.6 million, net of fees of $21.4 million.

This Investment Agreement provides that Macquarie may, at its option, elect to receive up to its full $125.0 million commitment amount in shares of a newly created class of perpetual redeemable, non-convertible preferred stock. This preferred stock would pay dividends at a rate of 10% per annum for the first six months from issuance, 14% per annum through the second anniversary of issuance, 17% per annum plus the LIBOR Increase Amount through the fourth anniversary of issuance, and 20% per annum plus the LIBOR Increase Amount thereafter. Dividends would be payable in cash but, at the option of Cumulus Media, up to 50% of the dividends could be paid-in-kind. Assuming Macquarie elected to receive $125.0 million of its investment in preferred stock and Cumulus Media paid cash dividends thereon, the Overall Pro Forma Basis financial information would have reflected dividends paid of $10.6 million. This redeemable preferred stock would be classified as a liability and any related dividend would be recorded in the statement of operations.

I. *Adjustments to reflect the debt to be incurred pursuant to the Global Refinancing, assuming the CMP Acquisition occurs and CMP is designated as a restricted subsidiary under Cumulus Media s financing documents.* In connection with the repayment of the outstanding indebtedness of each of Cumulus Media, CMP (excluding KC LLC) and Citadel contemplated by the Global Refinancing, the current portion of debt of Cumulus Media, CMP and Citadel will be eliminated. Additionally, $1.7 million of non-cash accrued interest on exchanged notes related to the CMPSC Credit Agreement has been eliminated in the accompanying unaudited pro forma condensed consolidated financial information. As a result, interest expense on an Overall Pro Forma Basis is $38.8 million and $154.9 million for the three months ended March 31, 2011 and the year ended December 31, 2010, respectively. Cumulus Media expects to record deferred financing fees of $61.0 million and related amortization of $1.6 million and $6.3 million for the three month period ended March 31, 2011 and for the year ended December 31, 2010, respectively, in connection with the Global Refinancing.

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Overall Pro Forma Balance Sheet Adjustments		Amounts (Dollars in thousands)
Change in Long-Term Debt:		
2019 Notes	$	610,000
Acquisition Credit Facility		
Term loan		2,040,000
Revolving credit facility		258,145
Total Acquisition Credit Facility		2,908,145
Repayment of existing long-term Cumulus debt, net		(567,287)
Repayment of outstanding amounts under CMPSC Credit Agreement		(587,823)
Repayment of CMP 9.875% Notes and CMP 2014 Notes		(26,161)
Repayment of Citadel Credit Facilities		(345,625)
Repayment of Citadel Senior Notes		(400,000)
CMP Pro Forma Basis adjustment to line item Long-term debt		(42,713)
Overall Pro Forma Basis long-term debt adjustment	$	938,536
Change in Deferred Financing Costs:		
Deferred financing costs under Existing Credit Agreement	$	(818)
Deferred financing costs under CMPSC Credit Agreement		(4,512)
Deferred financing costs under Citadel Credit Facility		(19,978)
Deferred financing costs associated with 2019 Notes and Acquisition Credit Facility		60,987(a)
CMP Pro Forma Basis adjustment to line item Deferred financing costs		(12,907)
Exclusion of KC LLC deferred financing costs		152
Overall Pro Forma Basis adjustment to line item Deferred financing costs	$	22,924
Change in Cash And Cash Equivalents:		
Proceeds of borrowings under Acquisition Credit Facility	$	2,908,145
Proceeds from Equity Investment, net		373,600
Redemption of Radio Holdco preferred stock		(38,807)
Repayment of existing Cumulus Media, CMP and Citadel debt at March 31, 2011		(1,943,252)
Cash payments to Citadel stockholders		(1,261,857)
Make whole provision payment pursuant to Citadel Senior Notes		(31,000)
Deferred financing fees		(60,987)
CMP Pro Forma Basis cash adjustment related to 2019 Notes (See note c)		(20,507)
Overall Pro Forma Basis adjustment to line item, Cash and cash equivalents	$	(74,665)

(a) Represents debt issuance costs to be incurred related to the Global Refinancing as set forth below:

Acquisition Credit Facility fee of 1.75% of total commitment	$ 42,262
2019 Notes fee	13,725

Bridge facility commitment fee of 1.25%	3,125
Revolving credit facility upfront fee of 0.5%	1,875
	$ 60,987

Overall Pro Forma Basis Statement Of Operations Adjustments	**Pro Forma Interest Rate**	**For the Three Months Ended March 31, 2011**	**For the Year Ended December 31, 2010**
		(Dollars in thousands)	
Pro forma interest expense:			
2019 Notes	7.75%[a]	$ 11,819	$ 47,275
Term loan under Acquisition Credit Facility	4.50%[b]	22,950	91,800
Revolving credit facility under Acquisition Credit Facility	3.70%[c]	2,388	9,551
Amortization of deferred financing fees	n/a	1,597	6,321
		$ 38,754[d]	$ 154,947[d]

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(a) Actual interest rate on 2019 Notes.

(b) In accordance with the term loan agreement there is a 1% LIBOR floor. Due to the 30 day LIBOR rate being below 1% at May 20, 2011, for purposes of this unaudited condensed consolidated financial information, Cumulus Media used the floor plus a spread of 350 bps for the Overall Pro Forma Basis interest rate.

(c) Assumed interest rate has been determined in accordance with the terms contained in the Debt Commitment and calculated based on the 30 day LIBOR in effect on May 20, 2011 plus a spread of 350 bps.

(d) Represents interest expense on an Overall Pro Forma Basis for the periods presented, respectively, which is equal to the historical interest expense for Cumulus Media, CMP and Citadel for the periods presented, plus the additional interest expense pro forma adjustment as set forth below:

	For the Three Months Ended March 31, 2011	For the Year Ended December 31, 2010
Interest expense on each of a CMP and Overall Pro Forma Basis	$ 38,754	$ 154,947
Historical Cumulus Media interest expense	6,318	30,307
Historical CMP interest expense	6,219	28,171
Historical Citadel interest expense	12,411	64,120
Less: Combined historical Cumulus Media, CMP and Citadel interest expense	24,948	122,598
Interest expense adjustment on an Overall Pro Forma Basis	$ 13,806[e]	$ 32,349[f]

(e) Consists of $4.3 million and $9.5 million of pro forma interest expense adjustments on a CMP Pro Forma Basis and Overall Pro Forma Basis, respectively, for the three months ended March 31, 2011.

(f) Consists of $12.4 million and $19.9 million of pro forma interest expense adjustments on the CMP Pro Forma Basis and Overall Pro Forma Basis, respectively, for the year ended December 31, 2010.

Interest rate sensitivity analysis

The accompanying unaudited pro forma condensed consolidated financial information includes certain adjustments for pro forma interest expense, which are reflected in the accompanying unaudited pro forma condensed consolidated statements of operations. These pro forma adjustments are based upon certain assumptions contained in these notes to unaudited pro forma condensed consolidated financial information. Assuming a pro forma 1/8% positive or negative change in the interest rate on borrowings under the Acquisition Credit Facility, it is estimated that the interest expense on borrowings under the Acquisition Credit Facility would have changed by $0.7 million on an Overall Pro Forma Basis for the three months ended March 31, 2011 and $2.9 million for the year ended December 31, 2010 in each case assuming the Maximum Cash Scenario (refer to note (I)).

J. *Accrual and payment of CMP Preferred Stock and related dividends.* Pursuant to the terms of the CMP Merger Agreement upon the closing of the Citadel Acquisition Cumulus Media will redeem the outstanding CMP

preferred stock at par value plus accrued dividends. On a CMP Pro Forma Basis, Cumulus Media does not contemplate the acquisition of Citadel and as such, does not include the redemption of the CMP preferred stock, nor the accrual of dividends on said stock. On a Overall Pro Forma Basis, Cumulus Media includes the assumption that the acquisition of Citadel will be completed and as such, recognizes a contingent liability for the redemption of the CMP preferred stock in the amount of $14.7 million, which is included in $38.8 million of preferred stock within noncontrolling interest. Additionally, Cumulus Media assumes the redemption of the $38.8 million of CMP preferred stock resulting in $0.0 million of noncontrolling interest on an Overall Pro Forma Basis.

K. *Adjustments to increase pro forma depreciation and amortization expense to reflect the impact of the increase in estimated fair value of tangible assets and amortizable intangible assets due to Citadel s application of Fresh Start Accounting*. Net fresh start valuation adjustments in connection with Citadel s

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application of fresh start accounting increased the book value of Citadel s assets, excluding goodwill, by $543.8 million. In addition to revaluing existing assets, Citadel recorded certain previously unrecognized assets, including customer and affiliate relationships and income contracts.

The following table summarizes the adjustments described above:

(Dollars in millions)	Fair Value	Estimated Useful Life	Twelve Months Ended December 31, 2010
Historical amortization and depreciation			$ 69.9
Intangible assets:			
Customer and affiliate relationships	$ 238.9	4 to 6 years	$ 66.0
Other intangibles	36.7	4 to 6 years	10.0
	275.6		76.0
Property and Equipment:			
Land and improvements	89.3	3 to 25 years	0.4
Buildings and improvements	34.1	3 to 25 years	3.3
Towers	54.7	5 to 10 years	5.5
Equipment and vehicles	24.8	2 to 12 years	4.9
	202.9		14.1
Total	$ 478.5		90.1
Overall Pro Forma Basis depreciation and amortization expense adjustment			$ 20.2

Adjustment for reorganization items, as shown below, which were a direct result of Citadel s Chapter 11 Proceedings.

Gain on extinguishment of debt	$ (139,813)
Revaluation of assets and liabilities	(921,801)
Supplemental executive retirement plan	10,510
Professional fees	31,666
Rejected executory contracts	5,361
Net debt extinguishment loss	20,969(a)
Overall Pro Forma Basis adjustment to line item, Other income (expense), net	$ (993,108)

(a) On the Citadel Emergence Date, debt outstanding under the Predecessor Senior Credit and Term Facility was converted into the Emergence Term Loan Facility. A valuation adjustment of $19.1 million was recorded to reflect the Emergence Term Loan Facility at its estimated fair value upon issuance. This valuation adjustment

was being amortized as a reduction of interest expense, net, over the contractual term of the Emergence Term Loan Facility.

Pursuant to the terms of the Emergence Term Loan Facility, a prepayment penalty of $38.0 million was incurred; this was netted against the write off of the unamortized balance of the valuation adjustment of $17.1 million, which resulted in Citadel incurring a loss on the extinguishment of debt of $21.0 million in the year ended December 31, 2010 as follows:

Citadel Financial Statement Line Item		**(Dollars in thousands)**
Early termination penalty	$	38,030
Write-off of fair value valuation adjustment at December 31, 2010		(17,061)
Net debt extinguishment loss	$	20,969

L. *Adjustments to reflect the issuance of shares.* On each of a CMP Pro Forma Basis and an Overall Pro Forma Basis, Cumulus Media will issue shares of its Class A and Class D common stock, each with a par

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value of $0.01 per share, in order to effect each respective transaction. Resulting changes to the par value are illustrated below (dollars in thousands):

	Number of Shares	Par Value	Elimination of Historical Par Value	Pro Forma Adjustment
CMP Pro Forma Basis:				
Issuance of Class A common stock	11,583,206	$ 116	$	$ 116
Issuance of Class D common stock	6,630,476	66		66
Citadel Pro Forma Basis:				
Issuance of Class A common stock	214,499,947	$ 2,145	$ (5)	$ 2,140

M. *To reconcile Citadel financial statement line items per the Unaudited Pro Forma Condensed Consolidated Financial Information to the amounts reported in Citadel s March 31, 2011 Form 10-Q and their December 31, 2010 Form 10-K.* Included below is a reconciliation between line items reported in the Unaudited Pro Forma Condensed Consolidated Financial Information and amounts reported in Citadel s March 31, 2011 Form 10-Q and its December 31, 2010 Form 10-K, as appropriate.

To reconcile items included in the Unaudited Overall Pro Forma Basis Condensed Consolidated Statement of Operations (dollars in thousands):

	For the Three Months Ended March 31, 2011	For The Year Ended December 31, 2010	
		Predecessor	Successor
To reconcile station operating expenses (excluding depreciation, amortization and LMA fees) with the Pro Forma Financial Information:			
Unaudited Pro Forma Condensed Consolidated Financial Information:			
Station operating expenses (excluding depreciation, amortization and LMA fees)	$ 114,714	$ 194,685	$ 278,231
As depicted in Citadel s Financial Statements:			
Cost of revenue, exclusive of depreciation and amortization and including non-cash compensation expense of $643, $526, and $954, respectively	$ 68,522	$ 116,103	$ 164,594
Selling, general and administrative, including non-cash compensation expense of $2,164, $785, and $3,244, respectively	46,192	78,582	113,637
	$ 114,714	$ 194,685	$ 278,231
To reconcile gain on exchange of assets or stations and other operating expenses with the Pro Forma Financial Information:			
Unaudited Pro Forma Condensed Consolidated Financial Information:			
(Loss) Gain on exchange of assets or stations	$ 166	$ 859	$ 271

Other operating expenses		7,118		(5)		7,215
	$	7,284		854		7,486
As depicted in Citadel s Financial Statements, to conform to Cumulus Media s presentation:						
Other, net	$	7,284	$	854	$	7,486
To reconcile interest expense, net with the Pro Forma Financial Information:						
Unaudited Pro Forma Condensed Consolidated Financial Information:						
Interest expense, net	$	12,411	$	17,771	$	46,349
As depicted in Citadel s Financial Statements:						
Interest expense, net	$	12,411	$	17,771	$	45,365
Write-off of deferred financing costs and debt discount upon extinguishment of debt and other debt-related fees						984
	$	12,411	$	17,771	$	46,349

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To reconcile items included in the Unaudited Overall Pro Forma Basis Condensed Consolidated Balance Sheet (dollars in thousands):

	As of March 31, 2011
To reconcile restricted cash, deferred tax asset, and prepaid expenses and other current assets with the Pro Forma Financial Information:	
Unaudited Pro Forma Condensed Consolidated Financial Information:	
Restricted cash	$ 3,846
Deferred tax asset	23,023
Prepaid expenses and other current assets	15,072
	$ 41,941
As depicted in Citadel s Financial Statements:	
Prepaid expenses and other current assets	$ 41,941
To reconcile accounts receivable with the Pro Forma Financial Information:	
Unaudited Pro Forma Condensed Consolidated Financial Information:	
Accounts receivable, less allowance for doubtful accounts	$ 122,611
Trade receivable	1,848
	$ 124,459
As depicted in Citadel s Financial Statements, to conform to Cumulus Media s presentation:	
Accounts receivable, net	$ 124,459
To reconcile Intangible assets, net, deferred financing costs, and other assets with the Pro Forma Financial Information:	
Unaudited Pro Forma Condensed Consolidated Financial Information:	
Intangible assets, net	$ 1,094,833
Deferred Financing costs	19,978
Other assets	19,461
	$ 1,134,272
As depicted in Citadel s Financial Statements:	
FCC licenses	$ 887,910
Customer and affiliate relationships, net	178,583
Other assets, net	67,779
	$ 1,134,272
To reconcile accounts payable and accrued expenses and trade accounts payable with the Pro Forma Financial Information:	
Unaudited Pro Forma Condensed Consolidated Financial Information:	
Accounts payable and accrued expenses	$ 60,440
Trade payable	1,176

	$	61,616
As depicted in Citadel s Financial Statements, to conform to Cumulus Media s presentation:		
Accounts payable, accrued liabilities and other liabilities	$	61,616
To reconcile long-term debt with the Pro Forma Financial Information:		
Unaudited Pro Forma Condensed Consolidated Financial Information:		
Long-term debt	$	745,625
As depicted in Citadel s Financial Statements:		
Senior debt, less current portion	$	345,625
Senior notes		400,000
	$	745,625

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Appendix to Pro Forma Adjustments

The following tables have been prepared to assist the reader in reconciling line items in the accompanying unaudited pro forma condensed consolidated financial information that have multiple footnote references so that the reader can better understand the nature of each pro forma adjustment being made to the respective line item, with the exception of those line items in the Overall Pro Forma Basis balance sheet and income statement under CMP Pro Forma Basis adjustments that reflect only the addition of the KC LLC, and CMP Pro Forma Basis adjustments shown in the CMP Pro Forma Basis balance sheet and income statement.

Reconciliation of line items in the CMP Pro Forma Basis condensed consolidated balance sheet that have multiple footnote references:

(Dollars in thousands)		
Accumulated deficit:		
CMP historical accumulated deficit	$	793,272E
KC LLC historical accumulated deficit		(72,008)[E]
Elimination of Cumulus Media ownership interest in CMP		13,924E
Write off of deferred financing costs and debt discount		(3,317)[C]
Tax benefit from the write off of deferred financing costs and debt discount		1,260B
CMP Pro Forma Basis adjustment	$	733,131

Reconciliation of line items in the Overall Pro Forma Basis condensed consolidated statement of operations that have multiple footnote references:

(Dollars in thousands)		For the Three Months Ended March 31, 2011		For the Year Ended December 31, 2010
Corporate general and administrative expenses:				
Exclusion of KC LLC historical results of operations	$	(461)[A]	$	(1,138)[A]
Elimination of CMP historical expense incurred in conjunction with CMP Management Agreement		(1,000)[B]		(4,000)[B]
CMP Pro Forma Basis adjustment	$	(1,461)	$	(5,138)
Interest expense, net:				
Exclusion of KC LLC historical results of operations	$	1,559A	$	6,034A
Elimination of CMP historical interest expense, net		(5,861)[C]		(18,391)[C]
CMP Pro Forma Basis adjustment	$	(4,302)	$	(12,357)

Income tax (expense) benefit:				
Exclusion of KC LLC historical results of operations	$	17[A]	$	847[A]
Elimination of CMP historical income tax expense		2,227[D]		6,989[D]
CMP Pro Forma Basis adjustment	$	2,244	$	7,836

Reconciliation of line items in the Overall Pro Forma Basis consolidated condensed balance sheet that have multiple footnote references:

(Dollars in thousands)

Cash and cash equivalents:		
Exclusion of KC LLC historical financial condition	$	(1,920)[A]
CMP Pro Forma Basis cash and cash equivalents adjustment		20,507[C]
CMP Pro Forma Basis adjustment	$	18,587
Prepaid expenses and other current assets:		
Exclusion of KC LLC historical financial condition	$	41[A]
CMP prepaid expense specific to CMP Management Agreement		(1,000)[B]
CMP Pro Forma Basis adjustment	$	(959)
Intangible assets, net:		
Exclusion of KC LLC historical financial condition	$	(15,233)[A]

(Dollars in thousands)

Adjustment to fair value of CMP s FCC license intangible assets		19,037E
CMP Pro Forma Basis adjustment	$	3,804
Goodwill:		
CMP Pro Forma Basis adjustment to Goodwill	$	450,559E
Dividend related to the CMP Preferred Stock		14,730J
CMP Pro Forma Basis adjustment	$	465,289
Deferred financing costs:		
Exclusion of KC LLC historical financial condition	$	(152)A
Deferred financing costs and related amortization of term loan under Existing Credit Agreement		(818)C
Deferred financing costs and related amortization		13,725C
CMP Pro Forma Basis adjustment	$	12,755
Accounts payable and accrued expenses:		
Exclusion of KC LLC historical financial condition	$	(9,288)A
CMI deferred revenue specific to CMP Management Agreement		(1,000)B
Tax benefit from the write off of deferred financing costs		(1,260)B
CMP Pro Forma Basis adjustment	$	(11,548)
Current portion of long-term debt:		
Exclusion of KC LLC historical financial condition	$	(86,228)A
Elimination of current portion of debt related to term loan under Existing Credit Agreement		(5,982)C
CMP Pro Forma Basis adjustment	$	(92,210)
Additional paid-in-capital:		
Exclusion of KC LLC historical financial condition	$	(367)A
Exclusion of CMP historical financial condition (less KC LLC)		(310,483)E
Equity consideration to CMP Sellers		84,990E
CMP Pro Forma Basis adjustment	$	(225,860)
Accumulated deficit:		
CMP historical accumulated deficit	$	793,272E
Removal of historical CMI ownership interest in CMP		13,924E
Write off of deferred financing costs and debt discount		(3,317)C
Tax benefit from the write off of deferred financing costs		1,260B
CMP Pro Forma Basis adjustment	$	805,139
Accounts payable and accrued expenses:		

Severance and retention bonuses to be paid to Citadel employees and executives in connection with Citadel Acquisition	$	24,200[G]
Elimination of intercompany accounts payable from Citadel		(1,077)[F]
Tax benefit from severance to be paid to Citadel payment of make whole provision related to redemption of Citadel Senior Notes, and CMI Deferred Financing Fees		(30,226)
Citadel Pro Forma and Global Refinancing Basis adjustment	$	(7,103)
Current portion of long-term debt:		
Elimination of CMP current portion of debt related to term loan under CMP Existing Credit Agreement	$	(93,228)[I]
Exclusion of KC LLC historical financial condition		86,228[A]
Elimination of Citadel current portion of debt related to term loan under Existing Credit Agreement		(875)[I]
Citadel Pro Forma and Global Refinancing Basis adjustment	$	(7,875)

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Additional paid-in-capital:		
$373.6 million of Cumulus Media equity securities to be sold to the Investors, net of fees of $21.4 million	$	373,600 H
Elimination of Citadel historical additional paid-in-capital		(1,275,565) F
Recognition of $0.01 par value of class A common stock to be issued		(2,145) L
Equity consideration to Citadel stockholders		483,880 F
Citadel Pro Forma and Global Refinancing Basis adjustment	$	(420,230)
Accumulated deficit:		
Citadel historical accumulated deficit	$	8,421 F
Severance to be paid to Citadel employees and executives in connection with Citadel Acquisition		(24,200) G
Payment of make whole provision related to redemption of Citadel Senior Notes		(31,000) I
Write-off Historical Citadel deferred financing costs		(19,978) I
Write off of Historical CMP deferred financing costs		(4,360) I
Write off of liability related to future interest payments recorded resultant from 2009 CMP Exchange Offer and debt issuance costs		1,715 I
Tax benefit from the write off of Historical Citadel and CMP deferred financing costs, exclusion of KC LLC historical financial condition, severance to be paid to Citadel employees and executives, and payment of make whole provision related to redemption of Citadel Senior Notes		30,226
Citadel Pro Forma and Global Refinancing Basis adjustment	$	(39,176)

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CUMULUS MEDIA PARTNERS, LLC

CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)
(Unaudited)

	March 31, 2011	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 12,717	$ 21,953
Restricted cash	601	601
Accounts receivable, less allowance for doubtful accounts of $367 and $449 in 2011 and 2010, respectively	30,087	35,846
Prepaid expenses and other current assets	8,494	7,002
Deferred tax asset		807
Total current assets	51,899	66,209
Property and equipment, net	24,362	26,538
Intangible assets, net	243,027	243,144
Goodwill	79,700	79,700
Deferred financing costs, net (including accumulated amortization of $13,399 and $12,709 in 2011 and 2010, respectively)	4,512	5,202
Other assets	333	
Long-term investment	4,000	4,000
Total assets	$ 407,833	$ 424,793
Liabilities and Members Deficit		
Current liabilities:		
Accounts payable	$ 1,435	$ 130
Accrued interest	9,216	7,363
Accrued state income taxes	1,021	1,118
Derivative instrument	1,666	3,252
Current portion of long-term debt	93,228	109,786
Other current liabilities	9,756	12,355
Total current liabilities	116,322	134,004
Long-term debt	613,984	615,734
Other liabilities	8,157	8,476
Deferred income taxes	84,315	83,620
Total liabilities	822,778	841,834
Members deficit		
Additional paid-in capital	310,850	310,850
Accumulated deficit	(793,272)	(795,368)

Total Cumulus Media Partners, LLC members deficit	(482,422)	(484,518)
Non-controlling interest	67,477	67,477
Total members deficit	(414,945)	(417,041)
Total liabilities and members deficit	$ 407,833	$ 424,793

See accompanying notes to the unaudited consolidated financial statements.

CUMULUS MEDIA PARTNERS, LLC

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2011	**2010**
Net revenues	$ 39,143	$ 37,917
Operating expenses:		
Station operating expenses (excluding depreciation and amortization and including LMA fees)	23,757	22,736
Depreciation and amortization	2,116	2,134
Corporate general and administrative expenses	2,482	1,770
(Gain) loss on disposals of assets or stations	(6)	1
Total operating expenses	28,349	26,641
Operating income	10,794	11,276
Non-operating (expense) income:		
Interest expense, net	(6,219)	(7,750)
Total non-operating expense, net	(6,219)	(7,750)
Income before income taxes	4,575	3,526
Income tax expense	(2,479)	(2,113)
Net income	$ 2,096	$ 1,413

See accompanying notes to the unaudited consolidated financial statements.

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CUMULUS MEDIA PARTNERS, LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010
Cash flows from operating activities:		
Net income	$ 2,096	$ 1,413
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,116	2,134
Amortization of debt issuance costs	691	663
Provision for doubtful accounts	(41)	42
Loss (gain) on disposals of assets or stations	(6)	1
Fair value adjustment of derivative instruments	(1,587)	(250)
Deferred income taxes	1,502	2,107
Changes in assets and liabilities:		
Restricted cash		57
Accounts receivable	5,801	6,334
Prepaid expenses and other current assets	(1,492)	(1,621)
Other assets	94	
Accounts payable and accrued expenses	462	(6,414)
Other liabilities	(319)	(384)
Net cash provided by operating activities	9,317	4,082
Cash flows from investing activities:		
Capital expenditures	(245)	(304)
Net cash used in investing activities	(245)	(304)
Cash flows from financing activities:		
Repayments of borrowings from bank credit facilities	(18,308)	(1,750)
Net cash used in financing activities	(18,308)	(1,750)
(Decrease) increase in cash and cash equivalents	(9,236)	2,028
Cash and cash equivalents at beginning of period	21,953	80,223
Cash and cash equivalents at end of period	$ 12,717	$ 82,251
Supplemental disclosures of cash flow information:		
Interest paid	$ 5,259	$ 5,750
Income taxes paid	3,632	4,446
Trade revenue	899	1,070
Trade expense	835	1,124

See accompanying notes to the unaudited consolidated financial statements.

CUMULUS MEDIA PARTNERS, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. Interim Financial Data and Basis of Presentation:

Interim Financial Data

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of Cumulus Media Partners, LLC and subsidiaries (CMP) and accompanying notes included in CMP s annual audited financial statements for the year ended December 31, 2010. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary for a fair statement of results of the interim periods have been made and such adjustments were of a normal and recurring nature. The results of operations and cash flows for the three months ended March 31, 2011 are not necessarily indicative of the results of operations or cash flows that can be expected for any other interim period or for the fiscal year ending December 31, 2011.

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to bad debts, intangible assets, derivative financial instruments, income taxes, and contingencies and litigation. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable and appropriate under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

Recent Accounting Pronouncements

ASU 2010-28. In December 2010, the Financial Accounting Standards Board (FASB) provided additional guidance for performing Step 1 of the test for goodwill impairment when an entity has reporting units with zero or negative carrying values. This Accounting Standards Update (ASU) updates Accounting Standards Codification (ASC) 350, *Intangibles Goodwill and Other*, to amend the criteria for performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires performing Step 2 if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The Company adopted this guidance effective on January 1, 2011. The update did not have a material impact on the Company s consolidated financial statements.

ASU 2010-29. In December 2010, the FASB issued clarification of the accounting guidance related to disclosure of pro forma information for business combinations that occur in the current reporting period. The guidance requires companies to present pro forma information in their comparative financial statements as if the acquisition date for any business combinations taking place in the current reporting period had occurred at the beginning of the prior year reporting period. The Company adopted this guidance effective January 1, 2011. The guidance did not have a material impact on the Company s financial statements.

2. Pending Acquisition of CMP by Cumulus Media Inc.

On January 31, 2011, Cumulus entered into an Exchange Agreement (the Exchange Agreement) with affiliates of Bain Capital Partners LLC (Bain), The Blackstone Group L.P. (Blackstone) and Thomas H. Lee Partners (THL and, together with Bain and Blackstone, the CMP Sellers). Pursuant to the Exchange Agreement, Cumulus agreed to (i) acquire all of the outstanding equity interests of CMP that it currently does not own in exchange for 3,315,238 shares of Cumulus Class A common stock and 6,630,476 shares of Cumulus Class D common stock; and (ii) enter into an agreement with the holders of currently outstanding warrants (the Radio Holdings Warrants) to purchase 3,740,893 shares of common stock of CMP

CUMULUS MEDIA PARTNERS, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

Susquehanna Radio Holdings Corp., an indirect wholly-owned subsidiary of CMP (Radio Holdings), which would amend the Radio Holdings Warrants to provide that, upon the closing of the CMP Acquisition, in lieu of being exercisable for shares of common stock of Radio Holdings, the Radio Holdings Warrants would instead be exercisable for an aggregate of 8,267,968 shares of Cumulus Class D common stock.

The closing of the CMP Acquisition is subject to various conditions, including that Cumulus stockholders approve the issuance of shares of common stock to the CMP Sellers in connection with the CMP Acquisition. In connection with Cumulus entry in the Exchange Agreement, Cumulus entered into voting agreements with holders of approximately 54.0% of the outstanding voting power of Cumulus common stock beneficially owned by them in favor of an amendment to the amended and restated certificate of incorporation of Cumulus to, among other things, create the Class D common stock and the issuance of shares of Cumulus common stock in connection with the CMP Acquisition at any meeting of stockholders called on which such matters are presented for approval. Accordingly, Cumulus expects such condition to be satisfied.

The transaction is expected to be completed in the third quarter of 2011. On February 23, 2011, Cumulus received an initial order from the FCC approving the transaction, and is currently waiting for the approval to become final.

3. Derivative Financial Instruments

The 2008 Swap became effective as of June 12, 2008 and will expire on June 12, 2011. The 2008 Swap changes the variable-rate cash flow exposure on $200.0 million of CMPSC s long-term bank borrowings to fixed-rate cash flows. Under the 2008 Swap, CMPSC receives LIBOR-based variable interest rate payments and makes fixed interest rate payments, thereby creating fixed-rate, long-term debt. The 2008 Swap, is not accounted for as a cash flow hedge instrument. Accordingly, the changes in its fair value are reflected within interest expense in the statement of operations.

The fair value of the 2008 Swap was determined using observable market based inputs (a Level 2 measurement). The fair value represents an estimate of the net amount that the Company would receive if the 2008 Swap was transferred to another party or canceled as of the date of the valuation. During the three months ended March 31, 2011 and 2010, the Company charged $1.7 million and $1.6 million, respectively, to interest income, within the interest income statement of operations location related to yield adjustment payments on the 2008 Swap.

The location and fair value amounts of derivatives in the condensed consolidated balance sheets are shown in the following table:

Information on the Location and Amount of the Derivative Fair Value in the Condensed Consolidated Balance Sheets (Dollars in thousands)

		Fair Value at	
	Balance Sheet Location	March 31, 2011	December 31, 2010
Derivative not designated as hedging instrument:			

Interest rate swap	Other current liabilities	$ 1,666	$ 3,252
	Total	**$ 1,666**	**$ 3,252**

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CUMULUS MEDIA PARTNERS, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

The location and effect of the derivative in the condensed consolidated statements of operations is shown in the following table (dollars in thousands):

Information on the Location and Amount of the Derivative Fair Value in the Condensed Consolidated Statements of Operations (Dollars in thousands)

Derivative Instrument	**Statement of Operations Location**	**Amount of Income Recognized on the Derivative for the Three Months Ended March 31, 2011**	**March 31, 2010**
Interest rate swap	Interest income	$ 1,586	$ 250
	Total	**$ 1,586**	**$ 250**

4. Fair Value Measurements

The three levels of the fair value hierarchy to be applied to financial instruments when determining fair value are described below:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access;

Level 2 Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and

Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company s financial assets and liabilities are measured at fair value on a recurring basis.

Financial assets and liabilities measured at fair value on a recurring basis as of March 31, 2011 were as follows (dollars in thousands):

Fair Value Measurements at Reporting Date Using

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial liabilities:				
Other current liabilities				
Interest rate swap(1)	$ (1,666)	$	$ (1,666)	$
Total liabilities	$ (1,666)	$	$ (1,666)	$

(1) The Company s derivative financial instrument consists solely of the 2008 Swap. The fair value of the 2008 Swap is determined based on the present value of future cash flows using observable inputs, including interest rates and yield curves. In accordance with mark-to-market fair value accounting requirements, derivative valuations incorporate adjustments that are necessary to reflect the Company s own credit risk.

The carrying values of receivables, payables, and accrued expenses approximate fair value due to the short maturity of these instruments.

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CUMULUS MEDIA PARTNERS, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

The following table shows the gross amount and fair value of the term loan facilities and revolving credit facilities that constitute the senior secured credit facilities of each of CMPSC and KC LLC (see Note 5, Long-Term Debt):

	March 31, 2011		December 31, 2010	
	CMPSC	KC LLC	CMPSC	KC LLC
Term loan:				
Carrying value	$ 594,823	$ 69,228	$ 613,131	$ 69,228
Fair value	$ 585,783	$ 8,654	$ 576,077	$ 8,654
Revolving credit facility:				
Carrying value	$	$ 17,000	$	$ 17,000
Fair value(1)	$	$ 2,131	$	$ 2,131

(1) The KC LLC revolving credit facility was not actively traded during the three months ended March 31, 2011 or 2010.

The fair values of the term loan facilities and revolving credit facilities are estimated using a discounted cash flow analysis, based on the marginal borrowing rates.

To estimate the fair values of the term loan facilities, the Company used quoted trading prices and an industry standard cash valuation model, which utilizes a discounted cash flow approach. The significant inputs for the valuation model include the following:

discount cash flow rate of 3.3%

interest rate of 2.2%; and

credit spread of 2.6%.

The use of different analyses, estimates, data points or methodologies could result in materially different results.

5. Long-Term Debt

Each of CMPSC and KC LLC have entered into various separate senior secured credit facilities, pursuant to which each entity, and its respective subsidiaries, have certain rights and obligations. Neither CMPSC nor KC LLC, nor any of their respective subsidiaries, have any rights or obligations pursuant to the other s senior secured credit facilities.

The Company s long-term debt consists of the following at March 31, 2011 and December 31, 2010 (dollars in thousands):

	March 31, 2011	December 31, 2010

Term loan facilities	$	664,051	$	682,359
Revolving credit facilities		17,000		17,000
9.875% senior subordinated notes		12,130		12,130
Variable rate senior subordinated secured second lien notes		14,031		14,031
Total debt		707,212		725,520
Less: Current portion of long-term debt		(93,228)		(109,786)
Long-term portion of debt	$	613,984	$	615,734

CUMULUS MEDIA PARTNERS, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

CMPSC

Credit Facilities and Senior Notes

In May 2006, CMPSC entered into a $700.0 million term loan facility and a $100.0 million revolving credit facility, which together comprise the CMPSC Credit Facilities , and issued $250.0 million in 9.875% Notes, as described below. At the closing of these transactions, CMPSC drew on only the $700.0 million term loan, plus $3.3 million in letters of credit to cover pre-existing workers compensation claims, reducing availability on the revolving credit facility to $96.7 million. CMPSC is charged a commitment fee of 0.5% on the unused portion of the revolving credit facility. As of March 31, 2011, CMPSC had approximately $95.4 million of remaining availability under its revolving credit facility.

Obligations under the CMPSC Credit Agreement are collateralized on a first-priority lien basis by substantially all of CMPSC s assets in which a security interest may lawfully be granted (including FCC licenses held by its subsidiaries) including, without limitation, intellectual property and all of the capital stock of CMPSC s direct and indirect subsidiaries. In addition, obligations under the CMPSC Credit Facilities are guaranteed by CMPSC s subsidiaries.

The term loan has a repayment schedule that has required quarterly principal payments of 0.25% of the original loan since September 30, 2006. Any unpaid balance on the revolving credit facility is due in May 2012 and the term loan is due in May 2013.

The representations, covenants and events of default in the credit agreement governing the CMPSC Credit Facilities (the CMPSC Credit Agreement) are customary for financing transactions of this nature. Events of default in the CMPSC Credit Agreement include, among others, (i) the failure to pay when due the obligations owing under the CMPSC Credit Facilities; (ii) the failure to comply with (and not timely remedy, if applicable) certain covenants; (iii) certain cross defaults and cross accelerations; (iv) the occurrence of bankruptcy or insolvency events; (v) certain judgments against the Company or any of its subsidiaries; (vi) the loss, revocation or suspension of, or any material impairment in the ability to use any of the CMPSC s material FCC licenses; (vii) any representation or warranty made, or report, certificate or financial statement delivered, to the lenders subsequently proven to have been incorrect in any material respect; (viii) the occurrence of a Change in Control (as defined in the CMPSC Credit Agreement); and (ix) violation of certain financial covenants. Upon the occurrence of an event of default, the lenders may terminate the loan commitments, accelerate all outstanding loans and exercise any of their rights under the CMPSC Credit Agreement and the ancillary loan documents as a secured party.

As mentioned above, the CMPSC Credit Agreement contains certain customary financial covenants including:

- a maximum total leverage ratio**;**
- a minimum interest coverage ratio**;** and
- a limit on annual capital expenditures.

The maximum total leverage ratio in the CMPSC Credit Agreement becomes more restrictive over the remaining term of the CMPSC Credit Agreement.

As of March 31, 2011, the Company was in compliance with all of its required covenants.

In accordance with the terms of the CMPSC Credit Agreement an excess cash flows payment of $16.6 million was made in the first quarter of 2011.

CUMULUS MEDIA PARTNERS, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

2008 Swap

On June 12, 2008, the Company entered into the 2008 Swap, which effectively fixed the interest rate, based on LIBOR, on $200.0 million of CMPSC s floating rate borrowings for a three-year period.

The interest rate for the term loan is 2.0% above LIBOR (2.2% at March 31, 2011) or 1.0% above the alternate base rate. The effective interest rate exclusive of the impact of the 2008 Swap on the loan amount outstanding under the CMPSC Credit Facilities was 2.4% as of March 31, 2011 and 2.3% as of December 31, 2010. The effective interest rate on borrowings under the CMPSC Credit Agreement as of March 31, 2011, inclusive of the 2008 Swap, was 3.5%. The revolving credit facility rate is variable based on the levels of leverage of CMPSC, and ranges from 1.8% to 2.3% above LIBOR and from 0.8% to 1.3% above the alternate base rate.

Amendment to CMPSC Credit Agreement

On May 11, 2009, CMPSC entered into an amendment to the CMPSC Credit Agreement. This amendment maintained the preexisting term loan facility under the CMPSC Credit Facilities, but reduced availability under the revolving credit facility thereunder from $100.0 million to $95.4 million (after giving effect to a repayment and permanent reduction in available credit of approximately $4.6 million).

The amendment also increased certain pre-existing restrictions, including with respect to acquisitions, which per the amendment are limited to an aggregate of $20.0 million unless such acquired entities are added as loan parties, and the ability to undertake certain corporate transactions.

9.875% Notes

In May 2006, CMPSC issued $250.0 million in 9.875% Notes. The 9.875% Notes have an interest rate of 9.875% and mature in May 2014. Radio Holdings and certain of its subsidiaries are guarantors under the 9.875% Notes.

2014 Notes

Interest on the 2014 Notes (defined below) accrues at a floating rate equal to LIBOR plus 3.0% and is payable semiannually on May 15 and November 15 of each year, beginning on May 15, 2009. The 2014 Notes will mature on May 15, 2014.

The 2014 Notes are secured by second-priority liens on tangible and intangible assets of CMPSC and its subsidiaries to the extent they can be perfected by the filing of financing statements or other similar registrations and are permitted under agreements governing CMPSC s other indebtedness, including the CMPSC Credit Agreement. Pledged assets do not include shares of capital stock of CMPSC or any of its subsidiaries or debt securities held by CMPSC or any of its subsidiaries.

The 2014 Notes are (i) general obligations of CMPSC; (ii) secured on a second-priority basis by a security interest in substantially all of CMPSC s existing and future assets to the extent pledged and assigned to the 2014 Notes trustee pursuant to the security agreement in favor of the holders of the 2014 Notes, subject and subordinate certain permitted priority liens; (iii) subordinated to all first-priority senior secured indebtedness of CMPSC (including the CMPSC

Credit Facilities); (iv) effectively senior to all unsecured indebtedness of CMPSC; and (v) initially guaranteed on a second-priority senior secured subordinated basis by CMPSC s direct parent, CMP Susquehanna Radio Holdings Corp. (Radio Holdings) and each subsidiary of CMPSC that guarantees the senior secured credit facilities. Each guarantee of the 2014 Notes is a second-

CUMULUS MEDIA PARTNERS, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

priority senior subordinated secured obligation of the guarantor and is subordinated in right of payment to all existing and future first-priority senior indebtedness of such guarantor, including each guarantor s guarantee of CMPSC s obligations under the CMPSC Credit Facilities and structurally subordinated to all existing and future indebtedness of non-guarantor subsidiaries of CMPSC.

The indenture governing the 2014 Notes (the 2014 Notes Indenture) contains covenants that limit CMPSC s ability and the ability of its restricted subsidiaries to, among other things, (i) incur additional indebtedness or issue certain preferred shares; (ii) pay dividends on or make distributions in respect of CMPSC s capital stock or make other restricted payments; (iii) make certain investments; (iv) sell certain assets; (v) create liens on certain assets to secure debt; (vi) consolidate, merge, sell or otherwise dispose of all or substantially all of CMPSC s assets; and (vii) designate CMPSC s subsidiaries as unrestricted subsidiaries. The 2014 Notes Indenture also contains a covenant providing that, to the extent required to permit holders of 2014 Notes (other than affiliates of CMPSC) to sell their 2014 Notes without registration under the Securities Act, CMPSC or Radio Holdings will make publicly available the information concerning CMPSC or Radio Holdings as specified in Rule 144(c)(2) under the Securities Act.

CMPSC may redeem some or all of the 2014 Notes at any time after the issue date at a redemption price equal to 100% of their principal amount, plus any accrued and unpaid interest through the redemption date.

Upon the occurrence of a Change of Control (as defined in the 2014 Notes Indenture), each holder of the 2014 Notes will have the right to require CMPSC to repurchase all of such holder s 2014 Notes at a repurchase price equal to 101% of the aggregate principal amount, plus any accrued and unpaid interest through the repurchase date.

The 2014 Notes Indenture contains events of default that are customary for agreements of this type, including failure to make required payments, failure to comply with certain agreements or covenants, failure to pay certain other indebtedness and the occurrence of certain events of bankruptcy and insolvency and certain judgment defaults.

KC LLC

In May 2006, KC LLC entered into a $72.4 million term loan facility and a $26.0 million revolving credit facility under the CMP KC Credit Facility. At the closing of the transactions, by which the Company was formed, KC LLC drew on the $72.4 million term loan, plus $5.0 million in letters of credit, reducing availability on the revolving credit facility to $21.0 million. KC LLC is charged a commitment fee of 0.5% on the unused portion of the revolving credit facility.

The term loan has a repayment schedule that requires principal payments payable at the end of each quarter equal to 0.25% of the original loan. The unpaid balance on the revolving credit facility became due in May 2010 and the term loan became due in May 2011.

Obligations under the CMP KC LLC Credit Facility are collateralized by substantially all of KC LLC s assets in which a security interest may lawfully be granted (including FCC licenses held by its subsidiaries), including, without limitation, intellectual property and all of the capital stock of KC LLC s direct and indirect subsidiaries.

The representations, covenants and events of default in the credit agreement governing the CMP KC LLC Credit Facility (the KC LLC Credit Agreement) are customary for financing transactions of this nature.

On January 21, 2010, KC LLC received a notice of default pertaining to the KC LLC Credit Agreement from the administrative agent thereunder (the Agent). The notice of default referenced the failure of KC LLC to make the scheduled principal and interest payments that were due and payable under the KC LLC Credit Agreement on December 31, 2009. Under the notice of default and pursuant to the KC LLC Credit

CUMULUS MEDIA PARTNERS, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

Agreement, the Agent accelerated all obligations under the KC LLC Credit Agreement, declaring the unpaid principal amount of all outstanding loans, accrued and unpaid interest, and all amounts due under the KC LLC Credit Agreement to be immediately due and payable.

Accordingly, the Company classified all amounts due under the KC LLC Credit Agreement as current or approximately $85.5 million of debt outstanding thereunder was classified as current on the Company s consolidated balance sheets as of March 31, 2011.

Furthermore, under the terms of the KC LLC Credit Agreement, interest on the outstanding loans thereunder, all accrued interest and any other amounts due began to accrue interest on December 31, 2009 at a default rate. Such default rate provides for interest at 2.0% per year in excess of the rate of interest generally provided for in the KC LLC Credit Agreement. Under the terms of the KC LLC Credit Agreement the Agent may, and at the request of a majority of the lenders thereunder shall, exercise all rights and remedies available to the Agent and the lenders under law. These remedies include but are not limited to seeking a judgment from KC LLC for the monies owed and enforcing the liens granted to the lenders commencing foreclosure proceedings relative to the assets of KC LLC. The Company has held preliminary discussions with the Agent and certain of the lenders, who to date have not commenced any remedial actions.

Neither the default under the KC LLC Credit Agreement, the acceleration of all sums due thereunder, nor the exercise of any of the remedies in respect thereof by the Agent or the lenders, constitute a default under the CMPSC Credit Agreement, nor provide the lenders thereunder any contractual right or remedy. Further, neither CMPSC nor any of its subsidiaries has provided any guarantee with respect to the KC LLC Credit Facilities.

On February 4, 2011, the Company entered into a restructuring support agreement (the KC Restructuring Agreement) along with Radio Holdco and KC LLC regarding the restructuring of KC LLC s debt with the lenders under the CMP KC LLC Credit Facility (the KC Restructuring). The KC Restructuring is expected to be implemented through a pre-packaged plan of reorganization filed with the United States Bankruptcy Court for the District of Delaware (the Pre-packaged Bankruptcy Proceeding). The Company expects the Pre-packaged Bankruptcy Proceeding will occur, and the KC Restructuring will be completed, during the third quarter of 2011. If the KC Restructuring is completed in accordance with the terms and conditions of the KC Restructuring Agreement: (1) Radio Holdco will distribute all of the outstanding common stock of Radio Holdco to the Company; (2) KC LLC s outstanding debt and interest of $94.8 million at March 31, 2011 will be reduced to $20.0 million; (3) all of the equity of Radio Holdco will be transferred to the lenders under the CMP KC LLC Credit Facility or their nominee; and (4) Cumulus will continue to manage the radio stations of KC LLC in 2011, subject to annual renewal of the management arrangement thereafter. As a result, the Company will no longer have an ownership interest in KC LLC. The KC Restructuring is expected to have certain tax implications for Radio Holdco in 2011 related to the cancelation of indebtedness but given the loss attributes of Radio Holdco, the Company does not expect to pay a significant amount of income tax related to this transaction.

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CUMULUS MEDIA PARTNERS, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

6. Intangible Assets and Goodwill

The following tables present the changes in intangible assets and goodwill during the periods ended December 31, 2010 and March 31, 2011 and balances as of such dates (dollars in thousands):

	Indefinite Lived	Definite Lived	Total
Intangible Assets:			
Balance as of December 31, 2009	$ 243,023	$ 3,937	$ 246,960
Amortization		(520)	(520)
Impairment	(3,296)		(3,296)
Balance as of December 31, 2010	$ 239,727	$ 3,417	$ 243,144
Amortization		(117)	(117)
Balance as of March 31, 2011	$ 239,727	$ 3,300	$ 243,027

	Goodwill
Goodwill:	
Balance as of December 2009	$ 79,700
Impairment	
Balance as of December 2010	$ 79,700
Impairment	
Balance as of March 31, 2011	$ 79,700

Favorable leases and pre-sold advertising contracts are amortized using the straight-line method over their respective terms. Amortization expense related to intangible assets was $0.1 million for the three months ended March 31, 2011 and 2010.

7. Members Deficit

On October 31, 2005, the Company entered into a capital contribution agreement with Cumulus, Bain, Blackstone, and THL. Bain, Blackstone and THL each contributed $75.0 million in cash, in exchange for 75.0 Class A voting units of the Company. Cumulus contributed $75.0 million of assets (the KC LLC Contribution), in exchange for 75.0 Class B voting units of the Company. Cumulus also received 25.0 units each of Class C1, C2, and C3 non-voting units

of the Company. The KC LLC Contribution consisted of four radio stations in Kansas City, Missouri and Houston, Texas. The CMP Sellers and Cumulus each contributed an additional $6.3 million in cash for 6.25 Class AA non-voting units. In connection with this transaction, the Company paid $14.2 million to the CMP Sellers and Cumulus for their equity raising efforts; these payments were netted against the contributed capital of the CMP Sellers and Cumulus. The CMP Sellers and Cumulus, as the four members of the Company, each received a 25.0% interest in the Company. To the extent distributions are made, the distributions are based on each member s allocable portion of the Distributable Assets, as defined by the capital contribution agreement.

For the three months ended March 31, 2011 and 2010, CMP did not make distributions to any of its members.

On March 26, 2009, in connection with the 2009 Exchange Offer, Radio Holdings issued 3,273,633 shares of preferred stock and warrants exercisable for 3,740,893 shares of Radio Holdings common

CUMULUS MEDIA PARTNERS, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

stock. With respect to the payment of dividends and the amounts to be paid upon liquidation, the preferred stock ranks:

senior to the common stock of Radio Holdings and all other equity securities designated as ranking junior to the preferred stock;

on a parity with all equity securities designated as ranking on a parity with the preferred stock; and

junior to all equity securities designated as ranking senior to the preferred stock.

On January 1, 2009, CMP adopted additional authoritative guidance relating to consolidations in accordance with ASC 810, *Consolidations*. The additional guidance required that non-controlling interests be reported as a separate component of equity on the Company s consolidated statements of financial position. In conjunction with the 2009 Exchange Offer, Radio Holdings issued approximately $67.5 million in non-controlling equity interest related to the preferred stock and warrants.

Dividends on the preferred stock are payable semiannually in arrears, only when, as, and if declared by the board of directors of Radio Holdings from funds legally available, payable in additional shares of the preferred stock, at an annual rate equal to 9.875% on, (i) the stated value per share of preferred stock and (ii) the amount of accrued and unpaid dividends (including dividends thereon, at an annual rate of 9.875% to the date of payment). Dividends are calculated and compounded semiannually and will be cumulative from the date of first issuance. Any dividends are calculated, based on a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month. CMP has not declared any dividends on the preferred stock.

8. Commitments and Contingencies

CMPSC is a limited partner in San Francisco Baseball Associates L.P. CMPSC owns rights to broadcast San Francisco Giants Major League Baseball games for the 2009 through 2012 baseball seasons. CMP is required to pay rights fees of $5.6 million each year. The carrying value of CMP s investment in San Francisco Baseball Associates L.P. is $4.0 million as of March 31, 2011 and 2010. CMP accounts for this investment under the cost method and elected not to calculate the fair value of the investment as CMP s management determined it would not be practicable due to excessive costs.

CMPSC owns rights to broadcast Kansas City Chiefs National Football League professional football games during the 2010 through 2013 football seasons. The contract requires minimum rights payments of $2.9 million, $2.8 million and $2.9 million for the 2011, 2012 and 2013 football seasons, respectively. CMP expensed rights payments of $2.3 million for the 2010 football season.

The radio broadcast industry s principal ratings service is Arbitron, which publishes surveys for domestic radio markets. CMPSC and KC LLC have five-year agreements with Arbitron under which they receive programming ratings materials in a majority of their respective markets. The remaining aggregate obligation of CMPSC and KC LLC under their agreements with Arbitron was $1.3 million as of March 31, 2011 and will be paid in accordance with the agreements through March 2013.

On January 21, 2010, a former employee of CMPSC filed a purported class action lawsuit against CMPSC claiming (i) unlawful failure to pay required overtime wages; (ii) late pay and waiting time penalties; (iii) failure to provide accurate itemized wage statements; (iv) failure to indemnity for necessary expenses and losses; and (v) unfair trade practices under California s Unfair Competition Act. The plaintiff is requesting restitution, penalties and injunctive relief, and seeks to represent other California employees fulfilling the same job during the immediately preceding four year period. CMP is vigorously defending this lawsuit and has not yet determined what effect the lawsuit will have, if any, on its financial position, results of operations or cash flows.

CUMULUS MEDIA PARTNERS, LLC

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) (Continued)

CMPSC and KC LLC engage Katz as their national advertising sales agent. The national advertising agency contract with Katz contains termination provisions that, if exercised by CMPSC or KC LLC during the term of the contract, would obligate CMPSC or KC LLC to pay a termination fee to Katz, based on a formula set forth in the contract.

CMP is currently, and expects that from time to time in the future, it will be party to, or a defendant in, various claims or lawsuits that are generally incidental to its business. CMP expects that it will vigorously contest any such claims or lawsuits and believes that the ultimate resolution of any known claim or lawsuit will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

9. Tax

The effective income tax rate for the three months ended March 31, 2011 is 54.0% compared to 59.0% for the three months ended March 31, 2010. The Company s effective tax rate is increased in both periods as the result of KC LLC losses for which the Company is not able to record a tax benefit. Due to a history of losses and future inability to utilize such losses, the Company established a valuation allowance. The Company s effective tax rate is comprised of two consolidated groups, KC LLC and Radio Holdings, which file separately for federal income tax purposes. As a result, losses from one consolidated group cannot be utilized to offset taxable income from the other. Prior to March 26, 2009, KC LLC and Radio Holdings filed one consolidated U.S. federal income tax return. However as the result of a deconsolidating event that occurred on March 26, 2009, the two consolidated groups must file separately for federal income tax purposes.

10. Restricted Cash

CMPSC is required to secure the maximum exposure generated by automated clearing house transactions in its operating bank accounts as dictated by CMPSC s bank s internal policies with cash. This action was triggered by an adverse rating as determined by CMPSC s bank s rating system. These funds were moved to a segregated bank. As of March 31, 2011 and December 31, 2010, CMP s balance sheet included approximately $0.6 million in restricted cash related to the automated clearing house transactions.

11. Related Party

Holdings is party to a management agreement with Cumulus, a radio broadcasting corporation focused on acquiring, operating and developing commercial radio stations in mid-size radio markets. Pursuant to the terms of the management agreement, Cumulus personnel manage the operations of CMP s subsidiaries. Holdings has agreed to pay Cumulus an annual management fee of approximately 4.0% of the consolidated EBITDA of CMP s subsidiaries or $4.0 million, whichever is greater, to be paid in quarterly installments. For the three months ended March 31, 2011 and 2010, Holdings paid approximately $1.0 million in management fees to Cumulus.

On January 31, 2011, CMP signed a definitive agreement with Cumulus, through which Cumulus will acquire the remaining 75.0% equity interests in CMP that Cumulus does not currently own. See Note 2, Pending Acquisition of CMP by Cumulus Media Inc. , for further discussion.

Report of Independent Registered Public Accounting Firm

To the Members of Cumulus Media Partners LLC:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of members equity (deficit) and comprehensive income (loss) and of cash flows present fairly, in all material respects, the financial position of Cumulus Media Partners LLC, (the Company), and its subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Atlanta, Georgia
March 30, 2011

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Cumulus Media Partners, LLC

Consolidated balance sheets

	December 31, 2010	December 31, 2009
	(Dollars in thousands)	
Assets		
Current assets:		
Cash and cash equivalents	$ 21,953	$ 79,623
Restricted cash	601	668
Accounts receivable, less allowance for doubtful accounts of $448 and $540 in 2010 and 2009, respectively	35,846	36,111
Prepaid expenses and other current assets	7,002	6,221
Deferred tax asset	807	778
Total current assets	66,209	123,401
Property and equipment, net	26,538	33,389
Intangible assets, net	243,144	246,959
Goodwill	79,700	79,700
Deferred financing costs, net (including accumulated amortization of $12,709 and $10,191 in 2010 and 2009, respectively)	5,202	8,234
Long-term investment	4,000	4,000
Total assets	$ 424,793	$ 495,683
Liabilities and Members Deficit		
Current liabilities:		
Accounts payable	$ 130	$ 2,182
Current portion of long-term debt	109,786	93,228
Accrued interest	7,363	1,871
Accrued state income taxes	1,118	5,175
Derivative instrument	3,252	
Other current liabilities	12,355	10,376
Total current liabilities	134,004	112,832
Long-term debt	615,734	731,341
Other liabilities	8,476	18,104
Deferred income taxes	83,620	69,732
Total liabilities	841,834	932,009
Members deficit		
Additional paid-in capital	310,850	310,850
Accumulated deficit	(795,368)	(814,653)

Total Cumulus Media Partners, LLC members deficit	(484,518)	(503,803)
Non-controlling interest	67,477	67,477
Total members deficit	(417,041)	(436,326)
Total liabilities and members deficit	$ 424,793	$ 495,683

See accompanying notes to the consolidated financial statements.

Cumulus Media Partners, LLC

Consolidated statements of operations

	Years Ended December 31,		
	2010	**2009**	**2008**
	(Dollars in thousands)		
Net revenues	$ 188,718	$ 175,896	$ 212,429
Operating expenses:			
Station operating expenses (excluding depreciation and amortization and including LMA fees)	103,103	100,952	128,670
Depreciation and amortization	8,576	8,232	9,015
Corporate general and administrative expenses	8,397	10,701	7,465
Loss (gain) on disposals of stations or assets	29	68	(660)
Impairment of long-term investments			3,011
Impairment of goodwill and intangible assets	3,296	209,939	687,849
Total operating expenses	123,401	329,892	835,350
Operating income (loss)	65,317	(153,996)	(622,921)
Non-operating (expense) income:			
Interest expense, net	(28,171)	(34,473)	(71,308)
Gain on early extinguishment of debt		86,958	20,935
Other income, net	349	753	258
Income (loss) before income taxes	37,495	(100,758)	(673,036)
Income tax (expense) benefit	(18,210)	51,507	127,519
Net income (loss)	$ 19,285	$ (49,251)	$ (545,517)

See accompanying notes to the consolidated financial statements.

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Cumulus Media Partners, LLC

Consolidated statement of members equity (deficit) and comprehensive (loss) income

	Years Ended December 31,											
	Class A		Class B		Class C		Class AA		Additional		Non-	Total
	Number of units	Par value	Number of units	Par value	Number of units	Par value	Number of units	Par value	paid-in capital	Accumulated deficit	controlling interest	members equity (deficit)
	(Dollars in thousands)											
Balance as of December 31, 2007	225	$	75	$	75	$	25	$	$ 310,850	$ (219,885)	$	$ 90,965
Net loss										(545,517)		(545,517)
Total comprehensive loss												(545,517)
Balance as of December 31, 2008	225	$	75	$	75	$	25	$	$ 310,850	$ (765,402)	$	$ (454,552)
Net loss										(49,251)		(49,251)
Total comprehensive loss												(49,251)
Distributions to non-controlling interests											67,477	67,477
Balance as of December 31, 2009	225	$	75	$	75	$	25	$	$ 310,850	$ (814,653)	$ 67,477	$ (436,326)
Net income										19,285		19,285
Total comprehensive income												19,285

Balance as of December 31, 2010	225	$	75	$	75	$	25	$		$	310,850	$	(795,368)	$	67,477	$	(417,041)

See accompanying notes to the consolidated financial statements.

Cumulus Media Partners, LLC

Consolidated statements of cash flows

	Year ended December 31,		
	2010	2009	2008
	(Dollars in thousands)		
Cash flows from operating activities:			
Net income (loss)	$ 19,285	$ (49,251)	$ (545,517)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Gain on debt exchange		(86,958)	(20,935)
Depreciation and amortization	8,576	8,232	9,015
Amortization of debt issuance costs	2,595	2,996	3,670
Provision for doubtful accounts	419	688	2,234
Loss (gain) on disposals of assets or stations	29	68	(660)
Gain on casualty loss	(350)	(592)	
Fair value adjustment of derivative instruments	(4,213)	1,522	5,944
Impairment of long-term investments			3,011
Impairment of goodwill and intangibles	3,296	209,939	687,849
Deferred income taxes	13,859	(53,925)	(129,285)
Changes in assets and liabilities, net of effects of acquisitions/dispositions:			
Accounts receivable	(151)	2,893	6,874
Restricted cash	67	(668)	
Prepaid expenses and other current assets	(784)	(2,762)	(993)
Accounts payable and accrued expenses	(808)	5,361	(144)
Other liabilities	10	(974)	(52)
Net cash provided by operating activities	41,830	36,569	21,011
Cash flows from investing activities:			
Capital expenditures	(801)	(1,375)	(2,700)
Insurance proceeds from losses related to Hurricane Ike	350		1,000
Proceeds from sale of assets or radio stations			2,460
Purchase of intangible assets		(174)	(9)
Net cash (used in) provided by investing activities	(451)	(1,549)	751
Cash flows from financing activities:			
Proceeds from revolving credit facilities		5,500	115,130
Repurchase of senior notes			(32,486)
Debt amendment costs and other bank fees		(380)	
Payments on revolving line of credit and term loan	(99,049)	(42,543)	(22,724)
Debt exchange costs		(2,257)	
Net cash (used in) provided by financing activities	(99,049)	(39,680)	59,920

Net (decrease) increase in cash and cash equivalents	(57,670)	(4,660)	81,682
Cash and cash equivalents, beginning of period	79,623	84,283	2,601
Cash and cash equivalents, end of period	$ 21,953	$ 79,623	$ 84,283
Supplemental disclosures of cash flow information:			
Interest paid	$ 24,371	$ 29,686	$ 65,110
Income taxes paid	3,202	1,742	1,767
Trade revenue	4,803	4,918	3,074
Trade expense	4,576	5,226	3,028

See accompanying notes to the consolidated financial statements.

Cumulus Media Partners, LLC

Notes to consolidated financial statements

1. Description of business, basis of presentation and summary of significant accounting policies:

Description of business

Cumulus Media Partners, LLC and subsidiaries (CMP or the Company) is a radio broadcasting company organized in the state of Delaware, focused on operating and developing commercial radio stations in the top 50 radio markets in the United States. The Company holds its radio broadcasting assets through two indirect wholly owned subsidiaries, CMP Susquehanna Corp. (CMPSC) and CMP KC, LLC (KC LLC), both of which it owns indirectly through its direct, wholly owned subsidiary CMP Susquehanna Holdings Corp. (Holdings).

Basis of presentation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Reportable segment

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

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to bad debts, intangible assets, derivative financial instruments, income taxes, and contingencies and litigation. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable and appropriate under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

Cash and cash equivalents

The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts receivable and concentration of credit risks

Accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is the Company s best estimate of the amount of probable credit losses in the Company s existing accounts receivable. The Company determines the allowance based on several factors including the length of time receivables are past due,

trends and current economic factors. All balances are reviewed and evaluated on a consolidated basis. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance-sheet credit exposure related to its customers.

In the opinion of management, credit risk with respect to accounts receivable is limited due to the large number of diversified customers and the geographic diversification of the Company s customer base. The Company performs ongoing credit evaluations of its customers and believes that adequate allowances for any uncollectible accounts receivable are maintained.

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

Property and equipment

Property and equipment are stated at cost. Property and equipment acquired in business combinations are recorded at their estimated fair values on the date of acquisition under the purchase method of accounting. Equipment under capital leases is stated at the present value of minimum lease payments.

Depreciation of property and equipment is computed using the straight-line method over the estimated useful lives of the assets. Equipment held under capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the estimated useful life of the asset or the remaining term of the lease. Depreciation of construction in progress is not recorded until the assets are placed into service. Routine maintenance and repairs are expensed as incurred.

Accounting for national advertising agency contract

For all periods presented, CMPSC and KC LLC engaged Katz Media Group, Inc. (Katz) as their national advertising sales agent. The contract has several economic elements that principally reduce the overall expected commission rate below the stated base rate. The Company estimates the overall expected commission rate over the entire contract period and applies that rate to commissionable revenue throughout the contract period with the goal of estimating and recording a stable commission rate over the life of the contract.

The potential commission adjustments are estimated and combined in the balance sheet with the contractual termination liability. That liability is accreted to commission expense to effectuate the stable commission rate over the course of the Katz contract.

The Company s accounting for and calculation of commission expense to be realized over the life of the Katz contract requires management to make estimates and judgments that affect reported amounts of commission expense. Actual results may differ from management s estimates. Over the course of the contractual term between Katz and both CMPSC and KC LLC, management will continually update its assessment of the effective commission expense attributable to national sales in an effort to record a consistent commission rate.

Fair values of financial instruments

The carrying values of cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate fair value due to the short maturity of these instruments. See Note 7, Fair Value Measurements , for further discussion.

Derivative financial instruments

CMPSC entered into an interest rate swap agreement on June 12, 2008 (the 2008 Swap). The Company recognized the 2008 Swap on the balance sheet at fair value and does not qualify it as a hedging instrument; accordingly the change in fair value is recorded in income. See Note 6, Derivative Financial Instruments .

Debt issuance costs

The costs related to the issuance of debt are capitalized and amortized to interest expense over the life of the related debt. During the years ended December 31, 2010, 2009 and 2008, the Company recognized amortization expense

related to debt issuance costs of $2.6 million, $3.1 million and $3.6 million, respectively. During 2009 and 2008, the Company wrote off approximately $4.4 million and $1.7 million of debt issuance costs associated with the 2009 Exchange Offer (as defined in Note 8, Long-Term Debt) and the repurchase of $55.1 million of CMPSC s 9.875% senior subordinated notes (the 9.875% Notes), respectively.

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

Impairment of long-lived assets

Long-lived assets, such as property and equipment and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposed group classified as held for sale would be presented separately in the appropriate asset and liability sections of the balance sheet.

Intangible assets and goodwill

The Company s intangible assets are comprised of broadcast licenses, goodwill and certain other intangible assets. Goodwill represents the excess of costs over fair value of assets acquired. Goodwill and intangible assets acquired in a business combination and determined to have an indefinite useful life, which include the Company s broadcast licenses, are not amortized, but instead tested for impairment at least annually. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values and reviewed for impairment.

In determining that the Company s broadcast licenses qualified as indefinite-lived intangibles, management considered a variety of factors including the Federal Communications Commission s historical track record of renewing broadcast licenses, the very low cost to the Company of renewing the applications, the relative stability and predictability of the radio industry and the relatively low level of capital investment required to maintain the physical plant of a radio station. The Company evaluates the recoverability of its indefinite-lived assets, which include broadcasting licenses, goodwill, deferred charges, and other assets and measurement of an impairment loss require the use of significant judgments and estimates. Future events may impact these judgments and estimates. If events or changes in circumstances were to indicate that an asset s carrying value is not recoverable, a write-down of the asset would be recorded through a charge to operations.

Revenue recognition

Revenue is derived primarily from the sale of commercial airtime to local and national advertisers. Revenue is recognized as commercials are broadcast. Revenues presented in the financial statements are reflected on a net basis, after the deduction of advertising agency fees by the advertising agencies, usually at a rate of 15.0%.

Trade agreements

The Company provides commercial airtime in exchange for goods and services used principally for promotional, sales and other business activities. An asset and liability is recorded at the fair market value of the goods or services received. Trade revenue is recorded and the liability is relieved when commercials are broadcast and trade expense is recorded and the asset relieved when goods or services are consumed.

Income taxes

The Company uses the liability method of accounting for deferred income taxes. Deferred income taxes are recognized for all temporary differences between the tax and financial reporting bases of the Company s assets and liabilities based on enacted tax laws and statutory tax rates applicable to the periods in which the differences are expected to affect taxable income. A valuation allowance is recorded for a net deferred tax

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

asset balance when it is more likely than not that the benefits of the tax asset will not be realized. The Company continues to assess the need for its deferred tax asset valuation allowance in the jurisdictions in which it operates. Any adjustment to the deferred tax asset valuation allowance would be recorded in the income statement of the period that the adjustment is determined to be required. See Note 10, Income Taxes for further discussion.

2. Recent accounting pronouncements:

ASU 2009-17. In December 2009, the Financial Accounting Standards Board (FASB) issued ASU No. 2009-17, *Consolidations (Topic 810) Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* (ASU No. 2009-17) which amends the FASB ASC for the issuance of FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R), issued by the FASB in June 2009. The amendments in this ASU replace the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity (VIE) with an approach primarily focused on identifying which reporting entity has the power to direct the activities of a VIE that most significantly impact the entity s economic performance and (1) the obligation to absorb the losses of the entity or (2) the right to receive the benefits from the entity. ASU No. 2009-17 also requires additional disclosure about a reporting entity s involvement in a VIE, as well as any significant changes in risk exposure due to that involvement. ASU No. 2009-17 is effective for annual and interim periods beginning after November 15, 2009. The adoption of ASU No. 2009-07 required the Company to make additional disclosures but did not have a material impact on the Company s financial position, results of operations or cash flows.

ASU 2010-06. The FASB issued ASU No. 2010-06 which provides improvements to disclosure requirements related to fair value measurements. New disclosures are required for significant transfers in and out of Level 1 and Level 2 fair value measurements, disaggregation regarding classes of assets and liabilities, valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3. These disclosures are effective for the interim and annual reporting periods beginning after December 15, 2009. Additional new disclosures regarding the purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010 beginning with the first interim period. The Company adopted the portions of this update which became effective January 1, 2010, for its financial statements as of that date. See Note 7, Fair Value Measurements . The adoption of ASU No. 2010-06 required the Company to make additional disclosures but did not have a material impact on the Company s financial position, results of operations or cash flows.

ASU 2010-28. In December 2010, the FASB provided additional guidance for performing Step 1 of the test for goodwill impairment when an entity has reporting units with zero or negative carrying values. This ASU updates ASC 350, *Intangibles Goodwill and Other*, to amend the criteria for performing Step 2 of the goodwill impairment test for reporting units with zero or negative carrying amounts and requires performing Step 2 if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The guidance will be effective for the Company on January 1, 2011. The amended guidance is not expected to have a material impact on the Company s consolidated financial statements.

ASU 2010-29. In December 2010, the FASB issued clarification of the accounting guidance around disclosure of pro forma information for business combinations that occur in the current reporting period. The guidance requires the Company to present pro forma information in its comparative financial statements as if the acquisition date for any business combinations taking place in the current reporting period had occurred at the beginning of the prior year

reporting period. The Company will adopt this guidance effective January 1, 2011, and include any required pro forma information for any proposed acquisition by the Company.

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

3. Property and equipment

Property and equipment consist of the following as of December 31, 2010 and 2009 (dollars in thousands):

	Estimated useful life	2010	2009
Land		$ 6,128	$ 6,129
Broadcasting and other equipment	3 to 7 years	41,569	40,515
Computer and capitalized software costs	1 to 3 years	1,167	1,135
Furniture and fixtures	5 years	3,764	3,756
Leasehold improvements	5 years	4,181	4,122
Buildings	20 years	3,950	3,949
		60,759	59,606
Less: accumulated depreciation		(34,221)	(26,217)
Total property and equipment, net		$ 26,538	$ 33,389

Depreciation expense was $8.0 million, $7.5 million and $7.5 million for the years ended December 31, 2010, 2009 and 2008.

4. Intangible assets and goodwill

The following tables present the changes in intangible assets and goodwill for the years ended December 31, 2010 and 2009 (dollars in thousands):

	Indefinite lived	Definite lived	Total
Intangible Assets:			
Balance as of December 31, 2008	$ 452,788	$ 4,639	$ 457,427
Disposition	174		174
Amortization		(702)	(702)
Impairment	(209,939)		(209,939)
Balance as of December 31, 2009	$ 243,023	$ 3,937	$ 246,960
Acquisition			
Amortization		(520)	(520)
Impairment	(3,296)		(3,296)

Balance as of December 31, 2010	$	239,727	$	3,417	$	243,144

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Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

	2010	2009
Balance as of January 1:		
Goodwill	$ 548,378	$ 548,378
Accumulated impairment losses	(468,678)	(468,678)
Subtotal	79,700	79,700
Impairment losses		
Goodwill related to sale of business unit		
Balance as of December 31:		
Goodwill	548,378	548,378
Accumulated impairment losses	(468,678)	(468,678)
Total	$ 79,700	$ 79,700

Favorable leases and pre-sold advertising contracts are amortized using the straight-line method over their respective terms. Amortization expense related to intangible assets was $0.5 million, $0.7 million and $1.5 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Amortization expense relative to definite-lived intangible assets is estimated to be as follows (dollars in thousands):

Years ending December 31,	
2011	$ 465
2012	461
2013	454
2014	435
2015	381
Thereafter	1,221
	$ 3,417

The Company has significant intangible assets recorded and these intangible assets are comprised primarily of broadcast licenses and goodwill acquired through the acquisition of radio stations. The Company reviews the carrying value of its indefinite-lived intangible assets and goodwill at least annually for impairment. If the carrying value exceeds the estimate of fair value, the Company calculates the impairment as the excess of the carrying value of goodwill over its implied fair value and charges the impairment to results of operations.

Goodwill

2010 impairment testing

The Company performs its annual impairment testing of goodwill during the fourth quarter or on an interim basis if events or circumstances indicate that goodwill may be impaired. The calculation of the fair value of each reporting unit is prepared using an income approach and discounted cash flow methodology. As part of its overall planning associated with the testing of goodwill, the Company determined that its geographic markets are the appropriate reporting unit.

During the fourth quarter of 2010 the Company performed its annual impairment test. The assumptions used in estimating the fair values of reporting units are based on currently available data at the time the test is

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Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

conducted and management s best estimates and accordingly, a change in market conditions or other factors could have a material effect on the estimated values.

Step 1 goodwill test

The Company performed its annual impairment testing of goodwill using a discounted cash flow analysis to calculate the fair value of each market, an income approach. The discounted cash flow approach requires the projection of future cash flows and the calculation of these cash flows into their present value equivalent via a discount rate. The Company used an approximate eight-year projection period to derive operating cash flow projections from a market participant level. The Company made certain assumptions regarding future audience shares and revenue shares in reference to actual historical performance. The Company then projected future operating expenses in order to derive operating profits, which the Company combined with working capital additions and capital expenditures to determine operating cash flows.

The Company performed Step 1 of its annual impairment test and it compared the fair value of each market to the carrying value of its net assets as of December 31, 2010. The Step 1 test was used to determine if any of the Company s markets had an indicator of impairment (*i.e.*, the market net asset carrying value was greater than the calculated fair value of the market). In instances where this was the case, the Company performed the Step 2 test to determine if goodwill in those markets was impaired.

The Company s analysis determined that, based on its Step 1 test, the fair value of goodwill balances in all markets was above the carrying value at December 31, 2010. Since no impairment indicators existed as a result of the Step 1 test, the Company determined goodwill was appropriately stated as of December 31, 2010.

To validate the Company s conclusions related to the fair value calculated for its markets in the Step 1 test, the Company:

- prepared a market fair value calculation using a multiple of Adjusted EBITDA as a comparative data point to validate the fair values calculated using the discounted cash-flow approach; and

- performed a sensitivity analysis on the overall fair value and impairment evaluation.

The discount rate employed in the market fair value calculation ranged between 11.8% and 12.1% for the annual test. It is believed that this discount rate range was appropriate and reasonable for goodwill purposes due to the resulting implied average exit multiple of 6.8 times (*i.e.*, equivalent to the terminal value) for the annual period.

For periods after 2010, the Company projected a median annual revenue growth of 3.1% and median annual operating expense to increase at a growth rate of approximately 3.1% for its annual test. The Company derived projected expense growth based primarily on the stations historical financial performance and expected future revenue growth. The Company s projections were based on then- current market and economic conditions when the annual test was performed and with the Company s historical knowledge of the markets.

In 2009 and 2008, the Company performed similar procedures to those performed in 2010, utilizing assumptions and forecasts that were based on then current market data. The assumptions used are as follows:

	2010	2009	2008
Discount rate range	11.8% - 12.1%	12.5% - 12.7%	13.0%
Median annual revenue growth	3.1%	2.0%	2.5%
Median annual operating expense growth	3.1%	1.9%	2.0%

Based on the results of its impairment testing, the Company did not record any impairment charges on goodwill in 2010 or 2009. The Company recorded $331.3 million in impairment charges in 2008.

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Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

Utilizing the above analysis and data points, the Company concluded the fair values of its markets, as calculated, are appropriate and reasonable. The use of different analyses, estimates, data points or methodologies could result in materially different results.

Indefinite-lived intangibles (FCC Licenses)

2010 impairment testing

The Company performs its annual impairment test of indefinite-lived intangibles (the Company s FCC licenses) during the fourth quarter of each year and on an interim basis if events or circumstances indicate that the asset may be impaired. The Company has combined all of its broadcast licenses within a single geographic market cluster into a single unit of accounting for impairment testing purposes. As part of the overall planning associated with the indefinite-lived intangibles test, the Company determined that its geographic markets are the appropriate unit of accounting for the broadcast license impairment testing.

As a result of the annual impairment test, the Company determined that the carrying value of certain reporting units FCC licenses exceeded their fair values. For the year ended December 31, 2010, the Company recorded impairment charges of $3.3 million based on the results of the annual impairment tests to reduce the carrying value of these assets.

The Company notes that the following considerations continue to apply to the FCC licenses:

- in each market, the broadcast licenses were purchased to be used as one combined asset;
- the combined group of licenses in a market represents the highest and best use of the assets ; and
- each market s strategy provides evidence that the licenses are complementary .

The Company utilized the three most widely accepted approaches in conducting its impairment tests: (1) the cost approach, (2) the market approach, and (3) the income approach. For the tests, the Company conducted a thorough review of all aspects of the assets being valued.

The cost approach measures value by determining the current cost of an asset and deducting for all elements of depreciation (*i.e.*, physical deterioration as well as functional and economic obsolescence). In its simplest form, the cost approach is calculated by subtracting all depreciation from current replacement cost. The market approach measures value based on recent sales and offering prices of similar assets and analyzes the data to arrive at an indication of the most probable sales price of the subject asset. The income approach measures value based on income generated by the subject asset, which is then analyzed and projected over a specified time and capitalized at an appropriate market rate to arrive at the estimated value.

The Company relied on both the income and market approaches for the valuation of the FCC licenses, with the exception of certain AM and FM stations that have been valued using the cost approach. The Company estimated this replacement value based on estimated legal, consulting, engineering, and internal charges to be $25,000 for each FM station. For each AM station the replacement cost was estimated at $25,000 for a station licensed to operate with a one-tower array and an additional charge of $10,000 for each additional tower in the station s tower array.

The estimated fair values of the FCC licenses represent the amount at which an asset (or liability) could be bought (or incurred) or sold (or settled) in a current transaction between willing parties (*i.e.*, other than in a forced or liquidation sale).

A basic assumption in the Company s valuation of these FCC licenses was that these radio stations were new radio stations, signing on-the-air as of the date of the valuation. The Company assumed the competitive situation that existed in those markets as of that date, except that these stations were just beginning operations.

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Notes to consolidated financial statements (Continued)

The Company bifurcated the value of the markets going concern and any other assets acquired, and strictly valued the FCC licenses.

The Company estimated the values of the AM and FM licenses, combined, through a discounted cash flow analysis, which is an income approach. In addition to the income approach, the Company also reviewed recent similar radio station sales in similarly sized markets.

In estimating the value of the AM and FM licenses using a discounted cash flow analysis, in order to make the net free cash flow (to invested capital) projections, the Company began with market revenue projections. The Company made assumptions about the stations future audience shares and revenue shares in order to project the stations future revenues. The Company then projected future operating expenses and operating profits derived. By combining these operating profits with depreciation, taxes, additions to working capital, and capital expenditures, the Company projected net free cash flows.

The Company discounted the net free cash flows using an appropriate after-tax weighted average cost of capital ranging between approximately 12.1% and 12.4% and then calculated the total discounted net free cash flows. For net free cash flows beyond the projection period, the Company estimated a perpetuity value, and then discounted to present values, as of the valuation date.

The Company performed discounted cash flow analyses for each market. For each market valued, the Company analyzed the competing stations, including revenue and listening shares for the past several years. In addition, for each market the Company analyzed the discounted cash flow valuations of its assets within the market. Finally, the Company prepared a detailed analysis of sales of comparable stations.

The first discounted cash flow analysis examined historical and projected gross radio revenues for each market.

In order to estimate what listening audience share and revenue share would be expected for each station by market, the Company analyzed the Arbitron audience estimates over the past two years to determine the average local commercial share garnered by similar AM and FM stations competing in those radio markets. The Company made adjustments to the listening share and revenue share based on its stations signal coverage of the market and the surrounding area s population as compared to the other stations in the market as necessary. Based on management s knowledge of the industry and familiarity with similar markets, the Company determined that approximately three years would be required for the stations to reach maturity. The Company also incorporated the following additional assumptions into the discounted cash flow valuation model:

- the stations gross revenues through 2018;
- the projected operating expenses and profits over the same period of time (the Company considered operating expenses, except for sales expenses, to be fixed, and assumed sales expenses to be a fixed percentage of revenues);
- calculations of yearly net free cash flows to invested capital;
- depreciation on start-up construction costs and capital expenditures (the Company calculated depreciation using accelerated double declining balance guidelines over five years for the value of the tangible assets

necessary for a radio station to go on-the-air); and

amortization of the intangible asset the FCC license (the Company calculated amortization on a straight line basis over 15 years).

In 2009 and 2008, the Company performed similar procedures to those performed in 2010, utilizing assumptions and forecasts that were based on then current market data. The Company discounted the net free cash flows using an appropriate after-tax weighted average cost of capital ranging between approximately

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

12.8% and 13.0% for the 2009 interim and annual impairment tests and a weighted average cost of capital ranging between approximately 11.3% and 11.4% for the 2008 interim and annual impairment tests, respectively.

Based on the results of its impairment testing, the Company recorded impairment charges on FCC licenses of $3.3 million, $209.9 million and $356.5 million in 2010, 2009 and 2008, respectively.

The use of different analyses, estimates, data points or methodologies could result in materially different results.

5. Other current liabilities

Other current liabilities consist of the following as of December 31, 2010 and 2009 (dollars in thousands):

	2010	2009
Accrued federal income taxes	$ 3,114	$ 259
Non-cash contract termination liability	1,503	1,569
Accrued external commissions	2,220	1,552
Accrued employee-related costs	1,607	625
Other accrued expenses	2,158	2,695
Trade expense	768	1,900
Accrued real estate costs	607	748
Accrued professional fees	344	906
Deferred revenue	34	122
Total other current liabilities	$ 12,355	$ 10,376

6. Derivative financial instruments

The 2008 Swap became effective as of June 12, 2008 and will expire on June 12, 2011. The 2008 Swap changes the variable-rate cash flow exposure on $200.0 million of CMPSC s long-term bank borrowings to fixed-rate cash flows. Under the 2008 Swap, CMPSC receives LIBOR-based variable interest rate payments and makes fixed interest rate payments, thereby creating fixed-rate, long-term debt. The 2008 Swap, is not accounted for as a cash flow hedge instrument. Accordingly, the changes in its fair value are reflected within interest expense in the statement of operations.

The fair value of the 2008 Swap was determined using observable market based inputs (a Level 2 measurement). The fair value represents an estimate of the net amount that the Company would receive if the 2008 Swap was transferred to another party or canceled as of the date of the valuation. During the years ended December 31, 2010, 2009 and 2008, the Company charged $6.6 million, $6.3 million and $0.9 million, respectively, to interest expense related to yield adjustment payments on the 2008 Swap.

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Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

The location and fair value amounts of derivatives in the consolidated balance sheets are shown in the following table:

Information on the Location and Amount of the Derivative Fair Value in the Consolidated Balance Sheets (Dollars in thousands)

	Balance sheet location	Fair value at December 31, 2010	2009
Derivative not designated as hedging instrument:			
Interest rate swap	Other current liabilities	$ 3,252	$
Interest rate swap	Other long-term liabilities		7,466
	Total	**$ 3,252**	**$ 7,466**

The location and effect of the derivative in the statements of operations is shown in the following table (dollars in thousands):

Derivative instrument	Statement of operations location	Amount of expense recognized in income on the derivative for the year ended December 31, 2010	2009	2008
Interest rate swap	Interest expense	$ 4,214	$ 1,522	$ 6,856
	Total	**$ 4,214**	**$ 1,522**	**$ 6,856**

7. Fair value measurements

The three levels of the fair value hierarchy to be applied to financial instruments when determining fair value are described below:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access;

Level 2 Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and

Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company s financial assets and liabilities are measured at fair value on a recurring basis. Financial assets and liabilities measured at fair value on a recurring basis as of December 31, 2010 were as follows (dollars in thousands):

		Fair value measurements at reporting date using		
	Total fair value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Financial liabilities:				
Other current liabilities				
Interest rate swap(1)	$ (3,252)	$	$ (3,252)	$
Total liabilities	$ (3,252)	$	$ (3,252)	$

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Notes to consolidated financial statements (Continued)

(1) The Company s derivative financial instrument consists solely of the 2008 Swap. The fair value of the 2008 Swap is determined based on the present value of future cash flows using observable inputs, including interest rates and yield curves. In accordance with mark-to-market fair value accounting requirements, derivative valuations incorporate adjustments that are necessary to reflect the Company s own credit risk.

The carrying values of receivables, payables, and accrued expenses approximate fair value due to the short maturity of these instruments.

The following table shows the gross amount and fair value of the term loan facilities and revolving credit facilities that constitute the senior secured credit facilities of each of CMPSC and KC LLC, discussed further in Note 8, Long-Term Debt :

	2010		2009	
	CMPSC	KC LLC	CMPSC	KC LLC
Term:				
Carrying value	$ 613,131	$ 69,228	$ 620,131	$ 69,047
Fair value	$ 576,077	$ 8,654	$ 462,395	$ 8,654
Revolver:				
Carrying value	$	$ 17,000	$ 92,049	$ 17,000
Fair value(1)	$	$ 2,131	$ 66,275	$ 2,131

(1) The KC LLC revolving credit facility was not actively traded during the years ended December 31, 2010 or 2009.

The fair values of the term loan facilities and revolving credit facilities are estimated using a discounted cash flow analysis, based on the marginal borrowing rates.

To estimate the fair values of the term loan facilities, the Company used quoted trading prices and an industry standard cash valuation model, which utilizes a discounted cash flow approach. The significant inputs for the valuation model include the following:

discount cash flow rate of 5.2%

interest rate of 2.3%; and

credit spread of 5.2%.

The use of different analyses, estimates, data points or methodologies could result in materially different results.

8. Long-term debt

Each of CMPSC and KC LLC have entered into various separate senior secured credit facilities, pursuant to which each entity, and its respective subsidiaries, have certain rights and obligations. Neither CMPSC nor KC LLC, nor any of their respective subsidiaries, have any rights or obligations pursuant to the other s senior secured credit facilities.

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

The Company s long-term debt consists of the following at December 31, 2010 and 2009 (dollars in thousands):

	2010	2009
Term loan facilities	$ 682,359	$ 689,359
Revolving credit facilities	17,000	109,049
9.875% senior subordinated notes	12,130	12,130
Variable rate senior subordinated secured second lien notes	14,031	14,031
Total debt	725,520	824,569
Less: Current portion of long-term debt	(109,786)	(93,228)
Long-term portion of debt	$ 615,734	$ 731,341

A summary of the future maturities of long-term debt follows (dollars in thousands):

2011	109,786
2012	7,000
2013	582,573
2014	26,161
Thereafter	
	$ 725,520

CMPSC

Senior secured credit facilities and senior subordinated notes

In May 2006, CMPSC entered into a $700.0 million term loan facility and a $100.0 million revolving credit facility (together, the CMPSC Credit Facilities), and issued $250.0 million in 9.875% Notes, as described below. At the closing of these transactions, CMPSC drew on only the $700.0 million term loan, plus $3.3 million in letters of credit to cover pre-existing workers compensation claims, reducing availability on the revolving credit facility to $96.7 million. CMPSC is charged a commitment fee of 0.5% on the unused portion of the revolving credit facility. As of December 31, 2010, CMPSC had approximately $95.4 million of remaining availability under its revolving credit facility.

Obligations under the CMPSC Credit Facilities are collateralized on a first-priority lien basis by substantially all of CMPSC s assets in which a security interest may lawfully be granted (including FCC licenses held by its subsidiaries) including, without limitation, intellectual property and all of the capital stock of CMPSC s direct and indirect subsidiaries. In addition, obligations under the CMPSC Credit Facilities are guaranteed by CMPSC s subsidiaries.

The term loan has a repayment schedule that has required quarterly principal payments of 0.3% of the original loan since September 30, 2006. Any unpaid balance on the revolving credit facility is due in May 2012 and the term loan is due in May 2013.

The representations, covenants and events of default in the credit agreement governing the CMPSC Credit Facilities (the CMPSC Credit Agreement) are customary for financing transactions of this nature. Events of default include, among others, (a) the failure to pay when due the obligations owing under the CMPSC Credit Facilities; (b) the failure to comply with (and not timely remedy, if applicable) certain covenants; (c) certain cross defaults and cross accelerations; (d) the occurrence of bankruptcy or insolvency events; (e) certain judgments against the Company or any of its subsidiaries; (f) the loss, revocation or suspension of, or any material impairment in the ability to use any of the CMPSC s material FCC licenses; (g) any representation or

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

warranty made, or report, certificate or financial statement delivered, to the lenders subsequently proven to have been incorrect in any material respect; (h) the occurrence of a Change in Control (as defined in the CMPSC Credit Agreement); and (i) violation of certain financial covenants. Upon the occurrence of an event of default, the lenders may terminate the loan commitments, accelerate all outstanding loans and exercise any of their rights under the CMPSC Credit Agreement and the ancillary loan documents as a secured party.

As mentioned above, the CMPSC Credit Agreement contains certain customary financial covenants including:

a maximum total leverage ratio;

a minimum interest coverage ratio; and

a limit on annual capital expenditures.

The maximum total leverage ratio in the CMPSC Credit Agreement becomes more restrictive over the remaining term of the CMPSC Credit Facilities.

In accordance with the terms of the CMPSC Credit Agreement an excess cash flows payment of $16.6 million is due in the first quarter of 2011.

2008 Swap

On June 12, 2008, the Company entered into the 2008 Swap, which effectively fixed the interest rate, based on LIBOR, on $200.0 million of CMPSC s floating rate borrowings for a three year period.

The interest rate for the term loan is 2.0% above LIBOR (0.3% at December 31, 2010) or 1.0% above the alternate base rate. The effective interest rate exclusive of the impact of the 2008 Swap on the loan amount outstanding under the CMPSC Credit Facilities was 2.3% as of December 31, 2010 and 2009, and 4.2% as of December 31, 2008. The effective interest rates as of December 31, 2010, 2009 and 2008, inclusive of the 2008 Swap, were 3.4%, 3.3% and 3.7%, respectively. The revolving credit facility rate is variable based on the levels of leverage of CMPSC, and ranges from 1.8% to 2.3% above LIBOR and from 0.8% to 1.3% above the alternate base rate.

Amendment to CMPSC Credit Agreement

On May 11, 2009, CMPSC entered into an amendment (the Amendment) to the CMPSC Credit Agreement. In conjunction with the Amendment, the CMPSC Credit Agreement maintains the preexisting term loan facility. Additionally, the Amendment reduced the availability under the revolving credit facility from $100.0 million to $95.4 million (after giving effect to a repayment and permanent reduction in available credit, of approximately $4.6 million). CMPSC s $3.3 million letter of credit relating to pre-existing workers compensation claims, which had previously reduced the availability under the revolving credit facility, expired on March 31, 2009. The Amendment also increased certain pre-existing restrictions, including with respect to acquisitions, which per the Amendment are limited to an aggregate of $20.0 million unless such acquisitions are added as loan parties, and the ability to undertake certain corporate transactions.

2014 Notes

Interest on the 2014 Notes (defined below) accrues at a floating rate equal to LIBOR plus 3.0% and is payable semiannually on May 15 and November 15 of each year, beginning on May 15, 2009. The 2014 Notes will mature on May 15, 2014.

The 2014 Notes are secured by second-priority liens on tangible and intangible assets of CMPSC and its subsidiaries to the extent they can be perfected by the filing of financing statements or other similar registrations and are permitted under agreements governing CMPSC s other indebtedness, including its senior

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

secured credit facilities. Pledged assets do not include shares of capital stock of CMPSC or any of its subsidiaries or debt securities held by CMPSC or any of its subsidiaries.

The 2014 Notes are (i) general obligations of CMPSC, (ii) secured on a second-priority basis by a security interest in substantially all of CMPSC s existing and future assets to the extent pledged and assigned to the 2014 Notes trustee pursuant to the security agreement in favor of the holders of the 2014 Notes, subject and subordinate to the security interests securing CMPSC s obligations under the senior credit facilities and certain permitted priority liens, (iii) subordinated to all first-priority senior secured indebtedness of CMPSC (including the senior secured credit facilities), (iv) effectively senior to all unsecured indebtedness of CMPSC and (v) initially guaranteed on a second-priority senior secured subordinated basis by CMPSC s direct parent, CMP Susquehanna Radio Holdings Corp. (Radio Holdings) and each subsidiary of CMPSC that guarantees the senior secured credit facilities. Each guarantee of the 2014 Notes is a second-priority senior subordinated secured obligation of the guarantor, is subordinated in right of payment to all existing and future first priority senior indebtedness of such guarantor, including each guarantor s guarantee of CMPSC s obligations under the CMPSC Credit Facilities.

The indenture governing the 2014 Notes (the Indenture) contains covenants that limit CMPSC s ability and the ability of its restricted subsidiaries to, among other things, (i) incur additional indebtedness or issue certain preferred shares, (ii) pay dividends on or make distributions in respect of CMPSC s capital stock or make other restricted payments, (iii) make certain investments, (iv) sell certain assets, (v) create liens on certain assets to secure debt, (vi) consolidate, merge, sell or otherwise dispose of all or substantially all of CMPSC s assets, (vii) designate CMPSC s subsidiaries as unrestricted subsidiaries. The Indenture also contains a covenant providing that, to the extent required to permit holders of 2014 Notes (other than affiliates of CMPSC) to sell their 2014 Notes without registration under the Securities Act, CMPSC or Radio Holdings will make publicly available the information concerning CMPSC or Radio Holdings as specified in Rule 144(c)(2) under the Securities Act.

CMPSC may redeem some or all of the 2014 Notes at any time after the issue date at a redemption price equal to 100% of their principal amount, plus any accrued and unpaid interest through the redemption date.

Upon the occurrence of a Change of Control (as defined in the Indenture), each holder of the 2014 Notes will have the right to require CMPSC to repurchase all of such holder s 2014 Notes at a repurchase price equal to 100% of the principal amount, plus any accrued and unpaid interest through the repurchase date.

The Indenture contains events of default that are customary for agreements of this type, including failure to make required payments, failure to comply with certain agreements or covenants, failure to pay certain other indebtedness and the occurrence of certain events of bankruptcy and insolvency and certain judgment defaults.

9.875% Notes

In May 2006, CMPSC issued $250.0 million in 9.875% Notes. The 9.875% Notes have an interest rate of 9.875% and mature in May 2014.

Early extinguishment of debt 2008

In 2008, the Company repurchased and canceled $55.1 million of the 9.875% Notes in market transactions. The purchase price was $22.6 million less than the face value of the repurchased 9.875% Notes and the Company

recognized the $1.7 million charge for unamortized deferred financing costs as a net gain on early extinguishment of debt in 2008.

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

Troubled debt restructuring 2009

The severe recession experienced in 2008-09, plus a material decline in automotive advertising had adverse effects on CMPSC s ability to generate revenues and remain in compliance with its debt covenants. On March 26, 2009, CMPSC completed an exchange offer (the 2009 Exchange Offer) of $175.5 million aggregate principal amount of the 9.875% Notes, which represented 93.5% of the total principal amount then-outstanding, for $14.0 million aggregate principal amount of new notes (2014 Notes), 3.3 million shares of preferred stock of Radio Holdings and warrants exercisable for 3.7 million shares of Radio Holdings common stock. In addition, the Company incurred approximately $2.3 million of professional fees associated with the 2009 Exchange Offer of which $0.6 million and $1.2 million were allocated to the preferred stock and warrants, respectively, as required by accounting guidance.

In conjunction with the 2009 Exchange Offer, Radio Holdings, as guarantor, the subsidiary guarantors named therein and Wells Fargo Bank, N.A., as trustee entered into a supplemental indenture to amend the indenture (the Old Indenture) governing the 9.875% Notes, with the requisite consents from eligible holders of the 9.875% Notes. The amendments to the Old Indenture eliminated substantially all of the restrictive covenants (other than, among other covenants, the covenant to pay interest and premium, if any, on, and principal of, the 9.875% Notes when due), certain events of default and other related provisions in the Old Indenture.

If CMPSC had not successfully completed the 2009 Exchange Offer, CMPSC would have been in violation of the total leverage ratio covenant in the CMPSC Credit Agreement as of March 31, 2009. The Company recorded an $87.0 million gain on extinguishment of debt related to the 2009 Exchange Offer.

The table below sets forth the components of the gain recorded in connection with the 2009 Exchange Offer (dollars in thousands):

Carrying value of exchanged notes	$ 175,464
Less:	
Preferred stock	(24,300)
Warrants	(45,000)
Adjusted carrying value	106,164
Future cash flows of 2014 Notes	(16,500)
Accrued interest on exchanged notes	2,165
Gain on troubled debt restructuring	91,829
Deal costs on 2014 Notes	(434)
Amount of costs to write-off	(4,437)
Net gain on troubled debt restructuring	$ 86,958

In accordance with the relevant accounting guidance, the Company recorded approximately $2.2 million on the balance sheet as a liability related to future interest payments associated with the 2014 Notes, based on the variable

rate in effect at the date of the exchange.

KC LLC

In May 2006, KC LLC entered into a $72.4 million term loan facility and a $26.0 million revolving credit facility (together, the KC LLC Credit Facilities). At the closing of these transactions, KC LLC drew on the $72.4 million term loan, plus $5.0 million in letters of credit, reducing availability on the revolving credit facility to $21.0 million. KC LLC is charged a commitment fee of 0.5% on the unused portion of the

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

revolving credit facility. As of December 31, 2010, KC LLC was not in compliance with its obligations under this facility.

The term loan has a repayment schedule that requires principal payments payable at the end of each quarter equal to 0.3% of the original loan. The unpaid balance on the revolving credit facility became due in March 2010 and the term loan is due in May 2011.

Obligations under the KC LLC Credit Facilities are collateralized by substantially all of KC LLC s assets in which a security interest may lawfully be granted (including FCC licenses held by its subsidiaries), including, without limitation, intellectual property and all of the capital stock of KC LLC s direct and indirect subsidiaries.

The representations, covenants and events of default in the credit agreement governing the KC LLC Credit Facilities (the KC LLC Credit Agreement) are customary for financing transactions of this nature. Events of default include, among others, (a) the failure to pay when due the obligations owing under the KC LLC Credit Facilities; (b) the failure to comply with (and not timely remedy, if applicable) certain covenants; (c) certain cross defaults and cross accelerations; (d) the occurrence of bankruptcy or insolvency events; (e) certain judgments against KC LLC or any of its subsidiaries; (f) the loss, revocation or suspension of, or any material impairment in the ability to use any of its material FCC licenses; (g) any representation or warranty made, or report, certificate or financial statement delivered, to the lenders subsequently proven to have been incorrect in any material respect; and (h) the occurrence of a Change in Control (as defined in the KC LLC Credit Agreement). Upon the occurrence of an event of default, the lenders under the KC LLC Credit Facilities may terminate the loan commitments thereunder, accelerate all loans thereunder and exercise any of their rights under the KC LLC Credit Agreement and the ancillary loan documents as a secured party.

The interest rate on KC LLC s term loan is 4.0% above LIBOR or 3.0% above the alternate base rate. The revolving credit facility rate was variable based on the levels of leverage of KC LLC, and ranged from 1.8% to 2.3% above LIBOR and from 0.8% to 1.3% above the alternate base rate for all relevant periods.

On January 21, 2010, KC LLC received a notice of default pertaining to the KC LLC Credit Agreement from the administrative agent thereunder (the Agent). The notice of default referenced the failure of KC LLC to make the scheduled principal and interest payments that were due and payable under the KC LLC Credit Agreement on December 31, 2009. Under the notice of default and pursuant to the KC LLC Credit Agreement, the Agent accelerated all obligations under the KC LLC Credit Agreement, declaring the unpaid principal amount of all outstanding loans, accrued and unpaid interest, and all amounts due under the KC LLC Credit Agreement to be immediately due and payable. Accordingly, the Company has classified all amounts due under the KC LLC Credit Agreement as current on the Consolidated Balance Sheets at December 31, 2010 and 2009. Furthermore, under the terms of the KC LLC Credit Agreement, interest on the outstanding loans thereunder, all accrued interest and any other amounts due began to accrue interest, beginning on December 31, 2009, at a Default Rate of interest, providing for interest at two percent per year in excess of the rate of interest generally provided for in the KC LLC Credit Agreement. Under the terms of the KC LLC Credit Agreement the Agent may, and at the request of a majority of the lenders thereunder shall, exercise all rights and remedies available to the Agent and the lenders under law. These remedies include but are not limited to seeking a judgment from KC LLC for the monies owed and enforcing the liens granted to the lenders commencing foreclosure proceedings relative to the assets of KC LLC. The Company has held preliminary discussions with the Agent and certain of the lenders, who to date have not commenced any remedial actions. Neither a default under the KC LLC Credit Agreement, an acceleration of all sums due thereunder, nor the exercise of any of

the remedies in respect thereof by the Agent or the lenders, constitute a default under the CMPSC Credit Facilities, nor provide the lenders thereunder any contractual right or remedy. Further, neither CMPSC nor any of its subsidiaries has provided any guarantee with respect to the KC LLC Credit Facilities. For additional discussion see Note 16, Subsequent Events .

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

9. Members deficit

On October 31, 2005, the Company entered into a capital contribution agreement with Cumulus Media Inc. (Cumulus), Bain Capital Funds VIII, LP (Bain), BCP Acquisition Company LLC (Blackstone), and Thomas H. Lee Equity Fund V, LP (THLee and, together with Bain and Blackstone, the PE Investors). Bain, Blackstone and THLee each contributed $75.0 million in cash, in exchange for 75 Class A voting units of the Company. Cumulus contributed $75.0 million of assets (the KC LLC Contribution), in exchange for 75 Class B voting units of the Company. Cumulus also received 25 units each of Class C1, C2, and C3 non-voting units of the Company. The KC LLC Contribution consisted of four radio stations in Kansas City, Missouri and Houston, Texas. The PE Investors and Cumulus each contributed an additional $6.3 million in cash for 6.25 Class AA non-voting units. In connection with this transaction, the Company paid $14.2 million to the PE Investors and Cumulus for their equity raising efforts; these payments were netted against the contributed capital of the PE Investors and Cumulus. The PE Investors and Cumulus, as the four members of the Company, each received a 25.0% interest in the Company. To the extent distributions are made, the distributions are based on each member s allocable portion of the Distributable Assets, as defined by the capital contribution agreement.

For the years ended December 31, 2010, 2009 and 2008, the Company did not make distributions to any of its members.

On March 26, 2009, in connection with the 2009 Exchange Offer, Radio Holdings issued 3,273,633 shares of preferred stock and warrants exercisable for 3,740,893 shares of Radio Holdings common stock. With respect to the payment of dividends and the amounts to be paid upon liquidation, the preferred stock ranks:

- senior to the common stock of Radio Holdings and all other equity securities designated as ranking junior to the preferred stock;
- on a parity with all equity securities designated as ranking on a parity with the preferred stock; and
- junior to all equity securities designated as ranking senior to the preferred stock.

On January 1, 2009, the Company adopted additional authoritative guidance relating to consolidations in accordance with ASC 810, *Consolidations*. The additional guidance required that non-controlling interests be reported as a separate component of equity on the Company s consolidated statements of financial position. In conjunction with the 2009 Exchange Offer, Radio Holdings issued approximately $67.5 million in non-controlling equity interest related to the preferred stock and warrants.

Dividends on the preferred stock are payable semiannually in arrears, only when, as, and if declared by the board of directors of Radio Holdings from funds legally available, payable in additional shares of the preferred stock, at an annual rate equal to 9.875% on, (i) the stated value per share of preferred stock and (ii) the amount of accrued and unpaid dividends (including dividends thereon, at an annual rate of 9.875% to the date of payment). Dividends are calculated and compounded semiannually and will be cumulative from the date of first issuance. Any dividends are calculated, based on a 360-day year consisting of twelve 30-day months, and actual days elapsed over a 30-day month. The Company has not declared any dividends on the preferred stock.

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Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

10. Income taxes

Income tax expense (benefit) for the years ended December 31, 2010, 2009 and 2008 consisted of the following (dollars in thousands):

	2010	2009	2008
Current income tax expense:			
Federal	$ 4,126	$ 259	$ 193
State and local	225	2,159	1,573
Total current income tax expense	4,351	2,418	1,766
Deferred tax expense (benefit):			
Federal	12,733	(42,951)	(107,308)
State and local	1,126	(10,974)	(21,977)
Total deferred tax expense (benefit)	13,859	(53,925)	(129,285)
Total income tax expense (benefit)	$ 18,210	$ (51,507)	$ (127,519)

Total income tax expense (benefit) differed from the amount computed by applying the federal statutory tax rate of 35.0% for the years ended December 31, 2010, 2009 and 2008 due to the following (dollars in thousands):

	2010	2009	2008
Pretax income (loss) at federal statutory rate	$ 13,123	$ (35,265)	$ (235,562)
State income tax expense (benefit), net of federal income tax expense (benefit)	1,577	(4,509)	(12,915)
Nondeductible exchange costs		1,628	
Permanent differences/other	282	(564)	(1,012)
Reduction in net operating losses and adjustments related to the 2009 Exchange Offer	3,347	17,714	
Impairment charges		866	115,563
Change in valuation allowance	(119)	(31,377)	6,407
Net income tax expense (benefit)	$ 18,210	$ (51,507)	$ (127,519)

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2010 and 2009 are presented below (dollars in thousands):

	2010	2009
Current deferred tax assets:		
Accounts receivable	$ 168	$ 200
Accrued expenses and other current liabilities	2,765	704
Current deferred tax assets	2,933	904
Less: valuation allowance	(2,126)	(126)
Net current deferred tax assets	807	778
Noncurrent deferred tax assets:		
Intangible assets	17,551	19,475
Other	12,576	16,019
Net operating loss	6,660	14,371
Noncurrent deferred tax assets	36,787	49,865
Less: valuation allowance	(13,860)	(15,979)
Net noncurrent deferred tax assets	22,927	33,886
Noncurrent deferred tax liabilities:		
Intangible assets	67,286	64,013
Property and equipment	1,221	1,581
Cancelation of debt	36,764	36,558
Other	1,276	1,466
Noncurrent deferred tax liabilities	106,547	103,618
Net noncurrent deferred tax liabilities	83,620	69,732
Net deferred tax liabilities	$ 82,813	$ 68,954

The Company s valuation allowance for deferred income taxes for the years ended December 31, 2010, 2009 and 2008 are as follows (dollars in thousands):

	Balance at beginning	Provision for doubtful		Balance at end

Fiscal year	of year	accounts	Applications	of year
Valuation allowance on deferred taxes				
2010	$ 16,105	$	$ (119)	$ 15,986
2009	47,482		(31,377)	16,105

Deferred tax assets and liabilities are computed by applying the federal income and estimated state tax rate in effect to the gross amounts of temporary differences and other tax attributes, such as net operating loss carry forwards. In assessing if the deferred tax assets will be realized, the Company considers whether it is more likely than not that some or all of these deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which these temporary differences become deductible.

The Company regularly reviews its deferred tax assets for recoverability taking into consideration such factors as historical losses, projected future taxable income and the expected timing of the reversals of existing temporary differences. Current authoritative tax guidance requires the Company to record a valuation

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Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

allowance when it is more likely than not that some portion or all of the deferred tax assets will not be realized. A valuation allowance is provided on deferred tax assets related to certain Radio Holdings state net operating losses and the KC LLC net deferred tax asset, which was not offset by the deferred tax liability related to indefinite-lived intangibles at December 31, 2010, since management believes it is more likely than not, that a portion of the deferred tax assets will not be realized due to limitations on the net operating losses and KC LLC s historical loss position.

Historically, Radio Holdings has maintained a full valuation allowance against the net deferred tax assets, which was not offset by the deferred tax liability related to indefinite-lived intangibles. During 2009, Radio Holdings recognized cancellation of debt income for financial reporting purposes. Radio Holdings has elected to defer the recognition of $103.3 million of cancellation of debt income for U.S. federal tax purposes under Internal Revenue Code Section 108(i). Management believes that this taxable temporary difference can be used to offset Radio Holdings deferred tax assets, and as such has released the valuation allowance with the exception of the valuation allowance related to Radio Holdings state net operating losses.

Historically, Radio Holdings and KC LLC have filed a consolidated U.S. federal income tax return. For tax year ended December 31, 2009, Holdings filed its own consolidated U.S. federal income tax return, separate from its subsidiary, Radio Holdings. Due to the issuance of equity by Radio Holdings in the 2009 Exchange Offer, a deconsolidation of Holdings occurred for U.S. federal income tax purposes. As a result of the transaction, $31.0 million of U.S. federal net operating losses were allocated from KC LLC to CMPSC.

As of December 31, 2010, Radio Holdings had federal net operating loss carry forwards available to offset future income of approximately $0.0 million. As of December 31, 2010, Radio Holdings had state net operating loss carry forwards available to offset future income of approximately $16.2 million, which will expire in the years 2013 through 2030. A portion of Radio Holdings net operating losses are subject to the limitations of Internal Revenue Code Section 382 due to the ownership changes that took place on May 5, 2006 and March 26, 2009.

As of December 31, 2010, KC LLC had federal net operating loss carry forwards available to offset future income of approximately $14.5 million, which will expire in the years 2026 through 2030. As of December 31, 2010, KC LLC had state net operating loss carry forwards available to offset future income of approximately $18.4 million, which will expire in the years 2026 through 2030.

During the year ended December 31, 2010, the Company recorded deferred tax expense of $13.9 million primarily resulting from the tax amortization of intangible assets and the use or expiration of federal and state net operating losses, offset by the release of valuation allowances. Additionally, the Company recorded a change in the deferred tax asset related to a change in estimated alternative minimum tax.

The Company has adopted authoritative guidance that clarifies the accounting for uncertainty in income taxes recognized in the financial statements. This guidance prescribes a recognition threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken within an income tax return. The Company classifies interest and penalties relating to uncertain tax positions in income taxes. The Company files numerous income tax returns at the U.S. federal level and with various state jurisdictions. Radio Holdings is indemnified by certain third parties against realized tax uncertainties for periods prior to May 5, 2006; Radio Holdings open tax periods are those after May 6, 2006. The Company s tax returns prior to 2006 are open to the extent of certain net operating losses attributable to Radio Holdings that may be adjusted. The Company has not recorded a reserve for tax uncertainties for the period prior to the acquisition of Radio Holdings assets.

The Company continues to record interest and penalties related to unrecognized tax benefits in current income tax expense. The total amount of interest and penalties included in income tax expense related to uncertain tax positions totaled $(0.6) million, $1.1 million and $0.0 million as of December 31, 2010, 2009 and 2008, respectively. The total amount of interest and penalties included in the liability for uncertain income

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

taxes totaled $0.1 million, $1.1 million and $0.0 million as of December 31, 2010, 2009 and 2008, respectively. The Company expects that all interest and penalties will be paid or resolved in 2011.

11. Lease commitments

The Company has non-cancelable operating leases, primarily for land, tower space, office space, certain office equipment and vehicles. The operating leases generally contain renewal options for periods ranging from one to ten years and require the Company to pay all executory costs such as maintenance and insurance. Rental expense for operating leases was approximately $5.7 million, $5.9 million and $6.1 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of December 31, 2010 are as follows (dollars in thousands):

Years ending December 31,	
2011	$ 4,472
2012	3,973
2013	3,876
2014	3,586
2015	2,663
Thereafter	6,534
	$ 25,104

12. Commitments and contingencies

CMPSC is a limited partner in San Francisco Baseball Associates L.P. On January 2009, CMPSC renewed its rights to broadcast San Francisco Giants Major League Baseball games for the 2009 through 2012 baseball seasons. The Company is required to pay rights fees of $5.6 million each year. The Company expensed rights payments of $5.6 million for both the 2010 and 2009 baseball seasons and $8.3 million for the 2008 season. The carrying value of the Company s investment in San Francisco Baseball Associates L.P. is $4.0 million as of December 31, 2010 and 2009, respectively. The Company accounts for this investment under the cost method and elected not to calculate the fair value of the investment as the Company determined it would not be practicable to do so due to excessive costs.

On December 29, 2009 CMPSC renewed its rights to broadcast Kansas City Chiefs National Football League professional football games during the 2010 through 2013 football seasons. The contract requires minimum rights payments of $2.9 million, $2.8 million and $2.9 million for the 2011, 2012 and 2013 football seasons, respectively. The Company expensed rights payments of $2.3 million, $1.9 million and $2.9 million for the 2010, 2009 and 2008 football seasons, respectively.

The radio broadcast industry s principal ratings service is Arbitron, which publishes surveys for domestic radio markets. CMPSC and KC LLC have five-year agreements with Arbitron under which they receive programming

ratings materials in a majority of their respective markets. The remaining aggregate obligation of CMPSC and KC LLC under their agreements with Arbitron was $1.3 million as of December 31, 2010 and will be paid in accordance with the agreements through March 2013.

On January 21, 2010, a former employee of CMPSC filed a purported class action lawsuit against CMPSC claiming (i) unlawful failure to pay required overtime wages, (ii) late pay and waiting time penalties, (iii) failure to provide accurate itemized wage statements, (iv) failure to indemnity for necessary expenses and losses, and (v) unfair trade practices under California s Unfair Competition Act. The plaintiff is requesting restitution, penalties and injunctive relief, and seeks to represent other California employees fulfilling the same

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

job during the immediately preceding four year period. The Company is vigorously defending this lawsuit and has not yet determined what effect the lawsuit will have, if any, on its financial position, results of operations or cash flows.

CMPSC and KC LLC engage Katz as their national advertising sales agent. The national advertising agency contract with Katz contains termination provisions that, if exercised by CMPSC or KC LLC during the term of the contract, would obligate CMPSC or KC LLC to pay a termination fee to Katz, based on a formula set forth in the contract.

The Company is currently, and expects that from time to time in the future, it will be party to or a defendant in various claims or lawsuits that are generally incidental to its business. The Company expects that it will vigorously contest any such claims or lawsuits and believes that the ultimate resolution of any known claim or lawsuit will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

13. Restricted cash

During 2009, CMPSC changed its health insurance coverage to a self-insured policy and CMPSC was required to deposit funds with its existing third party administrator (TPA) to fund the costs associated with the claims. Disbursements for the incurred and approved claims were paid out of the restricted cash account administered by CMPSC s TPA. Subsequently CMPSC has changed its TPA and is no longer required to maintain a minimum balance. As of December 31, 2010 and 2009, the Company s balance sheet included approximately $0.0 million and $0.1 million, respectively, in restricted cash related to the self-insured policy. The Company s liability associated with the incurred, but not reported claims is not material at December 31, 2010.

CMPSC is required to secure the maximum exposure generated by automated clearing house transactions in its operating bank accounts as dictated by CMPSC s bank s internal policies with cash. This action was triggered by an adverse rating as determined by CMPSC s bank s rating system. These funds were moved to a segregated bank. As of December 31, 2010 and 2009, the Company s balance sheet included approximately $0.6 million in restricted cash related to the automated clearing house transactions.

14. Related party

Holdings is party to a management agreement with Cumulus, a radio broadcasting corporation focused on acquiring, operating and developing commercial radio stations in mid-size radio markets. Pursuant to the terms of the management agreement, Cumulus personnel manage the operations of the Company s subsidiaries. Holdings has agreed to pay Cumulus an annual management fee of approximately 4.0% of the consolidated EBITDA of the Company s subsidiaries or $4.0 million, whichever is greater, to be paid in quarterly installments. For the years ended December 31, 2010, 2009 and 2008, Holdings paid approximately $4.0 million in management fees to Cumulus.

On January 31, 2011, the Company signed a definitive agreement with Cumulus, through which Cumulus will acquire the remaining 75.0% equity interests in the Company that Cumulus does not currently own. See Note, 16 Subsequent Events .

Cumulus Media Partners, LLC

Notes to consolidated financial statements (Continued)

15. Valuation allowance

The Company s valuation allowance for doubtful accounts for the years ended December 31, 2010, 2009 and 2008, are as follows (dollars in thousands):

Fiscal year	Balance at beginning of year	Provision for doubtful accounts	Applications	Balance at end of year
Allowance for doubtful accounts				
2010	$ 540	$ 419	$ (511)	$ 448
2009	1,370	688	(1,518)	540

16. Subsequent events

On January 31, 2011, the Company signed a definitive agreement with Cumulus, through which Cumulus will acquire the remaining 75.0% of the equity interests in the Company that Cumulus does not currently own.

In connection with the acquisition, Cumulus is expected to issue 9,945,714 shares of its common stock to affiliates of the three private equity firms that collectively own 75.0% of the equity interests in the Company, Bain, Blackstone and THLee. Blackstone will receive shares of Cumulus Class A common stock and, in accordance with FCC broadcast ownership rules, Bain and THLee will receive shares of a new class of the Company s non-voting common stock. In connection with the acquisition, Cumulus also intends to acquire all of the outstanding warrants to purchase common stock of Radio Holdings, in exchange for an additional 8,267,968 shares of Cumulus common stock.

The transaction is expected to be completed in the second quarter of 2011, and is subject to shareholder and regulatory approvals and other customary conditions. On February 23, 2011, Cumulus received an initial order from the FCC approving the transaction, and is currently waiting for the approval to become final.

KC LLC reorganization

On February 2, 2011, the Company, Holdings and KC LLC entered into a restructuring support agreement (the Restructuring Agreement) regarding the restructuring of KC LLC s debt with the lenders under the KC LLC Credit Facilities (the Restructuring). The Restructuring is expected to be conducted and implemented through a pre-packaged plan of reorganization filed with the United States Bankruptcy Court for the District of Delaware (the Pre-packaged Bankruptcy Proceeding). The Company expects the Pre-packaged Bankruptcy Proceeding will occur, and the Restructuring will be completed, during the first half of 2011. If the Restructuring is completed in accordance with the terms and conditions of the Restructuring Agreement: (1) Holdings will distribute all of the outstanding common stock of Radio Holdings to the Company; (2) KC LLC s outstanding debt and interest of $92.6 million at December 31, 2010 will be reduced to $20.0 million; (3) all of the equity of Holdings will be transferred to the lenders under the KC LLC Credit Facilities subsequent to the distribution listed in (1) above; and (4) Cumulus will continue to manage the radio stations of KC LLC in 2011, subject to annual renewal of the management arrangement thereafter.

As a result, the Company will no longer have an ownership interest in KC LLC. The Restructuring is expected to have certain tax implications for Holdings in 2011 related to the cancelation of indebtedness but given the loss attributes of Holdings, the Company does not expect to pay a significant amount of income tax related to this transaction.

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Citadel Broadcasting Corporation and Subsidiaries

Consolidated condensed balance sheets

	Successor	
	March 31, 2011	December 31, 2010
	(in thousands, except warrants, share and per share amounts) (unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 145,257	$ 111,624
Accounts receivable, net	124,459	138,751
Prepaid expenses and other current assets (including deferred income tax assets of $23,023 as of both March 31, 2011 and December 31, 2010)	41,941	37,418
Total current assets	311,657	287,793
Long-term assets		
Property and equipment, net	197,667	200,121
FCC licenses	887,910	893,610
Goodwill	763,849	763,849
Customer and affiliate relationships, net	178,583	195,080
Other assets, net	67,779	67,661
Total assets	$ 2,407,445	$ 2,408,114
Liabilities and stockholders equity		
Current liabilities		
Accounts payable, accrued liabilities and other liabilities	$ 61,616	$ 56,661
Senior debt, current	875	3,500
Total current liabilities	62,491	60,161
Long-term liabilities		
Senior debt, less current portion	345,625	346,500
Senior notes	400,000	400,000
Other long-term liabilities, less current portion	56,440	58,342
Deferred income tax liabilities	262,839	268,454
Total liabilities	1,127,395	1,133,457
Commitments and contingencies		
Stockholders equity		

Preferred stock, $.001 par value authorized, 50,000,000 shares at March 31, 2011 and December 31, 2010; no shares issued or outstanding at March 31, 2011 and December 31, 2010		
Class A common stock, $.001 par value authorized, 100,000,000 shares as of March 31, 2011 and December 31, 2010; issued and outstanding, 4,522,701 and 4,539,601 shares as of March 31, 2011 and December 31, 2010, respectively	5	5
Class B common stock, $.001 par value authorized, 100,000,000 shares as of March 31, 2011 and December 31, 2010; issued and outstanding, 18,246,473 and 18,131,638 shares as of March 31, 2011 and December 31, 2010, respectively	18	18
Successor equity held in reserve	12,883	13,182
Additional paid-in capital (including 23,576,374 and 23,682,484 special warrants as of March 31, 2011 and December 31, 2010, respectively)	1,275,565	1,263,235
Accumulated deficit	(8,421)	(1,783)
Total stockholders equity	1,280,050	1,274,657
Total liabilities and stockholders equity	$ 2,407,445	$ 2,408,114

See accompanying notes to consolidated condensed financial statements.

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Citadel Broadcasting Corporation and Subsidiaries

Consolidated condensed statements of operations

	Successor Three months ended March 31, 2011	Predecessor Three months ended March 31, 2010
	(in thousands, except per share amounts) (unaudited)	
Net revenue	$ 160,022	$ 165,028
Operating expenses:		
Cost of revenue, exclusive of depreciation and amortization shown separately below, and including non-cash compensation expense of $643 and $197, respectively	68,522	68,978
Selling, general and administrative, including non-cash compensation expense of $2,164 and $122, respectively	46,192	46,631
Corporate general and administrative, including non-cash compensation expense of $9,543 and $327, respectively	14,452	5,160
Local marketing agreement fees	99	269
Depreciation and amortization	23,043	6,855
Other, net	7,284	(2)
Operating expenses	159,592	127,891
Operating income	430	37,137
Reorganization items, net		13,480
Interest expense, net	12,411	10,521
(Loss) income before income taxes	(11,981)	13,136
Income tax (benefit) expense	(5,343)	1,656
Net (loss) income	$ (6,638)	$ 11,480
Net (loss) income per share basic	$ (0.15)	$ 0.04
Net (loss) income per share diluted	$ (0.15)	$ 0.04
Weighted average common shares outstanding basic	45,625	266,085
Weighted average common shares outstanding diluted	45,625	268,005

See accompanying notes to consolidated condensed financial statements.

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Citadel Broadcasting Corporation and Subsidiaries

Consolidated condensed statements of cash flows

	Successor Three months ended March 31, 2011	Predecessor Three months ended March 31, 2010
	(in thousands) (unaudited)	
Cash flows from operating activities:		
Net (loss) income	$ (6,638)	$ 11,480
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	23,043	6,855
Non-cash debt-related amounts	957	
Provision for bad debts	257	690
Loss on sale of assets	166	
Deferred income taxes	(5,615)	1,376
Non-cash compensation expense	12,350	647
Changes in operating assets and liabilities:		
Accounts receivable	14,469	26,499
Prepaid expenses and other current assets	(4,737)	(2,258)
Accounts payable, accrued liabilities and other obligations	2,620	3,200
Net cash provided by operating activities	36,872	48,489
Cash flows from investing activities:		
Capital expenditures	(1,558)	(2,164)
Proceeds from sale of assets	1,903	
Restricted cash	85	(3,683)
Other assets, net	11	17
Net cash provided by (used in) investing activities	441	(5,830)
Cash flows from financing activities:		
Debt issuance costs	(162)	
Principal payments on other long-term obligations	(18)	(36)
Purchase of shares held in treasury		(5)
Principal payments on Credit Facility	(3,500)	
Net cash used in financing activities	(3,680)	(41)

Net increase in cash and cash equivalents	33,633	42,618
Cash and cash equivalents, beginning of period	111,624	57,441
Cash and cash equivalents, end of period	$ 145,257	$ 100,059

See accompanying notes to consolidated condensed financial statements.

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Citadel Broadcasting Corporation and Subsidiaries

Consolidated condensed statements of cash flows (Continued)

Supplemental schedule of cash flow information

	Successor	Predecessor
	Three months ended March 31, 2011	Three months ended March 31, 2010
	(in thousands) (unaudited)	
Cash Payments:		
Interest	$ 3,900	$ 17,523
Income taxes	(1,728)	(83)
Barter Transactions:		
Barter revenue included in net revenue	4,107	4,218
Barter expenses included in cost of revenue and selling, general and administrative expense	3,946	4,034
Other Non-Cash Transaction:		
Issuance of note receivable for sale of station	3,750	

See accompanying notes to consolidated condensed financial statements.

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements
unaudited

1. Description of the company

Description of business

Subsidiaries of Citadel Broadcasting Corporation, a Delaware corporation, own and operate radio stations and hold FCC licenses in 27 states and the District of Columbia. Radio stations serving the same geographic area (i.e., principally a city or combination of cities) are referred to as a market. Citadel Broadcasting Corporation (together with its consolidated subsidiaries, the Company) aggregates the geographic markets in which it operates into one reportable segment (Radio Markets). The Company s primary business segment is the Radio Markets segment, which, as of March 31, 2011, consisted of 225 owned and operated radio stations located in over 50 markets across the United States. In addition, the Company also owns and operates Citadel Media (the Radio Network), which produces and distributes a variety of radio programming and formats that are syndicated across approximately 4,000 station affiliates and 9,000 program affiliations, and is a separate reportable segment.

Company history

In January 2001, the Company was formed by affiliates of Forstmann Little & Co. (FL&Co.) in connection with a leveraged buyout transaction of our predecessor, Citadel Broadcasting Company (Citadel Broadcasting).

In February 2006, the Company and Alphabet Acquisition Corp., a wholly-owned subsidiary of the Company (ABC Merger Sub), entered into an agreement and plan of merger with The Walt Disney Company (TWDC), and ABC Radio Holdings, Inc. (ABC Radio), a wholly-owned subsidiary of TWDC. The Company, ABC Merger Sub, TWDC and ABC Radio consummated the (i) separation of the ABC Radio Network business and 22 ABC radio stations (collectively, the ABC Radio Business) from TWDC and its subsidiaries, (ii) spin-off of ABC Radio, which holds the ABC Radio Business, and (iii) merger of ABC Merger Sub with and into ABC Radio, with ABC Radio surviving as a wholly-owned subsidiary of the Company (the ABC Merger). In connection with these transactions, TWDC retained cash from the proceeds of debt incurred by ABC Radio in June 2007 in the amount of $1.35 billion (the ABC Radio Debt). Immediately thereafter, the separate corporate existence of ABC Merger Sub ceased, and ABC Radio was renamed Alphabet Acquisition Corp. The ABC Merger became effective in June 2007.

To effectuate the ABC Merger, the Company entered into a credit agreement which provided for $200 million in revolving loans through June 2013, $600 million term loans maturing in June 2013 (Tranche A Term Loans), and $1,535 million term loans maturing in June 2014 (Tranche B Term Loans) (collectively, the Predecessor Senior Credit and Term Facility).

Plan of reorganization

On December 20, 2009 (the Petition Date), Citadel Broadcasting Corporation and certain of its subsidiaries (collectively, the Debtors) filed voluntary petitions in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) seeking relief under the provisions of Chapter 11 of title 11 of the United States Code (the Bankruptcy Code) (collectively, the Chapter 11 Proceedings). On May 10, 2010, the Debtors filed the second modified joint plan of reorganization of Citadel Broadcasting Corporation and Its Debtor Affiliates Pursuant to

Chapter 11 of the Bankruptcy Code (including all modifications, the Emergence Plan), and on May 19, 2010 (the Confirmation Date), the Bankruptcy Court entered an order (the Confirmation Order), confirming the Emergence Plan. On June 3, 2010 (the Emergence Date), the Debtors consummated their reorganization and the Emergence Plan became effective. As a result, the Company is considered a successor registrant and, pursuant to Rule 12g-3 under the Securities

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

Exchange Act of 1934 (the Exchange Act), the Company s class A common stock is deemed to be registered pursuant to Section 12(g) of the Exchange Act.

Under the Emergence Plan, the Debtors distributed three forms of equity: class A common stock (currently traded over-the-counter under the symbol CDELA); class B common stock (currently traded over-the-counter under the symbol CDELB); and Special Warrants (as defined in Note 9) to purchase class B common stock (currently traded over-the- counter under the symbol CDDGW).

2010 Refinancing transactions

In accordance with the Emergence Plan, approximately $2.1 billion of the debt outstanding under the Predecessor Senior Credit and Term Facility was converted into a term loan dated as of the Emergence Date among the Company, the several lenders party thereto (the Lenders) and JPMorgan Chase Bank, N.A., as administrative agent for the Lenders (the Emergence Term Loan Facility) with an initial principal amount of $762.5 million with a five-year term. See Note 7.

The Company entered into a new credit agreement dated as of December 10, 2010 (the Credit Agreement) by and among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent for the lenders. The Credit Agreement consists of a term loan credit facility of $350.0 million with a term of six years (the Term Loan) and a revolving credit facility in the amount of $150.0 million under which a swing line sub-facility of up to $30.0 million may be borrowed and letters of credit may be issued (the Revolving Loan, together with the Term Loan, the Credit Facilities). The Revolving Loan was undrawn at closing and remained undrawn as of March 31, 2011; however, the Company had $147.1 million of availability under the Revolving Loan due to outstanding letters of credit of $2.9 million. The Company used the proceeds of the Term Loan, along with the net proceeds from the concurrent issuance of the $400.0 million aggregate principal amount of senior notes (the Senior Notes), and cash on hand to repay the amounts outstanding under its Emergence Term Loan Facility. See additional discussion in Notes 7 and 8.

Pending transaction

On March 10, 2011, the Company entered into a definitive merger agreement with Cumulus Media Inc., a Delaware corporation (Cumulus), Cadet Holding Corporation, a Delaware corporation and wholly-owned subsidiary of Cumulus (HoldCo), and Cadet Merger Corporation, a Delaware corporation and wholly-owned subsidiary of HoldCo (Cumulus Merger Sub), which provides that, upon completion of the merger of Cumulus Merger Sub into the Company (the Cumulus Merger), each outstanding share of class A common stock and class B common stock of the Company (other than shares owned by Cumulus Merger Sub, held in treasury by the Company or pursuant to which a holder has properly exercised and perfected appraisal rights under Delaware law), will, at the election of the holder thereof and subject to proration as described below, be converted into the right to receive (i) $37.00 in cash (the Cash Consideration), or (ii) 8.525 shares of class A common stock, par value $0.01 per share, of Cumulus (the Stock Consideration and, together with the Cash Consideration, the Cumulus Merger Consideration). In addition, holders of Special Warrants to purchase class B common stock of the Company will have the right to elect to have their Special Warrants adjusted at the effective time of the Cumulus Merger to become the right to receive upon exercise the (i) Cash Consideration or (ii) Stock Consideration, subject to proration as described below.

Holders of nonvested shares of the Company s class A common stock will be eligible to receive the Cumulus Merger Consideration for their shares pursuant to the original vesting schedule for such shares.

The merger agreement provides that each holder of the Company s common stock and/or Special Warrants may elect to receive the Cash Consideration or the Stock Consideration for all or any number of such holder s common stock and/or Special Warrants, however, such elections will be prorated, and

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

consideration adjusted, so that Cumulus will not issue in excess of 151,485,282 shares of Cumulus class A Common Stock (as increased for the exercise of stock options of the Company prior to closing of the Cumulus Merger) or pay in excess of $1,408,728,600 in cash (less the cash value of any dissenting shares and increased for the exercise of Company stock options prior to closing of the Cumulus Merger). In circumstances where holders of common stock and/or Special Warrants of the Company make aggregate elections which exceed either the aggregate available Cash Consideration or aggregate available Stock Consideration, holders of common stock and/or Special Warrants of the Company will receive a combination of Cash Consideration and Stock Consideration pursuant to the terms of the merger agreement. Holders of common stock and/or Special Warrants of the Company who do not make an election will receive the consideration choice selected by the majority of Company stockholders and Special Warrantholders, subject to the proration described above.

Cumulus has obtained equity and debt financing commitments, subject to certain conditions set forth in definitive agreements related to such commitments, for the transactions contemplated by the merger agreement, the proceeds of which, in addition to cash on hand, will be sufficient for Cumulus to pay the cash portion of the aggregate Cumulus Merger Consideration contemplated by the merger agreement and any associated fees and expenses. In connection with the transactions contemplated by the merger agreement, UBS Securities LLC and affiliates of Crestview Partners and Macquarie Capital (all three, the Equity Investors and affiliates of Crestview Partners and Macquarie Capital, the Original Equity Investors) have agreed, concurrently with the closing of the Cumulus Merger, to make an equity investment in Cumulus in an aggregate amount of up to $500 million on the terms and subject to the conditions set forth in the investment agreement (as amended from time to time) entered into by the Equity Investors and Cumulus in connection with the Cumulus Merger. Certain affiliates of the Original Equity Investors have guaranteed the respective payment obligations of the termination fees payable by the Equity Investors if the merger agreement is terminated under specified circumstances, pursuant to limited guarantees executed in favor of the Company.

Upon the completion of the Cumulus Merger, the Company would cease to be a publicly reporting company and would cease all filings under the Securities Exchange Act of 1934, as amended.

The Cumulus Merger was unanimously approved by the respective Boards of Directors of the Company and Cumulus. The merger agreement and the transactions contemplated thereby will be submitted to a vote of stockholders of the Company at a special/annual meeting of Company stockholders.

Consummation of the Cumulus Merger is conditioned, among other things, on (i) the adoption of the merger agreement by stockholders of the Company (voting together as a single class), (ii) the absence of certain legal impediments to the consummation of the Cumulus Merger, (iii) the effectiveness of a Form S-4 registration statement to be filed by Cumulus and (iv) the receipt of certain regulatory approvals regarding the transactions contemplated by the merger agreement, including expiration of the waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976 and approval by the FCC.

Cumulus stockholders who hold in the aggregate approximately 54% of the outstanding voting power of the Cumulus stock have approved the issuance of Cumulus shares in connection with the Cumulus Merger and an amendment to Cumulus certificate of incorporation in connection with the transactions contemplated by the merger agreement. No further Cumulus stockholder approval is necessary for consummation of the transactions contemplated by the merger agreement.

Completion of the Cumulus Merger is anticipated to occur by the end of 2011, although there can be no assurance the Cumulus Merger will occur within the expected timeframe or at all.

Pursuant to the merger agreement, except as Cumulus may otherwise consent to in writing (which consent will not be unreasonably withheld, conditioned or delayed), the Company has agreed to (i) conduct, in all material respects, its business in the ordinary course; (ii) use commercially reasonable efforts to preserve intact its business organization and significant business relationships and to retain the services of current key officers and key employees; (iii) use commercially reasonable efforts to comply with the Communications Act

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

of 1934, as amended by the Telecommunications Act of 1996, and FCC rules and policies in the operation of its stations; (iv) promptly deliver to Cumulus copies of any material reports or applications filed with the FCC, subject to certain exceptions; (v) promptly notify Cumulus of any inquiry, investigation or proceeding which to its knowledge has been initiated by the FCC relating to its stations, subject to certain exceptions; and (vi) diligently prosecute any pending FCC applications or any other filings necessary or appropriate in other proceedings before the FCC to preserve or obtain any FCC authorization for its stations without material adverse modification, subject to certain exceptions. In addition, under the merger agreement, the Company is not permitted to, without the prior written consent of Cumulus (which consent will not be unreasonably withheld, conditioned or delayed): (a) incur indebtedness, subject to certain exceptions; (b) (i) adjust, split, combine or reclassify any of its capital stock, (ii) make, declare or pay any dividend, or make any other distribution on, or redeem, purchase or otherwise acquire, any shares of its capital stock or any convertible or exchangeable securities, subject to certain exceptions, (iii) grant any stock appreciation rights or rights to acquire shares of its capital stock, other than grants to employees in the ordinary course of business, or (iv) issue any additional shares of capital stock, subject to certain exceptions; (c) change certain specified compensation arrangements, subject to certain exceptions; (d) sell, transfer, mortgage, encumber or otherwise dispose of any of its properties or assets, subject to certain exceptions; (e) cancel, release, settle or assign any indebtedness or third party claim, action or proceeding, subject to certain exceptions; (f) enter into any local marketing agreement in respect of the programming of any radio or television broadcast station or contract for the acquisition or sale of any radio broadcast station, subject to certain exceptions; (g) enter into any new material line of business, subject to certain exceptions; (h) amend its charter or by-laws or terminate, amend or waive any provisions of any confidentiality or standstill agreements in place with any third parties; (i) except as required by GAAP or the Securities and Exchange Commission as concurred in by its independent auditors or in the ordinary course of business, make any material change in its methods or principles of accounting or make or change any material tax election; (j) enter into or amend in any material respect or waive any of its material rights under specified contracts, subject to certain exceptions; (k) adopt or recommend a plan of dissolution, liquidation, recapitalization, restructuring or other reorganization; (l) except as required by law, enter into or amend in any material respect any collective bargaining agreement; or (m) agree to take, make any commitment to take, or adopt specified resolutions of its board of directors. These constraints could significantly impact the Company s operations and business strategy as discussed in this report prior to the consummation of the proposed Cumulus Merger or the termination of the merger agreement.

License renewal applications may be pending before the FCC at the time the Cumulus Merger occurs. Pursuant to the merger agreement, Cumulus has agreed to request that the FCC apply its policy permitting license assignments and transfers in transactions involving multiple markets to proceed, notwithstanding the pendency of one or more license renewal applications. Under this policy, Cumulus will agree to assume the position of the Company with respect to any pending renewal applications, and to assume the risks relating to such applications.

The closing of the Cumulus Merger would constitute a change in control as defined in the Credit Agreement, which would be considered an event of default, also as defined, and could cause all amounts outstanding under the Credit Agreement to become immediately due and payable.

In addition, the closing of the Cumulus Merger would constitute a change of control under the indenture governing the Senior Notes. Following the occurrence of a change of control, the Company would be required to make an offer to purchase all outstanding Senior Notes at a price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest.

It is anticipated that the funds necessary to consummate the Cumulus Merger and related transactions will be funded by new credit facilities, private and/or public offerings of debt securities and equity financing of Cumulus. Under the merger agreement, upon request by Cumulus, the Company has agreed to commence a

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

debt tender offer to purchase the existing Senior Notes. As part of the debt tender offer, the Company will solicit the consent of the holders to amend, eliminate or waive certain sections (as specified by Cumulus) of the applicable indenture governing the Senior Notes. The closing of the debt tender offer will be conditioned on the occurrence of the closing of the Cumulus Merger, but the closing of the Cumulus Merger and the debt financing are not conditioned upon the closing of the debt tender offer.

Principles of consolidation and presentation

The accompanying unaudited consolidated condensed financial statements of the Company include Citadel Broadcasting Corporation, Citadel Broadcasting, ABC Radio and each of their consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company was required to adopt fresh-start reporting as of the Confirmation Date or such later date when all material conditions precedent to the effectiveness of the Emergence Plan had been satisfied, but no later than the Emergence Date. All material conditions were satisfied on the Emergence Date, and in light of the proximity of this date to the Company s May 31, 2010 accounting period end, the effects of fresh-start reporting and the Emergence Plan were reported for accounting purposes as if they occurred on May 31, 2010 (the Fresh-Start Date). The Company adopted fresh-start reporting provisions in accordance with accounting guidance on reorganizations (see Note 2). The Company applied the provisions of fresh-start reporting as of May 31, 2010 instead of the June 3, 2010 Emergence Date, which did not result in a material difference to the Company s results of operations or financial condition.

References in this report to Successor refer to the Company on or after the Fresh-Start Date. References to Predecessor refer to the Company prior to the Fresh-Start Date. Consolidated condensed financial statements as of March 31, 2011 and December 31, 2010 and for the three months ended March 31, 2011 represent the Successor s financial position and results of operations (the Successor Periods). The consolidated condensed financial statements for the three months ended March 31, 2010 represent the Predecessor s financial position and results of operations (the Predecessor Period). References in this report to the Company refer to Citadel Broadcasting Corporation and its consolidated subsidiaries, whether Predecessor and/or Successor, as appropriate. The Predecessor Period reflects the historical accounting basis of the Predecessor s assets and liabilities, while the Successor Periods reflect assets and liabilities at fair value, based on an allocation of the Company s enterprise value to its assets and liabilities pursuant to accounting guidance related to business combinations (see Note 2). The Company s emergence from bankruptcy resulted in a new reporting entity that had no retained earnings or accumulated deficit as of the Fresh-Start Date. Accordingly, the Company s consolidated condensed financial statements for the Predecessor Period are not comparable to its consolidated condensed financial statements for the Successor Periods.

For the period between the Petition Date and the Fresh-Start Date, the consolidated condensed financial statements of the Predecessor were prepared in accordance with accounting guidance for financial reporting by entities in reorganization under the Bankruptcy Code. Accordingly, reorganization items include the expenses, realized gains and losses, and provisions for losses resulting from the reorganization under the Bankruptcy Code, and are reported separately as reorganization items in the Predecessor s consolidated condensed statement of operations.

The accompanying unaudited consolidated condensed financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the

information and notes required by accounting principles generally accepted in the United States for complete financial statements. In the opinion of management, all adjustments necessary for a fair presentation of results of the interim periods have been made, and such adjustments were of a normal and recurring nature. These statements should be read in conjunction with the consolidated financial statements

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

and notes thereto included in Citadel Broadcasting Corporation s Annual Report on Form 10-K for the year ended December 31, 2010.

In connection with the ABC Merger, the Company is required to divest certain stations to comply with FCC ownership limits. Therefore, these stations, the carrying value of which is immaterial, were assigned to The Last Bastion Station Trust, LLC (Last Bastion) as trustee under a divestiture trust that complies with FCC rules as of the closing date of the ABC Merger. The trustee agreement stipulates that the Company must fund any operating shortfalls of the trustee s activities, and any excess cash flow generated by the trustee is distributed to the Company. Also, the Company has transferred one other station to a separate divestiture trust to comply with FCC ownership limits in connection with a station acquisition (together with Last Bastion, the Divestiture Trusts). The Company has determined that it is the primary beneficiary of the Divestiture Trusts and consolidates the Divestiture Trusts accordingly.

Use of estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States. These estimates and assumptions relate in particular to allocations of enterprise value made in connection with fresh-start reporting, fair values of assets and liabilities as of the Fresh-Start Date, the evaluation of goodwill and intangible assets for potential impairment, including changes in market conditions that could affect the estimated fair values, the analysis of the measurement of deferred tax assets, including the calculation of a valuation allowance to reduce the amount of deferred tax asset to the amount that is more likely than not to be realized, the identification and quantification of income tax liabilities due to uncertain tax positions, and the determination of the allowance for estimated uncollectible accounts and notes receivable. The Company also uses assumptions when estimating the value of its supplemental executive retirement plan (the SERP) and when employing the Black-Scholes valuation model to estimate the fair value of stock options. The Predecessor used estimates to calculate the value of certain fully vested stock units and equity awards containing market conditions and in determining the estimated fair values of its interest rate swap, credit risk adjustments and certain derivative financial instruments. These estimates were based on the information that was available to management at the time of the estimate. Actual results could differ materially from those estimates.

Recent accounting standards

In December 2010, the FASB issued guidance that modifies step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity will be required to perform step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. This guidance was effective January 1, 2011, and the adoption did not have a material impact on the Company s consolidated condensed financial statements.

2. Emergence from chapter 11 proceedings and fresh-start reporting

Plan of reorganization, claims resolution and plan distributions

The pre-petition claims of the Debtors are evidenced in the schedules of liabilities filed by the Debtors and by proofs of claim filed by creditors with the Bankruptcy Court. The Bankruptcy Code requires the Bankruptcy Court to set the time within which proofs of claim must be filed in a Chapter 11 case. The Bankruptcy Court established April 21, 2010 as the last date for each person or entity to file a proof of claim (except for governmental units and administrative and priority claims whereby the bar dates were August 17,

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

2010 and August 2, 2010, respectively). Claims that were objected to are allowed or disallowed through a claims resolution process established by the Bankruptcy Court. Pursuant to objections filed by the Debtors, the Bankruptcy Court has reduced, reclassified and/or disallowed a significant number of claims for varying reasons, including claims that were duplicative, amended, without merit, misclassified or overstated. The claims resolution process is ongoing and will continue until all claims are resolved.

Secured claims

Holders of senior secured claims received a pro rata share of the Emergence Term Loan Facility and 90% of the equity in the reorganized Successor company (subject to dilution for distributions of equity under the Successor s equity incentive program). As of March 31, 2011, 41.1 million shares of Successor equity had been distributed with respect to secured claims. See further discussion of equity in the Successor at Note 9.

Unsecured claims

Holders of unsecured claims, including the secured lenders deficiency claim in the stipulated amount of $267.2 million and the claims of the Predecessor s convertible subordinated noteholders, received a pro rata share of (i) 10% of Successor equity (subject to dilution for distributions of equity under the Successor s equity incentive program) and (ii) $36.0 million in cash. Once the allowed amount of an unsecured claim is determined through settlement or by Bankruptcy Court order, the claimant is entitled to a distribution as provided for by the Emergence Plan. As of March 31, 2011, 4.1 million shares of equity and $32.3 million in cash had been distributed to holders of allowed unsecured claims that totaled $321.8 million, and approximately 467,000 shares of Successor equity and $3.7 million of cash were held in reserve to satisfy remaining allowed, disputed or unreconciled unsecured claims. Shares held in reserve are not designated as class A common stock, class B common stock or Special Warrants until issuance. The cash held in reserve is included with restricted cash and is classified as prepaid expenses and other current assets in the accompanying consolidated condensed balance sheets. The offsetting amount remaining to be disbursed on account of unsecured claims is classified as accounts payable, accrued liabilities and other liabilities in the accompanying consolidated condensed balance sheets. If excess shares of equity and cash remain in reserve after resolution of all disputed unsecured claims, such shares and cash will be distributed to the claimants with allowed unsecured claims pro-rata, based on the number of shares and amount of cash they received pursuant to the Emergence Plan. There is no assurance that there will be sufficient shares and cash to satisfy all allowed claims or any excess shares for any such subsequent distribution.

Administrative and priority claims

Pursuant to the Emergence Plan, administrative and priority claims are satisfied with cash. Administrative and priority claims that were allowed as of the Emergence Date were paid in full shortly thereafter. Other administrative claims were required to be asserted by application filed with the Bankruptcy Court by August 2, 2010 (with certain exceptions, including ordinary course of business claims). Proofs of claims for priority claims were required to be submitted by April 21, 2010 (or June 18, 2010 for governmental entities). Any administrative or priority claim that was not asserted in a timely filed application (unless subject to an exception) or timely submitted proof of claim is no longer enforceable against the Debtors. As the claims resolution process remains ongoing, the allowed amounts of certain administrative and priority claims have not yet been established. The Company recorded an estimate of the allowed amount of administrative and priority claims incurred as of the Fresh-Start Date, based on the best

information then available to the Company. The claims resolution process for such claims could result in additional expense or income in the Successor s financial statements if actual results differ from such estimates. Such additional expense or income could be material.

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Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

Restricted cash

As of March 31, 2011 and December 31, 2010, the Company had $3.8 million and $3.9 million, respectively, of restricted cash, which is included in prepaid expenses and other current assets in the accompanying consolidated condensed balance sheets, primarily comprised of cash held in reserve to satisfy remaining allowed, disputed, or unreconciled unsecured claims.

Leases and contracts

As of the Emergence Date, the Debtors assumed the majority of leases and other executory contracts, including numerous collective bargaining agreements, as well as certain employee benefit programs. Any past due amounts owed under the assumed leases and contracts were required to be cured, and all undisputed cure payments were made shortly after the Emergence Date. Continuing obligations under the assumed leases and contracts will be satisfied in the ordinary course of business. Any lease or contract that was not assumed or rejected by order of the Bankruptcy Court, or that had not otherwise expired or terminated pursuant to its terms, was deemed assumed as of the Emergence Date pursuant to the Emergence Plan. Pre-petition amounts owing under rejected leases and contracts, as well as prospective rejection damage claims, were treated as unsecured claims under the Emergence Plan.

Reorganization Items

Reorganization items resulting from the Chapter 11 Proceedings of $13.5 million are presented separately in the accompanying consolidated condensed statement of operations for the three months ended March 31, 2010 and consist of $11.4 million in professional fees paid for legal, consulting, and other related services and $2.1 million to adjust the liability related to rejected executory contracts to their estimated allowed claim amounts.

Application of fresh-start reporting

In accordance with fresh-start reporting, the reorganization value of the Successor was allocated to assets and liabilities in conformity with relevant accounting guidance, with any portion that could not be attributed to specific tangible or identified intangible assets of the Successor reported as goodwill. Each liability existing at the Fresh-Start Date, other than deferred taxes, was stated at the present values of amounts expected to be paid.

As of the Fresh-Start Date, the Company s enterprise value was estimated to be approximately $2.04 billion by using various valuation methods involving numerous projections and assumptions that are inherently subject to significant uncertainties. The net fresh-start valuation adjustments increased the book values of assets, excluding goodwill, and liabilities by $543.8 million and $63.8 million, respectively. The remaining enterprise value of $763.8 million was recorded as goodwill.

3. Accounts receivable

Accounts receivable, net on the accompanying consolidated condensed balance sheets consisted of the following:

Successor

	March 31, 2011	December 31, 2010
	(in thousands)	
Receivables	$ 131,542	$ 143,112
Allowance for estimated uncollectible accounts	(7,083)[(a)]	(4,361)[(a)]
Accounts receivable, net	$ 124,459	$ 138,751

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

(a) Since the Company s accounts receivable balance reflected its estimated fair value as of the Fresh-Start Date, the allowance for estimated uncollectible accounts was zero as of that date. The balance of the allowance for estimated uncollectible accounts as of December 31, 2010 and March 31, 2011 has continued to build in relation to accounts receivable generated since the Fresh-Start Date.

4. Intangible assets

Successor

Indefinite-lived intangible assets and goodwill

As a result of fresh-start reporting, FCC licenses were revalued to $893.6 million, which represented an increase of $293.0 million. Upon the application of fresh-start reporting, the Company recorded goodwill of $763.8 million, and the Predecessor s goodwill of $322.0 million was eliminated.

The Company evaluates its intangible assets for impairment as of October 1, its annual impairment testing date, or more frequently if events or changes in circumstances indicate that the assets might be impaired. As of March 31, 2011, the Company concluded that there had been no conditions or events that would require an interim asset impairment analysis.

If market conditions and operational performance of the Company s reporting units were to deteriorate and management had no expectation that the performance would improve within a reasonable period of time or if an event occurs or circumstances change that would, more likely than not, reduce the fair value of its intangible assets below the amounts reflected in the balance sheet, the Company may be required to recognize impairment charges in future periods.

Definite-lived intangible assets

Definite-lived intangible assets consist primarily of customer and affiliate relationships, but also include certain other intangible assets identified in conjunction with fresh-start reporting or acquired in business combinations. In connection with the adoption of fresh-start reporting, the Company s definite-lived intangible assets were revalued, which resulted in customer and affiliate relationships of $193.4 million and $45.5 million, respectively. This revaluation represented net increases to the customer and affiliate relationships of $176.1 million and $31.6 million, respectively. These assets are being amortized in relation to the economic benefits of such assets over total estimated useful lives of approximately four to six years.

Approximately $16.5 million of amortization expense was recognized on the intangible assets discussed above during the three months ended March 31, 2011.

Other definite-lived intangible assets, excluding the customer relationships and affiliate relationships, are a component of other assets, net, in the accompanying consolidated condensed balance sheets. As a result of fresh-start reporting, other intangible assets, including income contracts and favorable leases, were increased by $36.0 million to $36.7 million. The balance of other intangible assets as of March 31, 2011 and December 31, 2010 was $28.3 million

and $30.9 million, respectively. These assets are generally being amortized over their estimated useful lives of approximately three to six years, and the amount of amortization expense for definite-lived intangible assets, excluding the customer and affiliate relationships discussed above, during the three months ended March 31, 2011 was $2.5 million. The Company estimates the following

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

amount of amortization expense over the next five years related to the total definite-lived intangible asset balance as of the Fresh-Start Date:

	(in thousands)
2011	$ 76,023
2012	62,836
2013	50,286
2014	22,439
2015	10,295
	$ 221,879

Predecessor

Indefinite-lived intangible assets and goodwill

During the quarter ended March 31, 2010, the Company concluded that there had been no conditions or events that would require an interim asset impairment analysis.

Definite-lived intangible assets

In connection with the ABC Merger, the Predecessor acquired customer relationship and affiliate relationship assets that were being amortized in relation to the economic benefits of such assets over total estimated useful lives of approximately five to seven years. Approximately $3.0 million of amortization expense was recognized on these intangible assets during the three months ended March 31, 2010.

The amount of amortization expense for definite-lived intangible assets, excluding the customer and affiliate relationships discussed above, during the three months ended March 31, 2010 was $0.1 million.

5. Acquisitions and dispositions

During the three months ended March 31, 2011, the Divestiture Trusts completed the sale of a station for a total purchase price of approximately $5.8 million, of which $2.0 million was received in cash. The remainder consists of a note receivable, which is payable monthly with final maturity in January 2018.

6. Other long-term liabilities

Amounts that the Company s national representation firm paid to settle the Predecessor s then-remaining obligations under contracts with previous national representation firms that were cancelled in connection with the replacement of the prior firms represented a deferred obligation of the Predecessor. Additionally, the guaranteed minimum amount of national sales for a period specified in the underlying contract with the Predecessor s national representation firm was

not attained, which also resulted in a deferred liability of the Predecessor. The deferred obligation remaining as of the Fresh-Start Date was determined to approximate fair value. The deferred amount is being amortized over the term of the underlying agreement as a reduction to national commission expense, which is included in cost of revenue.

As a result of applying fresh-start reporting, the Company also recognized certain unfavorable leases and contracts, which resulted from agreements with rates in excess of market value rates as of the Fresh-Start Date. These amounts are being amortized on a straight-line basis over the terms of the underlying contracts as a component of cost of revenue or selling, general and administrative expenses as appropriate. In addition, the Company s liability under the SERP was initially recorded at its estimated fair value as of the Fresh-Start Date. Expense amounts related to the liability are being amortized over the applicable service period as a component of non-cash compensation expense and were $0.3 million during the months ended March 31,

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

2011. The Company evaluates the estimated fair value of the SERP liability as of each reporting date to determine if any significant changes have occurred in the underlying assumptions. Any change in the fair value is recognized in the statement of operations at the time of adjustment.

7. Senior Debt

Senior debt consisted of the following as of March 31, 2011 and December 31, 2010:

	Successor	
	March 31, 2011	December 31, 2010
	(in thousands)	
Type of Borrowing		
Term Loan	$ 346,500	$ 350,000
Less current portion of senior debt	875	3,500
Total senior debt less current portion	$ 345,625	$ 346,500

On the Emergence Date, approximately $2.1 billion of the debt outstanding under the Predecessor Senior Credit and Term Facility was converted into the Emergence Term Loan Facility, which was guaranteed by the Company s operating subsidiaries. The initial principal amount of $762.5 million under the Emergence Term Loan Facility was payable in 20 consecutive quarterly installments of approximately $1.9 million, due on the last day of each fiscal quarter, which commenced on September 30, 2010, with a final maturity of $724.4 million on June 3, 2015. A valuation adjustment of $19.1 million was recorded to reflect the Emergence Term Loan Facility at its estimated fair value upon issuance. This valuation adjustment was being amortized as a reduction of interest expense, net, over the contractual term of the Emergence Term Loan Facility. At the Company s election, interest on outstanding principal for the Emergence Term Loan Facility accrued at a rate based on either: (a) the greatest of (1) the Prime Rate in effect; (2) the Federal Funds Rate plus 0.50%; or (3) the one-month Eurodollar rate plus 1.0%, in all cases subject to a 4.0% floor, plus, in each case, a spread of 7.0% or (b) the Eurodollar rate, subject to a 3.0% floor, plus 8.0%.

During the period from the Fresh-Start Date through December 10, 2010, interest expense was incurred on the Emergence Term Loan Facility at 11.0%. On December 10, 2010, the Company refinanced the Emergence Term Loan Facility with the proceeds from the issuance of $400.0 million in Senior Notes (see Note 8) and borrowings of $350.0 million under the Term Loan, along with cash on hand. Interest was incurred on the Term Loan during the first quarter of 2011 at an annual rate of 4.25%.

The Company incurred $12.0 million of debt issuance costs in connection with the Credit Facilities, and amortization of these costs was $0.7 million during the three months ended March 31, 2011.

The Credit Facilities are unconditionally guaranteed by certain of the Company s subsidiaries and secured by the following: (a) a perfected first priority security interest in, among other things, all accounts receivable, inventory,

cash, personal property, material intellectual property and, in each case, proceeds thereof (subject to certain exceptions) of the Company and its guarantor subsidiaries; and (b) a perfected first priority pledge of the capital stock in the Company s subsidiaries.

The proceeds from the Term Loan and the Revolving Loan bear interest at either (A) ABR (as defined in the Credit Agreement) subject to a 2.0% floor, plus 2.25% or (B) Eurodollar Rate (as defined in the Credit Agreement) subject to a 1.0% floor, plus 3.25%, depending on the Company s designation.

The Term Loan is payable in quarterly payments of $875,000, which commenced on March 31, 2011, with the remaining amount payable on December 30, 2016. Outstanding amounts under the Revolving Loan are payable on December 10, 2013. During the three months ended March 31, 2011, the Company made a principal payment in the amount of $3.5 million, representing all principal amounts due during 2011.

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

The Credit Agreement requires compliance with a consolidated total leverage ratio of 4.5 to 1.0 as of March 31, 2011 (with stepdowns thereafter), a senior secured leverage ratio of 2.25 to 1.0 and consolidated interest coverage ratio of 2.5 to 1.0.

The Credit Agreement also contains customary restrictive non-financial covenants, which, among other things, and with certain exceptions, limit the Company s ability to incur or guarantee additional indebtedness; consummate asset sales, acquisitions or mergers; make investments; enter into transactions with affiliates; and pay dividends or repurchase stock.

The Company was in compliance with the covenants under its Term Loan as of March 31, 2011.

Predecessor

In connection with the ABC Merger in June 2007, the Predecessor entered into the Predecessor Senior Credit and Term Facility.

As a result of the Company s voluntary petitions for reorganization, all of the Predecessor s senior debt obligations were accelerated, and the outstanding balances were aggregated as of the Petition Date. The total modified amount of interest-bearing senior debt began incurring interest as of the Petition Date at the non-default rate previously applicable to the Tranche B Term Loan portion of the Predecessor Senior Credit and Term Facility. During the quarter ended March 31, 2010, interest expense was incurred on the $2.1 billion outstanding under the Predecessor Senior Credit and Term Facility at a rate of approximately 2.0%.

For the period between the Petition Date and the Fresh-Start Date, the Company stopped recognizing and paying interest on outstanding pre-petition debt obligations except for the Predecessor Senior Credit and Term Facility. However, interest expense related to the Predecessor Senior Credit and Term Facility for the three months ended March 31, 2010 was approximately $1.1 million higher than it would have been absent the voluntary petitions for reorganization due mainly to the conversion of the outstanding interest rate swap liability and accrued facility fee balance as of the Petition Date, as well as the increased interest rate spread being paid on certain components of senior debt.

8. Senior notes

On December 10, 2010, the Company completed the private placement of $400.0 million aggregate principal amount of the Senior Notes to qualified institutional buyers under Rule 144A and to persons outside the United States under Regulation S of the Securities Act of 1933, as amended. The private placement of the Senior Notes resulted in net proceeds to the Company of approximately $392.0 million. The Senior Notes were issued pursuant to an indenture (the Indenture), dated as of December 10, 2010 by and among the Company, Wilmington Trust Company, a Delaware banking corporation, as trustee, and Deutsche Bank Trust Company Americas, a New York banking corporation, as registrar, authentication agent and paying agent.

The Senior Notes will mature on December 15, 2018, and bear interest at a rate of 7.75% per annum, payable semi-annually in cash in arrears on June 15 and December 15 of each year, beginning on June 15, 2011. The Senior Notes are senior unsecured obligations of the Company and are guaranteed by each of the Company s subsidiaries that

guarantees the Credit Facilities.

The terms of the Indenture, among other things, limit the ability of the Company and its restricted subsidiaries to (i) incur additional indebtedness or issue certain preferred stock; (ii) pay dividends on, or make distributions in respect of, their capital stock or repurchase their capital stock; (iii) make certain investments or other restricted payments; (iv) sell certain assets; (v) create liens or use assets as security in other transactions; (vi) merge, consolidate or transfer or dispose of substantially all of their assets; and (vii) engage in certain

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

transactions with affiliates. These covenants are subject to a number of important limitations and exceptions that are described in the Indenture.

The Senior Notes are redeemable, in whole or in part, at any time after December 15, 2014, at the redemption prices specified in the Indenture, together with accrued and unpaid interest, if any, to the redemption date. At any time prior to December 15, 2013, the Company may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds from one or more equity offerings at a redemption price equal to 107.75% of the principal amount thereof, together with accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to December 15, 2014, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Senior Notes so redeemed, plus a make-whole premium, plus accrued and unpaid interest, if any, to the redemption date. The Company may also redeem all or part of the Senior Notes at a redemption price equal to 107.75% of the face amount thereof plus accrued and unpaid interest, if any, to the redemption date if specified change of control or business combination events occur on or before 180 days after the issue date of the Senior Notes.

The Company incurred $9.2 million of debt issuance costs in connection with the issuance of the Senior Notes, and amortization of these costs was $0.3 million during the three months ended March 31, 2011.

9. Stockholders equity

Successor

Pursuant to the Emergence Plan and upon the Company s emergence from bankruptcy, the Company issued three forms of equity: class A common stock (currently traded over-the-counter under the symbol CDELA); class B common stock (currently traded over-the-counter under the symbol CDELB); and warrants to purchase shares of class B common stock (the Special Warrants) (currently traded over-the-counter under the symbol CDDGW). As of its emergence from bankruptcy, the Company issued approximately 3.0 million shares of class A common stock; approximately 16.7 million shares of class B common stock and approximately 25.4 million Special Warrants.

The Company is authorized to issue up to 100 million shares of class A common stock, of which approximately 4.5 million shares were issued and outstanding as of March 31, 2011. This includes 1.2 million nonvested shares of class A common stock that were granted in August 2010 and remain outstanding (see Note 10). Each holder of class A common stock has unlimited voting rights and is entitled to one vote for each share and shall vote, together with the holders of class B common stock, as a single class with respect to the limited number of matters which may be submitted to a vote of the holders of common stock and for which the holders of class B common stock are entitled to vote.

The Company is authorized to issue up to 100 million shares of class B common stock, of which approximately 18.2 million shares were issued and outstanding as of March 31, 2011. Holders of class B common stock have certain limitations on their voting rights, but are entitled to vote on most material matters involving the Company, including material asset sales, business combinations and recapitalizations. Each holder of class B common stock is entitled to a separate class vote on any amendment or modification of any specific rights or obligations of the holders of class B common stock that does not similarly affect the rights or obligations of the holders of class A common stock. If certain specific actions are submitted to a vote of the holders of common stock, each share of class B common stock

shall be entitled to vote with class A common stock, with each share of common stock having one vote and voting together as a single class. Each share of class B common stock may be converted into one share of class A common stock by the holder, provided that such holder does not have an attributable interest in another entity that would cause the Company to violate applicable FCC multiple ownership rules and regulations.

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Notes to consolidated condensed financial statements unaudited (Continued)

As of the Emergence Date, the Company issued Special Warrants to purchase up to an aggregate of approximately 25.4 million shares of class B common stock to certain holders of senior claims and general unsecured claims, of which 23.6 million Special Warrants were outstanding as of March 31, 2011. The Special Warrants have a 20-year term and will expire on June 3, 2030. The conversion of the Special Warrants is subject to the Company s compliance with applicable FCC regulations. Each Special Warrant to purchase class B common stock may be exercised prior to its expiration date at the minimal exercise price, which is the $0.001 per share par value of the class B common stock, provided that ownership of the Company by the holder does not cause the Company to violate applicable FCC rules and regulations surrounding foreign ownership of broadcasting licenses.

The Company is authorized to issue up to 50 million shares of preferred stock. No preferred shares were issued as of March 31, 2011.

The holders of Special Warrants participate in any dividends ratably, provided that no such distribution shall be made to holders of Special Warrants, class A common stock and class B common stock if (i) an FCC ruling, regulation or policy prohibits such distribution to holders of warrants or (ii) the Company s FCC counsel opines that such distribution is reasonably likely to cause (a) the Company to violate any applicable FCC rules or regulations or (b) any such holder of Special Warrants to be deemed to hold an attributable interest in the Company.

Equity held in reserve

Holders of unsecured claims, including the secured lenders deficiency claim in the stipulated amount of $267.2 million and the claims of the Predecessor s convertible subordinated noteholders, received a pro rata share of (i) 10% of Successor equity (subject to dilution for distributions of equity under the Successor s equity incentive program) and (ii) $36.0 million in cash. Once the allowed amount of an unsecured claim is determined through settlement or by Bankruptcy Court order, the claimant is entitled to a distribution as provided for by the Emergence Plan. As of March 31, 2011, 4.1 million units of equity and $32.3 million in cash had been distributed to holders of allowed unsecured claims that totaled $321.8 million; and approximately 467,000 units of Successor equity and $3.7 million of cash were held in reserve to satisfy remaining allowed, disputed or unreconciled unsecured claims. Shares held in reserve are not designated as class A common stock, class B common stock or Special Warrants until issuance. The Successor equity held in reserve to be disbursed on account of unsecured claims is separately identified in the accompanying consolidated condensed balance sheets. If sufficient excess shares of equity and cash remain in reserve after resolution of all disputed unsecured claims, such shares and cash will be distributed to the claimants with allowed unsecured claims pro-rata, based on the number of shares and amount of cash they received pursuant to the Emergence Plan.

Predecessor

Citadel Broadcasting Corporation was incorporated in Delaware in 1993 and was initially capitalized by partnerships affiliated with FL&Co. in connection with a leveraged buyout transaction. The Predecessor s initial public offering registration statement with the Securities and Exchange Commission was declared effective in July 2003. The Predecessor issued 151.7 million shares of its common stock to TWDC s stockholders in connection with the ABC Merger. In connection with the Company s reorganization and emergence from bankruptcy, all shares of common stock of the Predecessor outstanding prior to the Emergence Date were cancelled pursuant to the Emergence Plan.

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

10. Stock-based compensation

Successor

The Company adopted the Citadel Broadcasting Corporation 2010 Equity Incentive Plan (the 2010 EI Plan) via approval of the Bankruptcy Court, effective as of the Emergence Date, which was amended on June 9, 2010. The 2010 EI Plan provides for grants of nonqualified stock options, incentive stock options, stock appreciation rights, performance awards, restricted stock units, restricted stock and other stock awards (collectively, the Awards).

The aggregate number of shares of common stock available for delivery pursuant to Awards granted under the 2010 EI Plan is 10,000,000 shares, and as of March 31, 2011, the total number of shares that remain authorized, reserved, and available for issuance under the 2010 EI Plan was 5.7 million.

Total stock-based compensation expense for the three months ended March 31, 2011 was $12.0 million, on a pre-tax basis. The associated tax benefit for the three months ended March 31, 2011, was $4.8 million.

As of March 31, 2011, unrecognized pre-tax stock-based compensation expense was approximately $47.5 million and is expected to be recognized over a period of approximately 1.2 years.

The following table summarizes the Successor s stock option activity for the three months ended March 31, 2011:

	Options (in thousands)	Weighted-average exercise Price	Weighted-average remaining contractual term (In years)	Aggregate intrinsic value (in thousands)
Options of Common Stock				
Outstanding as of January 1, 2011	3,267	$ 29.00		
Granted				
Exercised				
Forfeited				
Cancelled	(107)			
Outstanding as of March 31, 2011	3,160	$ 29.00	8.9	$ 16,591
Vested or expected to vest as of March 31, 2011[1]	3,084	$ 29.00	8.9	$ 16,192
Exercisable as of March 31, 2011		$		$

(1) Options expected to vest represent the options outstanding reduced for estimated forfeitures.

No options were granted or exercised during the three months ended March 31, 2011.

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Notes to consolidated condensed financial statements unaudited (Continued)

The Successor s activity related to shares of nonvested stock for the three months ended March 31, 2011 is summarized as follows:

	Number of nonvested share awards	Weighted-average grant date fair value
	(in thousands)	
Shares of Nonvested Class A Common Stock Awards		
Nonvested awards as of January 1, 2011	1,207	$ 23.00
Granted		
Awards vested		
Forfeited	(19)	23.00
Nonvested awards as of March 31, 2011	1,188	$ 23.00

There were no nonvested shares of common stock that vested during the three months ended March 31, 2011.

Predecessor

Total stock-based compensation expense for the three months ended March 31, 2010 was $0.6 million on a pre-tax basis. No tax benefit was recognized with respect to this expense since there was a valuation allowance against the Company s deferred tax asset as of March 31, 2010. The Predecessor issued no share-based payments and there were no options exercised during the three months ended March 31, 2010. The total fair value of awards of nonvested shares of common stock units that vested during the three months ended March 31, 2010 was $2.9 million.

Nonvested shares of the Predecessor s common stock and options to purchase shares of the Predecessor s common stock were generally granted under the Citadel Broadcasting Corporation Amended and Restated 2002 Stock Option and Award Plan (the 2002 Stock Option and Award Plan). However, pursuant to the Emergence Plan, the 2002 Stock Option and Award Plan was terminated as of the Emergence Date and all share-based payments previously granted thereunder were canceled as of the Emergence Date. As of the Fresh-Start Date, approximately 7.5 million options to purchase common stock and 1.4 million nonvested shares were outstanding.

11. Income taxes

Successor

For the three months ended March 31, 2011, the Company s effective tax rate was 44.6%. The effective rate differed from the federal tax rate of 35% primarily due to state income taxes, net of federal benefit, and other permanent

differences.

Predecessor

For the three months ended March 31, 2010, the Predecessor s effective tax rate was 12.6%. The effective rate differed from the federal tax rate of 35% primarily due to changes in the Predecessor s valuation allowance.

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

12. Earnings per share

Successor

Basic earnings per share for the three months ended March 31, 2011 includes the outstanding amount of both class A and class B common stock, as well as Special Warrants, whether outstanding or held in reserve to be issued. All of the components of the Successor s equity described above are treated equally for accounting purposes, and the distinctions relate solely to certain voting restrictions and conversion mechanisms in order to allow the Company to comply with applicable FCC rules and regulations. Potentially dilutive equivalent shares of the Successor s class A common stock include approximately 0.4 million additional shares related to outstanding nonvested shares of class A common stock for the quarter ended March 31, 2011, which were excluded from the computation of diluted weighted average shares outstanding as their effect was antidilutive due to the net loss reported. There were no potentially dilutive equivalent shares related to options to purchase shares of class A common stock for the three months ended March 31, 2011.

Predecessor

The following is a reconciliation of the numerator and denominator of the basic and diluted earnings per share computation for the three months ended March 31, 2010:

		(In thousands, except per share data)
NUMERATOR:		
Income available to common shareholders	$	11,480
DENOMINATOR:		
Weighted average common shares		266,085
Effect of dilutive securities:		
Options		
Nonvested shares		
Convertible subordinated notes		1,920
Denominator for net income per common share diluted		268,005
Net income per common share:		
Basic	$	0.04
Diluted	$	0.04

The diluted shares outstanding for the three months ended March 31, 2010 included approximately 1.9 million shares of common stock of the Predecessor related to the conversion of the Predecessor s convertible subordinated notes. While operating under Chapter 11 of the Bankruptcy Code, the Predecessor was prohibited from paying unsecured pre-petition debts, including the convertible subordinated notes and interest thereon. Therefore, for the three months

ended March 31, 2010, there was no related interest expense to consider in the calculation of the Predecessor s diluted shares. There were no potentially dilutive equivalent shares related to nonvested shares of common stock or options to purchase shares of common stock for the three months ended March 31, 2010.

13. Fair value of financial instruments

The Company s financial instruments are measured at fair value on a recurring basis. The related guidance requires, among other things, enhanced disclosures about investments that are measured and reported at fair value and establishes a hierarchical disclosure framework that prioritizes and ranks the level of market

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Notes to consolidated condensed financial statements unaudited (Continued)

price observability used in measuring investments at fair value. The three levels of the fair value hierarchy are described below:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. As of March 31, 2011, all of the Company s financial instruments were classified as level 3 except for its cash equivalents, which were classified as level 1.

The following table presents the changes in level 3 instruments measured on a recurring basis for the three months ended March 31, 2011:

	January 1, 2011	Expense items recognized (in thousands)	March 31, 2011
Financial Liabilities:			
SERP liability	$ 11,477	$ 414	$ 11,891

There were no level 3 financial instruments as of March 31, 2010.

The following summary presents a description of the methodologies and assumptions used to determine the estimated fair values for the Company s significant financial instruments.

Cash Equivalents: Cash equivalents represent amounts held in mutual funds that invest in short-term United States Treasury funds or other short-term investments. Due to the short-term nature of these investments, their carrying values were assumed to approximate fair value.

Accounts Receivable, Accounts Payable and Accrued Liabilities: The carrying amount was assumed to approximate the fair value because of the liquidity or short-term maturity of these instruments.

Senior Debt: Based on available evidence, including certain trading prices, the estimated fair value of the Term Loan as of March 31, 2011 approximated its carrying value of $346.5 million.

Senior Notes: Based on available evidence, including certain trading prices, the estimated fair value of the Senior Notes as of March 31, 2011 was $431.0 million compared to the carrying value of $400.0 million.

Other Long-Term Liabilities, including the SERP: The Company s liability under the SERP was initially recorded at its estimated fair value as of the Fresh-Start Date. The Company evaluates the estimated fair value of the SERP liability as of each reporting date to determine if any significant changes have occurred in the underlying assumptions. Any change in the fair value is recognized in the statement of operations at the time of adjustment. The terms of the Company s other long-term liabilities approximate the terms in the marketplace. Therefore, the fair values approximated the carrying values of these financial instruments.

14. Reportable segments

The Company operates two reportable segments, Radio Markets and Radio Network, as there is discrete financial information available for each segment and the segment operating results are reviewed by the chief operating decision maker. The Radio Markets revenue is primarily derived from the sale of broadcasting time to local, regional and national advertisers. Revenue for the Radio Network is generated primarily through

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Notes to consolidated condensed financial statements unaudited (Continued)

national advertising. The Company presents segment operating income (SOI), which is not calculated according to accounting principles generally accepted in the United States, as the primary measure of operating performance; for planning purposes, including the preparation of the Company s annual operating budget; to allocate resources to enhance the financial performance of our business; to evaluate the effectiveness of our business strategies; to provide consistency and comparability with past financial performance; to facilitate a comparison of our results with those of other companies; in communications with our board of directors concerning our financial performance; and when determining management s incentive compensation. SOI is defined as operating income by segment adjusted to exclude depreciation and amortization, local marketing agreement fees, non-cash compensation expense, corporate general and administrative expenses, and other, net. The Company believes the presentation of SOI is relevant and useful for investors because it allows investors to view segment performance in a manner similar to a primary method used by the Company s management and enhances their ability to understand the Company s operating performance.

	Successor	Predecessor
	Three months ended March 31, 2011	Three months ended March 31, 2010
	(in thousands)	
Net revenue:		
Radio Markets	$ 136,365	$ 138,144
Radio Network	24,870	28,059
Segment revenue	$ 161,235	$ 166,203
Intersegment revenue:		
Radio Markets	$ (1,213)	$ (1,175)
Radio Network		
Total intersegment revenue	$ (1,213)	$ (1,175)
Net revenue	$ 160,022	$ 165,028
SOI:		
Radio Markets	$ 46,961	$ 46,384
Radio Network	1,154	3,354
Corporate general and administrative	(14,452)	(5,160)
Local marketing agreement fees	(99)	(269)
Non-cash compensation expense	(2,807)	(319)
Depreciation and amortization	(23,043)	(6,855)
Other, net	(7,284)	2

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Notes to consolidated condensed financial statements unaudited (Continued)

	Successor	Predecessor
	Three months ended March 31, 2011	Three months ended March 31, 2010
	(in thousands)	
Operating income	430	37,137
Reorganization items, net		13,480
Interest expense, net	12,411	10,521
(Loss) income before income taxes	(11,981)	13,136
Income tax (benefit) expense	(5,343)	1,656
Net (loss) income	$ (6,638)	$ 11,480
Segment local marketing agreement fees:		
Radio Markets	$ 99	$ 269
Radio Network		
Total segment local marketing agreement fees	$ 99	$ 269
Segment non-cash compensation expense:		
Radio Markets	$ 2,486	$ 297
Radio Network	321	22
Total segment non-cash compensation expense	$ 2,807	$ 319
Segment depreciation and amortization:		
Radio Markets	$ 19,588	$ 5,031
Radio Network	3,455	1,824
Total segment depreciation and amortization	$ 23,043	$ 6,855

	Successor	
	March 31, 2011	December 31, 2010
	(in thousands)	
Identifiable assets:		

Radio Markets, exclusive of goodwill shown separately below	$	1,383,981	$	1,416,723
Goodwill		719,229		719,229
Total Radio Markets identifiable assets	$	2,103,210	$	2,135,952
Radio Network, exclusive of goodwill shown separately below	$	107,903	$	103,130
Goodwill		44,620		44,620
Total Radio Network identifiable assets	$	152,523	$	147,750
Corporate and other identifiable assets	$	151,712	$	124,412
Total assets	$	2,407,445	$	2,408,114

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Notes to consolidated condensed financial statements unaudited (Continued)

15. Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, or other sources are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated.

Effective December 31, 2009, the Company s radio music license agreements with the two largest performance rights organizations, American Society of Composers, Authors and Publishers (ASCAP) and Broadcast Music, Inc. (BMI), expired. The Radio Music License Committee (RMLC), which negotiates music licensing fees for most of the radio industry with ASCAP and BMI, had reached an agreement with these organizations on a temporary fee schedule that reflects a provisional discount of 7.0% against 2009 fee levels. The temporary fee reductions became effective in January 2010. Absent an agreement on long-term fees between the RMLC and ASCAP and BMI, the U.S. District Court in New York has the authority to make an interim and permanent fee ruling for the new contract period. In May 2010 and June 2010, the U.S. District Court s judges charged with determining the license fees ruled to further reduce interim fees paid to ASCAP and BMI, respectively, down approximately another 11.0% from the previous temporary fees negotiated with the RMLC. When the license fee negotiations are finalized, the rate will be retroactive to January 1, 2010, and the amounts could be greater or less than the temporary fees and could be material to the Company s financial results and cash flows.

Litigation

On March 14, 2011, the Company, its board of directors, and Cumulus were named in a putative shareholder class action complaint filed in the District Court of Clark County, Nevada, by a purported Citadel shareholder. On March 23, 2011, these same defendants, as well as Cadet Holding Corporation and Cadet Merger Corporation, were named in a second putative shareholder class action complaint filed in the same court by another purported Citadel shareholder. The complaints allege that the Company s directors breached their fiduciary duties by approving the Cumulus Merger for allegedly inadequate consideration and following an allegedly unfair sale process. The complaint in the first action also alleges that the Company s directors breached their fiduciary duties by allegedly withholding material information relating to the Cumulus Merger. The two complaints further allege that the Company and Cumulus aided and abetted the Citadel directors alleged breaches of fiduciary duty, and the complaint filed in the second action alleges, additionally, that Cadet Holding Company and Cadet Merger Corporation aided and abetted these alleged breaches of fiduciary duty. The complaints seek, among other things, a declaration that the action can proceed as a class action, an order enjoining the completion of the Cumulus Merger, rescission of the Cumulus Merger, attorneys fees, and such other relief as the court deems just and proper. The complaint filed in the second action also seeks rescissory damages.

On May 6, 2011, a third action challenging the Cumulus Merger was filed. In particular, on that date, two purported common stockholders of the Company filed a putative class action complaint against the Company, its board of directors, Cumulus, Cadet Holding Corporation, and Cadet Merger Corporation in the Court of Chancery of the State of Delaware. The complaint alleges that these directors breached their fiduciary duties to the Company s stockholders by approving the Cumulus Merger for allegedly inadequate consideration and following an allegedly unfair sale process and that the remaining defendants aided and abetted these alleged breaches. The complaint seeks, among other things, an order enjoining the Cumulus Merger, a declaration that the action is properly maintainable as a class action, and rescission of the merger agreement, as well as attorneys fees and costs. The Company intends to vigorously

defend against these actions.

On the Petition Date, the Debtors filed voluntary petitions in the Bankruptcy Court seeking relief under the Bankruptcy Code. Upon commencement of the Chapter 11 Proceedings, the Debtors also announced that they had reached an accord with over 60% of their senior secured lenders on the terms of a pre-negotiated financial restructuring that sought to extinguish approximately $1.4 billion of indebtedness. Specifically, the

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated condensed financial statements unaudited (Continued)

Company entered into a letter agreement, effective as of the Petition Date (the Emergence Plan Support Agreement), with over 60% of the holders of the Company s secured debt issued pursuant to the Predecessor Senior Credit and Term Facility.

On December 21, 2009, the Company announced that the Bankruptcy Court granted all of the Company s first day motions and applications, which allowed the Company to satisfy its obligations with cash on hand and pay employee wages, salaries and benefits, among other things, without interruption during the course of the restructuring.

On February 3, 2010, the Debtors filed with the Bankruptcy Court a proposed joint plan of reorganization and a related disclosure statement pursuant to Chapter 11 of the Bankruptcy Code. On March 15, 2010, the Debtors filed with the Bankruptcy Court a First Modified Joint Plan of Reorganization and the related disclosure statement pursuant to Chapter 11 of the Bankruptcy Code.

On March 15, 2010, the Bankruptcy Court approved the disclosure statement and authorized the Company to begin soliciting votes on the Emergence Plan.

On May 10, 2010, the Debtors filed the second modified Emergence Plan, reflecting certain technical, nonmaterial modifications to the first modification. Objections to the Debtors Emergence Plan were filed with the Bankruptcy Court by several stockholders, and on May 12, 2010, the Bankruptcy Court commenced a multi-day hearing, which ended on May 17, 2010 with the Bankruptcy Court confirming the Debtors Emergence Plan.

On the Confirmation Date, the Bankruptcy Court entered the Confirmation Order confirming the Emergence Plan, and on May 26, 2010, the FCC granted the long form applications for transfer of control of the Company s FCC licenses to the new stockholders of the Company.

On the Emergence Date, the Debtors consummated their reorganization, and the Emergence Plan became effective. The distribution of securities of the new reorganized successor to the Company under the Emergence Plan was made on the Emergence Date. Under the Emergence Plan, the Debtors distributed three forms of equity: class A common stock; class B common stock; and the Special Warrants.

Pursuant to the Bankruptcy Code, pre-petition claims (including secured, unsecured, priority and administrative claims) of the Debtors are evidenced in the schedules of liabilities filed by the Debtors with the Bankruptcy Court and by proofs of claim filed by creditors. The process to resolve these claims continues until all pre-petition claims are resolved. In connection with resolving these claims, certain claims could result in additional expense or income in the Successor s financial statements if actual results differ from estimated liabilities, and such additional expense or income could be material.

The Company is involved in certain other claims and lawsuits arising in the ordinary course of its business. The Company believes that such litigation and claims will be resolved without a material adverse impact on its results of operations, cash flows or financial condition.

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Report of independent registered public accounting firm

Board of Directors and Stockholders of
Citadel Broadcasting Corporation
Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Citadel Broadcasting Corporation and subsidiaries (the Company) as of December 31, 2010 (successor) and 2009 (predecessor), and the related consolidated statements of operations, stockholders equity, and cash flows for the period from June 1, 2010 to December 31, 2010 (successor), the period from January 1, 2010 to May 31, 2010 (predecessor) and for each of the two years in the period ended December 31, 2009 (predecessor). These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Citadel Broadcasting Corporation and subsidiaries as of December 31, 2010 (successor) and 2009 (predecessor), and the results of their operations and their cash flows for the period from June 1, 2010 to December 31, 2010 (successor), the period from January 1, 2010 to May 31, 2010 (predecessor) and for each of the two years in the period ended December 31, 2009 (predecessor), in conformity with accounting principles generally accepted in the United States of America.

/s/ Deloitte & Touche LLP
Los Angeles, California
March 30, 2011

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Citadel Broadcasting Corporation and Subsidiaries
Consolidated balance sheets

	Successor December 31, 2010	Predecessor December 31, 2009
	(in thousands, except share and per share amounts)	
Assets		
Current assets		
Cash and cash equivalents	$ 111,624	$ 57,441
Accounts receivable, net	138,751	159,201
Prepaid expenses and other current assets (including deferred income tax assets of $23,023 and $566 as of December 31, 2010 and December 31, 2009, respectively)	37,418	21,177
Total current assets	287,793	237,819
Long-term assets		
Property and equipment, net	200,121	201,542
FCC licenses	893,610	600,603
Goodwill	763,849	321,976
Customer and affiliate relationships, net	195,080	36,284
Other assets, net	67,661	19,765
Total assets	$ 2,408,114	$ 1,417,989
Liabilities and stockholders equity (deficit)		
Liabilities not subject to compromise		
Current liabilities		
Accounts payable, accrued liabilities and other liabilities	$ 56,661	$ 36,376
Senior debt, current	3,500	
Total current liabilities not subject to compromise	60,161	36,376
Long-term liabilities		
Senior debt, less current portion	346,500	
Senior notes	400,000	
Other long-term liabilities, less current portion	58,342	2,631
Deferred income tax liabilities	268,454	180,422
Total liabilities not subject to compromise	1,133,457	219,429
Liabilities subject to compromise		2,270,418
Total liabilities	1,133,457	2,489,847
Commitments and contingencies		
Stockholders equity (deficit)		

Successor preferred stock, $.001 par value authorized, 50,000,000 shares at December 31, 2010; no shares issued or outstanding at December 31, 2010				
Successor class A common stock, $.001 par value authorized, 100,000,000 shares at December 31, 2010; issued and outstanding, 4,539,601 shares at December 31, 2010		5		
Successor class B common stock, $.001 par value authorized, 100,000,000 shares at December 31, 2010; issued and outstanding, 18,131,638 shares at December 31, 2010		18		
Successor equity held in reserve		13,182		
Additional paid-in capital (including 23,682,484 Successor special warrants at December 31, 2010)		1,263,235		2,447,084
Predecessor preferred stock, $.01 par value authorized, 200,000,000 shares at December 31, 2009; no shares issued or outstanding at December 31, 2009				
Predecessor common stock, $.01 par value authorized, 500,000,000 shares at December 31, 2009; issued and outstanding, 294,035,525 and 265,623,369, respectively at December 31, 2009				2,940
Predecessor treasury stock, at cost, 28,412,156 shares at December 31, 2009				(344,371)
Accumulated deficit		(1,783)		(3,177,511)
Total stockholders equity (deficit)		1,274,657		(1,071,858)
Total liabilities and stockholders equity (deficit)	$	2,408,114	$	1,417,989

See accompanying notes to consolidated financial statements.

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Citadel Broadcasting Corporation and Subsidiaries
Consolidated statements of operations

	Successor	Predecessor		
	Period from June 1, 2010 through December 31, 2010	Period from January 1, 2010 through May 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
	(in thousands, except per share amounts)			
Net revenue	$ 444,142	$ 295,424	$ 723,620	$ 863,121
Operating expenses:				
Cost of revenue, exclusive of depreciation and amortization shown separately below, and including non-cash compensation expense of $954, $526, $1,516 and $2,370, respectively	164,594	116,103	306,648	353,014
Selling, general and administrative, including non-cash compensation expense of $3,244, $785, $3,884 and $4,984, respectively	113,637	78,582	203,871	227,517
Corporate general and administrative, including non-cash compensation expense of $14,587, $570 and $5,135 and $6,652, respectively	26,394	8,929	26,320	32,049
Local marketing agreement fees	379	455	1,027	1,334
Asset impairment and disposal charges			985,653	1,208,208
Depreciation and amortization	58,564	11,365	35,599	45,264
Non-cash amounts related to contractual obligations				21,440
Other, net	7,486	854	6,841	(1,688)
Operating expenses	371,054	216,288	1,565,959	1,887,138
Operating income (loss)	73,088	79,136	(842,339)	(1,024,017)
Reorganization items, net		(1,014,077)	4,556	
Interest expense, net	45,365	17,771	190,175	211,818
Extinguishment of debt	20,969		(428)	(114,736)
Write-off of deferred financing costs and debt discount upon extinguishment of debt and other debt-related fees	984		814	11,399
Income (loss) before income taxes	5,770	1,075,442	(1,037,456)	(1,132,498)
Income tax expense (benefit)	7,553	5,737	(254,097)	(162,679)

Net (loss) income	$	(1,783)	$	1,069,705	$	(783,359)	$	(969,819)
Net (loss) income per share basic	$	(0.04)	$	4.02	$	(2.97)	$	(3.69)
Net (loss) income per share diluted	$	(0.04)	$	3.99	$	(2.97)	$	(3.69)
Weighted average common shares outstanding basic		45,625		266,041		263,989		262,812
Weighted average common shares outstanding diluted		45,625		267,961		263,989		262,812

See accompanying notes to consolidated financial statements.

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Citadel Broadcasting Corporation and Subsidiaries
Consolidated statements of stockholders equity

ass A mmon tock		Class B common stock		Common stock		Reserve		Treasury stock		Additional paid-in	Accumulated	Accum oth compre inco
s	Amount	Shares	Amount	Shares	Amount	Shares held in reserve	Amount	Shares	Amount	capital	deficit	(los
				(in thousands, except share amounts)								
	$		$	290,726,502	$ 2,907		$	(26,835,340)	$ (343,042)	$ 2,422,076	$ (1,424,333)	$ (30
											(969,819)	
												29
										13,449		
										(15)		
				6,847,570	69					(68)		
								(1,015,833)	(1,255)			
										557		

					526		
$	$ 297,574,072	$ 2,976	$ (27,851,173)	$ (344,297)	$ 2,436,525	$ (2,394,152) (783,359)	$
					10,555		
					(11)		
	(3,538,547)	(36)			35		
			(560,983)	(74)			
					(20)		

See accompanying notes to consolidated financial statements.

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Citadel Broadcasting Corporation and Subsidiaries
Consolidated statements of stockholders equity (Continued)

ock	Class B common stock		Common stock		Reserve		Treasury stock		
					Shares held in				Additiona paid-in
Amount	Shares	Amount	Shares	Amount	reserve	Amount	Shares	Amount	capital
				(in thousands, except share amounts)					
$		$	294,035,525	$ 2,940		$	(28,412,156)	$ (344,371)	$ 2,447,0
									1,1
			201,103	2					
							(159,570)	(5)	
$		$	294,236,628	$ 2,942		$	(28,571,726)	$ (344,376)	$ 2,448,1
			(294,236,628)	(2,942)			28,571,726	344,376	(341,4
3	16,699,015	17			518,614	14,305			1,244,1
									1,0
$ 3	16,699,015	$ 17		$	518,614	$ 14,305		$	$ 3,351,9
									(2,107,8

See accompanying notes to consolidated financial statements.

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Citadel Broadcasting Corporation and Subsidiaries
Consolidated statements of stockholders equity (Continued)

	Class A common stock		Class B common stock		Common stock		Reserve		Treasury stock				
	Shares	Amount	Shares	Amount	Shares	Amount	Shares held in reserve	Amount	Shares	Amount	Additional paid-in capital	Accumulated deficit	Accumu othe compreh incor (loss
	(in thousands, except share amounts)												
or)	3,031,311	$ 3	16,699,015	$ 17		$	518,614	$ 14,305		$	$ 1,244,112	$	$
0												(1,783)	
on											18,042		
ted	1,206,625	1									(1)		
s	301,665	1	1,432,623	1			(40,717)	(1,123)			1,121		
											(39)		
0	4,539,601	$ 5	18,131,638	$ 18		$	477,897	$ 13,182		$	$ 1,263,235	$ (1,783)	$

See accompanying notes to consolidated financial statements.

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Citadel Broadcasting Corporation and Subsidiaries
Consolidated statements of cash flows

	Successor	Predecessor		
	Period from June 1, 2010 through December 31, 2010	Period from January 1, 2010 through May 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
	(in thousands)			
Cash flows from operating activities:				
Net (loss) income	$ (1,783)	$ 1,069,705	$ (783,359)	$ (969,819)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	58,564	11,365	35,599	45,264
Non-cash amounts related to contract obligations				21,440
Extinguishment of debt	20,969		(428)	(114,736)
Write-off of deferred financing costs and debt discount upon extinguishment of debt and other debt-related fees	984		160	11,399
Asset impairment and disposal charges			985,653	1,208,208
Non-cash debt-related amounts and facility fees	(1,693)		105,141	3,414
Reorganization items, net		(1,063,639)	4,087	
Fair value of swap liability			(9,578)	82,355
Provision for bad debts	2,385	578	6,231	6,574
Loss (gain) on sale of assets	271	708	271	(625)
Deferred income taxes	6,057	5,150	(245,517)	(176,168)
Non-cash compensation expense	18,785	1,881	10,535	14,006
Changes in operating assets and liabilities:				
Accounts receivable	3,795	13,884	5,586	14,168
Prepaid expenses and other current assets	2,861	(900)	(2,502)	(1,199)
Accounts payable, accrued liabilities and other obligations	(17,559)	5,855	(46,226)	(13,429)
Net cash provided by operating activities	93,636	44,587	65,653	130,852
Cash flows from investing activities:				
Capital expenditures	(6,671)	(3,409)	(7,761)	(8,920)
Proceeds from sale of assets	13	5	23	1,494
Restricted cash	6,302	(7,773)	(2,460)	
Other assets, net	78	25	50	90
FCC license upgrades				(2,114)
Cash paid to acquire stations				(388)

Net cash used in investing activities	(278)	(11,152)	(10,148)	(9,838)

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	Successor	Predecessor		
	Period from June 1, 2010 through December 31, 2010	Period from January 1, 2010 through May 31, 2010	Year ended December 31, 2009	2008
		(in thousands)		
Cash flows from financing activities:				
Principal payments on Emergence Term Loan	(762,500)			
Proceeds from Term Loan	350,000			
Proceeds from Senior Notes	400,000			
Debt issuance costs	(21,878)		(11,477)	(10,836)
Prepayment penalty on extinguishment of debt	(38,030)			
Principal payments on other long-term obligations	(72)	(125)	(192)	(56)
Payments for early extinguishment of debt, including related fees			(292)	(426,553)
Other debt-related expenses			(654)	
Purchase of shares held in treasury		(5)	(73)	(1,256)
Principal payments on Senior Credit Facility			(4,010)	
Proceeds from Predecessor Senior Credit and Term Facility				136,000
Net cash used in financing activities	(72,480)	(130)	(16,698)	(302,701)
Net increase (decrease) in cash and cash equivalents	20,878	33,305	38,807	(181,687)
Cash and cash equivalents, beginning of period	90,746	57,441	18,634	200,321
Cash and cash equivalents, end of period	$ 111,624	$ 90,746	$ 57,441	$ 18,634

See accompanying notes to consolidated financial statements.

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Citadel Broadcasting Corporation and Subsidiaries
Consolidated statements of cash flows (Continued)

Supplemental disclosure of cash flow information

	Successor	Predecessor		
	Period from June 1, 2010 through December 31, 2010	Period from January 1, 2010 through May 31, 2010	Year ended December 31, 2009	2008
	(in thousands)			
Cash Payments:				
Interest	$ 45,932	$ 24,478	$ 91,190	$ 127,538
Income taxes	387	481	1,804	5,665
Reorganization items cash paid for professional fees		17,651		
Reorganization items cash paid to unsecured creditors	319	31,913		
Barter Transactions:				
Barter revenue included in net revenue	11,088	7,574	19,830	19,107
Barter expenses included in cost of revenue and selling, general and administrative expense	10,809	7,278	20,332	18,784
Write-off of valuation adjustment	17,061			

See accompanying notes to consolidated financial statements.

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated financial statements

1. Description of the Company

Description of business

Subsidiaries of Citadel Broadcasting Corporation own and operate radio stations and hold FCC licenses in 27 states and the District of Columbia. Radio stations serving the same geographic area (i.e., principally a city or combination of cities) are referred to as a market. Citadel Broadcasting Corporation (together with its consolidated subsidiaries, the Company) aggregates the geographic markets in which it operates into one reportable segment (Radio Markets). In addition to owning and operating radio stations, the Company also owns and operates Citadel Media (the Radio Network), which produces and distributes a variety of radio programming and formats that are syndicated across approximately 4,000 station affiliates and 9,000 program affiliations, and is a separate reportable segment.

Company history

In January 2001, the Company was formed by affiliates of Forstmann Little & Co. (FL&Co.) in connection with a leveraged buyout transaction of our predecessor, Citadel Broadcasting Company (Citadel Broadcasting).

On February 6, 2006, the Company and Alphabet Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of the Company (ABC Merger Sub), entered into an agreement and plan of merger with The Walt Disney Company (TWDC), a Delaware corporation, and ABC Radio Holdings, Inc., formerly known as ABC Chicago FM Radio, Inc. (ABC Radio), a Delaware corporation and wholly-owned subsidiary of TWDC.

The Company, ABC Merger Sub, TWDC and ABC Radio consummated the (i) separation of the ABC Radio Network business and 22 ABC radio stations (collectively, the ABC Radio Business) from TWDC and its subsidiaries, (ii) spin-off of ABC Radio, which holds the ABC Radio Business, and (iii) merger of ABC Merger Sub with and into ABC Radio, with ABC Radio surviving as a wholly-owned subsidiary of the Company (the ABC Merger). In connection with those transactions, TWDC or one of its affiliates retained cash from the proceeds of debt incurred by ABC Radio on June 5, 2007 in the amount of $1.35 billion (the ABC Radio Debt). Immediately thereafter, the separate corporate existence of ABC Merger Sub ceased, and ABC Radio was renamed Alphabet Acquisition Corp. The ABC Merger became effective on June 12, 2007.

Also, on June 12, 2007, to effectuate the ABC Merger, the Company entered into a credit agreement to provide debt financing to the Company in connection with the payment of a special distribution on June 12, 2007 immediately prior to the closing of the ABC Merger in the amount of $2.4631 per share to all pre-merger holders of record of Company common stock as of June 8, 2007 (the Special Distribution), the refinancing of Citadel Broadcasting s existing senior credit facility, the refinancing of the ABC Radio Debt and the completion of the ABC Merger. This senior credit and term agreement provided for $200 million in revolving loans through June 2013, $600 million term loans maturing in June 2013 (Tranche A Term Loans), and $1,535 million term loans maturing in June 2014 (Tranche B Term Loans) (collectively, the Predecessor Senior Credit and Term Facility).

Plan of reorganization

On December 20, 2009 (Petition Date), Citadel Broadcasting Corporation and certain of its subsidiaries (collectively, the Debtors) filed voluntary petitions in the United States Bankruptcy Court for the Southern District of New York

(the Bankruptcy Court) seeking relief under the provisions of Chapter 11 of title 11 of the United States Code (the Bankruptcy Code) (collectively, the Chapter 11 Proceedings). On May 10, 2010, the Debtors filed the second modified joint plan of reorganization of Citadel Broadcasting Corporation and Its Debtor Affiliates Pursuant to Chapter 11 of the Bankruptcy Code (including all modifications, the Emergence Plan), and on May 19, 2010 (the Confirmation Date), the Bankruptcy Court entered an order

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated financial statements (Continued)

(the Confirmation Order), confirming the Emergence Plan. On June 3, 2010 (the Emergence Date), the Debtors consummated their reorganization and the Emergence Plan became effective. As a result, the Company is considered a successor registrant and, pursuant to Rule 12g-3 under the Securities Exchange Act of 1934 (the Exchange Act), the Company s class A common stock is deemed to be registered pursuant to Section 12(g) of the Exchange Act.

Under the Emergence Plan, the Debtors distributed three forms of equity: class A common stock (currently traded over-the-counter under the symbol CDELA); class B common stock (currently traded over-the-counter under the symbol CDELB); and special warrants to purchase class B common stock (currently traded over-the- counter under the symbol CDDGW). See Note 14.

The refinancing transactions

In accordance with the Emergence Plan, approximately $2.1 billion of the debt outstanding under the Predecessor Senior Credit and Term Facility was converted into a term loan dated as of June 3, 2010 among the Company, the several lenders party thereto (the Lenders) and JPMorgan Chase Bank, N.A., as administrative agent for the Lenders (the Emergence Term Loan Facility) in the initial principal amount of $762.5 million with a 5-year term. See Notes 3 and 10 for additional discussion of the Emergence Plan and the Emergence Term Loan Facility.

The Company entered into a new credit agreement dated as of December 10, 2010 (the Credit Agreement) by and among the Company, the lenders party thereto and JPMorgan Chase Bank, N.A., as administrative agent for the lenders. The Credit Agreement consists of a term loan credit facility of $350.0 million with a term of six years (the Term Loan) and a revolving credit facility in the amount of $150.0 million under which a swing line sub-facility of up to $30.0 million may be borrowed and letters of credit may be issued (the Revolving Loan, together with the Term Loan, the Credit Facilities). The Revolving Loan was undrawn at closing and remained undrawn as of December 31, 2010; however, the Company had $147.1 million of availability under the Revolving Loan due to outstanding letters of credit of $2.9 million. The Company used the proceeds of the Term Loan, along with the net proceeds from the concurrent issuance of the $400.0 million aggregate principal amount of senior notes (the Senior Notes), and cash on hand to repay the amounts outstanding under its Emergence Term Loan Facility. See additional discussion at Notes 10 and 11.

Principles of consolidation and presentation

The accompanying consolidated financial statements of the Company include Citadel Broadcasting Corporation, Citadel Broadcasting, ABC Radio and their consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The Company was required to adopt fresh-start reporting as of the Confirmation Date or such later date when all material conditions precedent to the effectiveness of the Emergence Plan had been satisfied, but no later than the Emergence Date. All material conditions were satisfied on the Emergence Date, and in light of the proximity of this date to the Company s May 31, 2010 accounting period end, the effects of fresh-start reporting and the Emergence Plan were reported for accounting purposes as if they occurred on May 31, 2010 (the Fresh-Start Date). The Company adopted fresh-start reporting provisions in accordance with accounting guidance on reorganizations (see Note 3). The Company applied the provisions of fresh-start reporting as of May 31, 2010 instead of the June 3, 2010 Emergence Date, which did not result in a material difference to the Company s results of operations or financial condition.

References in this report to Successor refer to the Company on or after the Fresh-Start Date. References to Predecessor refer to the Company prior to the Fresh-Start Date. Consolidated financial statements as of December 31, 2010 and for the period from June 1, 2010 through December 31, 2010

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated financial statements (Continued)

represent the Successor s financial position and results of operations (the Successor Period). The consolidated financial statements as of December 31, 2009, for the period from January 1, 2010 through May 31, 2010 and for each of the years ended December 31, 2009 and 2008 represent the Predecessor s financial position and results of operations (the Predecessor Periods). References in this report to the Company refer to Citadel Broadcasting Corporation and its consolidated subsidiaries, whether Predecessor and/or Successor, as appropriate. The Predecessor Periods reflect the historical accounting basis of the Predecessor s assets and liabilities, while the Successor Period reflects assets and liabilities at fair value, based on an allocation of the Company s enterprise value to its assets and liabilities pursuant to accounting guidance related to business combinations (see Note 3). The Company s emergence from bankruptcy resulted in a new reporting entity that had no retained earnings or accumulated deficit as of the Fresh-Start Date. Accordingly, the Company s consolidated financial statements for the Predecessor Periods are not comparable to its consolidated financial statements for the Successor Period. Operating results for the Successor and Predecessor Periods are not necessarily indicative of the results to be expected for a full fiscal year.

For the period between the Petition Date and the Fresh-Start Date, the consolidated financial statements of the Predecessor were prepared in accordance with accounting guidance for financial reporting by entities in reorganization under the Bankruptcy Code. Accordingly, all pre-petition liabilities subject to compromise were segregated in the Predecessor s consolidated balance sheet as of December 31, 2009 and classified as liabilities subject to compromise at the estimated amounts of allowable claims as of that date. Liabilities not subject to compromise are separately classified as current and non-current. Reorganization items include the expenses, realized gains and losses, and provisions for losses resulting from the reorganization under the Bankruptcy Code, and are reported separately as reorganization items in the Predecessor s consolidated statements of operations.

In connection with the ABC Merger, the Company is required to divest certain stations to comply with FCC ownership limits. Therefore, these stations, the carrying value of which is immaterial, were assigned to The Last Bastion Station Trust, LLC (Last Bastion) as trustee under a divestiture trust that complies with FCC rules as of the closing date of the ABC Merger. The trustee agreement stipulates that the Company must fund any operating shortfalls of the trustee s activities, and any excess cash flow generated by the trustee is distributed to the Company. Also, the Company has transferred one other station to a separate divestiture trust to comply with FCC ownership limits in connection with a station acquisition (together with Last Bastion, the Divestiture Trusts). The Company has determined that it is the primary beneficiary of the Divestiture Trusts and consolidates the Divestiture Trusts accordingly.

2. Summary of significant accounting policies

Use of estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions relate in particular to allocations of enterprise value made in connection with fresh-start reporting, fair values of assets and liabilities as of the Fresh-Start Date, the evaluation of goodwill and intangible assets for potential impairment, including changes in market conditions that could affect the estimated fair values, the analysis of the measurement of deferred tax assets, including the calculation of a valuation allowance to reduce the amount of deferred tax asset to the amount that is more likely than not to be realized, the identification and

quantification of income tax liabilities due to uncertain tax positions, and the determination of the allowance for estimated uncollectible accounts and notes receivable. The Company also uses assumptions when estimating the value of its supplemental executive retirement plan (the SERP) and when employing the Black-Scholes valuation model to estimate the fair value of stock options. The Predecessor used estimates to calculate the value of certain fully vested stock units and equity

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated financial statements (Continued)

awards containing market conditions and in determining the estimated fair values of its interest rate swap, credit risk adjustments and certain derivative financial instruments. These estimates were based on the information that was available to management at the time of the estimate. Actual results could differ materially from those estimates.

Business combinations and the application of fresh-start reporting

The adoption of fresh-start reporting results in a new reporting entity. Under fresh-start reporting, all assets and liabilities are recorded at their estimated fair values and the predecessor s accumulated deficit is eliminated. In adopting fresh-start reporting, the Company was required to determine its enterprise value, which represents the fair value of the entity. See Note 3.

The Company employs various estimates when determining the fair market value of assets acquired and liabilities assumed in connection with the allocation of purchase price consideration in business combinations. In addition, the allocation of enterprise value made in connection with Fresh-Start Reporting, as well as the evaluation of the fair values of assets and liabilities as of the date of the application of Fresh-Start Reporting required the Company to employ various estimates. Intangible assets generally account for a significant portion of total assets acquired, and intangible assets consist primarily of FCC broadcast licenses and goodwill, but also include certain other identifiable intangible assets.

Cash and cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less, at the time of purchase, to be cash equivalents.

Restricted cash

As of December 31, 2010, the Company had $3.9 million of restricted cash, which is included in prepaid expenses and other current assets in the accompanying balance sheet, primarily comprised of $3.8 million of cash held in reserve to satisfy remaining allowed, disputed or unreconciled unsecured claims (see Note 3). The $2.5 million of restricted cash as of December 31, 2009 primarily represents amounts held on deposit as security in case of default by the Debtors under their credit card processing agreement.

Allowance for doubtful accounts

The Company recognizes an allowance for estimated uncollectible accounts based on historical experience of bad debts as a percentage of its aged outstanding receivables, adjusted for improvements or deteriorations in current economic conditions. Accounts receivable, net on the accompanying consolidated balance sheets consisted of the following:

	Successor December 31, 2010	Predecessor December 31, 2009
	(in thousands)	

Receivables	$	143,112	$	167,803
Allowance for estimated uncollectible accounts		(4,361)[(a)]		(8,602)
Accounts receivable, net	$	138,751	$	159,201

(a.) Since the Company s accounts receivable balance reflected its estimated fair as of the Fresh-Start Date, the allowance for estimated uncollectible accounts was zero as of that date. The balance of the allowance for estimated uncollectible accounts as of December 31, 2010 is lower than the balance as of December 31, 2009 since the current period amount relates only to accounts receivable generated since the Fresh-Start Date.

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Notes to consolidated financial statements (Continued)

Property and equipment, net

Property and equipment under fresh-start reporting and business combination guidance is stated at fair value as of the Fresh-Start Date and acquisition date, respectively. Property and equipment acquired subsequent to the Fresh-Start Date and the acquisition date are stated at cost. Depreciation of property and equipment is determined using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements and capital leases are capitalized and amortized using the straight-line method over the shorter of the related lease term or the estimated useful lives of the assets. Gains or losses on disposals of assets are recognized as incurred. Costs of normal repairs and maintenance are expensed as incurred.

Intangible assets

In accordance with fresh-start reporting, the reorganization value of the Successor was allocated to assets and liabilities in conformity with relevant accounting guidance, with any portion that could not be attributed to specific tangible or identified intangible assets of the Successor reported as goodwill. Certain of these values differed materially from the values recorded on the Predecessor s consolidated balance sheet as of December 31, 2009.

The Company s intangible assets include FCC broadcast licenses and goodwill. The Company evaluates its goodwill and FCC licenses for possible impairment annually or more frequently if events or changes in circumstances indicate that such assets might be impaired.

The Company evaluates the fair value of its FCC licenses at the unit of account level and has determined the unit of account to be the geographic market level, which is the lowest level for which the Company has identifiable cash flows. The Company evaluates goodwill for impairment at the reporting unit level, which the Company has determined to be a geographic market for its radio stations and the Radio Network for its network operations.

The Company evaluates its FCC licenses for impairment as of October 1, its annual impairment testing date, or more frequently if events or changes in circumstances indicate that the assets might be impaired. The Company determines the fair value of its FCC licenses using an income approach generally referred to as the Jefferson Pilot Method or Greenfield Approach. This income approach attempts to isolate the income that is attributable to the FCC licenses at the unit of account level. The fair value is calculated by estimating and discounting the cash flows that a typical market participant would assume could be available from similar stations operated as part of a group of commonly owned stations in a similar sized geographic radio market. It is assumed that rather than acquiring such stations or operation as a going concern, the buyer would hypothetically obtain the licenses (at nominal cost) and build the new stations or operation with similar attributes from scratch. The Company believes this direct method of valuation to estimate the fair value of FCC licenses provides the best estimate of the fair value of the FCC licenses. The Company does not utilize a market approach as transactions involving FCC licenses in a specific geographic market do not frequently occur and therefore the information is limited, if available at all. The cost approach is not applicable as FCC licenses are not able to be re-created or duplicated.

For purposes of testing the carrying value of the Company s FCC licenses for impairment, the fair value of FCC licenses for each geographic market contains significant assumptions incorporating variables that are based on past experiences and judgments about future performance using industry normalized information for an average station

within a market. These variables would include, but are not limited to: (1) forecasted revenue growth rates for each radio geographic market; (2) market share and profit margin of an average station within a market; (3) estimated capital start-up costs and losses incurred during the early years; (4) risk-adjusted discount rate; (5) the likely media competition within the market area; and (6) expected growth rates in perpetuity to estimate terminal values. These variables on a geographic market basis are susceptible to changes in estimates, which could result in significant changes to the fair value of the FCC licenses on a

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Notes to consolidated financial statements (Continued)

geographic market basis. If the carrying amount of the FCC license is greater than its estimated fair value in a given geographic market, the carrying amount of the FCC license in that geographic market is reduced to its estimated fair value, and this reduction may have a material impact on the Company s consolidated financial condition and results of operations.

The Company evaluates its goodwill for impairment as of October 1, its annual impairment testing date, or more frequently if events or changes in circumstances indicate that the assets might be impaired. The Company determines the fair value of goodwill using primarily a market approach for each reporting unit. The market approach compares recent sales and offering prices of similar properties or businesses. The Company believes a market approach reflects the best estimate of the fair value of an entire reporting unit as radio markets are generally sold within the industry based on a multiple of EBITDA (earnings before interest, taxes and depreciation and amortization). Therefore, the Company utilizes EBITDA specific to the geographic market and applies a multiple based on recent transactions or a multiple derived from public radio company information to estimate the value of the reporting unit. The Company generally considers the cost approach to be inapplicable as this approach does not capture going concern value of the business (see Note 5). If the carrying amount of the goodwill is greater than the estimated fair value of the goodwill of the respective reporting unit, the carrying amount of goodwill of that reporting unit is reduced to its estimated fair value, and this reduction may have a material impact on the Company s consolidated financial condition and results of operations.

See discussion of the Company s impairment testing for the years ended December 31, 2010 and 2009 at Note 5.

FCC licenses and renewal

Radio stations operate under renewable broadcasting licenses that are ordinarily granted by the FCC for maximum terms of eight years. Licenses are renewed through an application to the FCC. A station may continue to operate beyond the expiration date of its license if a timely filed license application is pending. Petitions to deny license renewals can be filed by interested parties, including members of the public. These petitions may raise various issues before the FCC. The FCC is required to hold hearings on renewal applications if the FCC is unable to determine that the renewal of a license would serve the public interest, convenience and necessity, or if a petition to deny raises a substantial and material question of fact as to whether the grant of the renewal application would be inconsistent with the public interest, convenience and necessity. If, as a result of an evidentiary hearing, the FCC determines that the licensee has failed to meet various requirements and that no mitigating factors justify the imposition of a lesser sanction, then the FCC may deny a license renewal application. Historically, the Company s FCC licenses have generally been renewed, and in the last renewal cycle, all of the Company s licenses were renewed; however, the Company cannot be assured that all of its licenses will be renewed. The non-renewal, or renewal with substantial conditions or modifications, of one or more of the Company s FCC radio station licenses could have a material adverse effect on the Company s business, liquidity, financial position, and results of operations.

Debt issuance costs and valuation adjustment/discount on debt

The costs related to the issuance of debt are capitalized as other assets, as appropriate, and amortized to interest expense on a straight-line basis, which approximates the effective interest rate method, over the term of the related debt. A valuation adjustment recorded on the Emergence Term Loan Facility to record the Successor s senior debt at its estimated fair value upon issuance was being amortized as a partial offset to interest expense using the effective

interest rate method over the term of the Emergence Term Loan Facility. The discounts recorded as reductions to the Predecessor s convertible subordinated notes were also amortized to interest expense generally over the contractual term of the notes. The balances of the Predecessor s debt issuance costs and discounts were amortized to interest expense in relation to the pay down or repurchase of

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Notes to consolidated financial statements (Continued)

the underlying debt. However, the Predecessor ceased amortization of these assets as of December 19, 2009 since between the Petition Date and the Emergence Date, interest expense was only recognized to the extent it would be paid. Additionally, the Predecessor wrote off the remaining balance of deferred financing costs related to its debt and debt discount on its convertible subordinated notes since the amount of the allowed claim for the related debt instruments was known as of December 31, 2009.

Hedging activities and derivative instruments

The Company is exposed to fluctuations in interest rates, primarily attributable to borrowings under any floating rate debt, including its Credit Facilities (see Note 10). The Company actively monitors these fluctuations and from time to time may enter into derivative instruments to mitigate the variability of interest payments in accordance with its risk management strategy. The accounting for changes in the fair values of such derivative instruments at each new measurement date is dependent upon their intended use. The effective portion of changes in the fair values of derivative instruments designated as hedges of forecasted transactions, referred to as cash flow hedges, are deferred and recorded as a component of accumulated other comprehensive income (loss) until the hedged forecasted transactions occur and are recognized in earnings. The ineffective portion of changes in the fair values of derivative instruments designated as cash flow hedges are immediately reclassified to earnings. If it is determined that a derivative ceases to be a highly effective hedge or if the hedged transaction becomes probable of not occurring, hedge accounting is discontinued and some or all of the amounts recorded in other comprehensive income (loss) is immediately reclassified into net income (loss). The Company s interest rate swap arrangement had qualified for hedge accounting until the fourth quarter of 2008. During the fourth quarter of 2008, it became probable that the hedged transaction would not occur. Therefore, the hedging relationship was dedesignated and hedge accounting was discontinued. Accordingly, losses that had been previously deferred were recorded as interest expense. The Company measured the fair value of the interest rate swap using a discounted cash flow analysis as well as considering the Company s nonperformance risk. The differential paid or received on the interest rate swap agreement was also recognized as an adjustment to interest expense. The liability related to the interest rate swap agreement was converted to a component of senior debt as of the Petition Date, and the interest rate swap arrangement was terminated.

The Predecessor s previously outstanding convertible subordinated notes, after being tendered and exchanged for new notes with amended terms, contained contingent interest rate features that were accounted for as a derivative. At each reporting date subsequent to the initial establishment of these derivative liabilities, the Predecessor measured the estimated fair value of this derivative financial instrument, and any increase or decrease in fair value of the derivative liability was recognized immediately in earnings as adjustments to interest expense. These derivative liabilities had no value as of December 31, 2009, and the Company has no other derivative instruments as of December 31, 2010.

Stock-based compensation

The Company recognizes the cost of all stock-based payments to employees in the financial statements based on the fair values of such awards measured at the grant date, or the value determined based on subsequent modification. That cost is recognized over the vesting period during which an employee is required to provide service in exchange for the award, which is based on the Company s determination of the appropriate service period underlying the award.

Income taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their

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respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded for a net deferred tax asset balance when it is more likely than not that the benefits of the tax asset will not be realized.

The Company adjusts its estimated liability for uncertain positions when its judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the Company s current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

Earnings per share

The Company presents basic and diluted earnings per share in its consolidated statement of operations. Basic earnings per share excludes dilution and is computed for all periods presented by dividing earnings available to common stockholders by the weighted average number of common shares outstanding during the period. Special warrants to purchase shares of class B common stock, whether outstanding or held in reserve to be issued, are included in basic earnings in the Successor Period. Nonvested shares of common stock are considered participating securities for purposes of calculating basic weighted average common shares in periods of net income for both the Predecessor and Successor. Diluted earnings per share is computed in the same manner as basic earnings per share after assuming issuance of common stock for all potentially dilutive equivalent shares, which includes stock options, nonvested shares of common stock in periods of net loss and the effect of the Predecessor s convertible subordinated notes in the Predecessor periods. Antidilutive instruments are not considered in this calculation. See further discussion at Note 17.

Revenue recognition

The Radio Markets derive revenue primarily from the sale of program time and commercial announcements to local, regional and national advertisers. Broadcasting revenue is recorded net of agency commissions and is recognized when the programs and commercial announcements are broadcast. Agency commissions are calculated based on a stated percentage applied to gross broadcasting revenue.

Historically, the Company has managed its portfolio of radio stations through selected acquisitions, dispositions and exchanges, as well as through the use of local marketing agreements (LMAs) and joint sales agreements (JSAs). Under an LMA or a JSA, the company operating a station provides programming or sales and marketing or a combination of such services on behalf of the owner of a station. The broadcast revenue and operating expenses of stations operated by the Company under LMAs and JSAs have been included in the Company s results of operations since the respective effective dates of such agreements.

The Radio Network generates substantially all of its revenue from the sale of advertising time accumulated from its affiliate stations. The Radio Network also generates advertising revenue by embedding a defined number of advertising units in its syndicated programs, which it sells to advertisers at premium prices. Revenue at the Radio Network is recognized when the commercials are aired by the affiliate and the Company has no further obligation to the national advertiser. In addition, the Company assesses the creditworthiness of the national advertisers to assess

collectibility of its receivables. The Radio Network is also the exclusive sales representative for the ESPN Radio Network content, providing both sales and distribution services. ESPN produces the network s programming, which includes ESPN SportsCenter, Mike and Mike In The Morning, hosted by Mike Greenberg and former NFL player Mike Golic, as well as national broadcasts of Major League Baseball, the National Basketball Association and the Bowl Championship Series. The Radio Network provides a sales staff to solicit and negotiate the sale of advertising on behalf of the

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Notes to consolidated financial statements (Continued)

ESPN Radio Network and to manage the advertising trafficking, billing and collection functions in exchange for a portion of all net sales generated on behalf of the ESPN Radio Network.

Barter transactions

Barter contracts are agreements entered into under which the Company provides commercial air-time in exchange for goods and services used principally for promotions, sales and other business activities. The Company determines the amount of revenue for barter transactions based on fair value received for similar commercial air-time from cash customers.

Advertising expenses

Advertising expenses are expensed as incurred.

Business and credit concentrations

In the opinion of management, credit risk with respect to receivables is mitigated in part by the large number of customers and the geographic diversification of the Company s customer base. The Company performs credit evaluations of its customers and believes that adequate allowances for any uncollectible receivables are maintained. As of December 31, 2010, and 2009, no receivable from any customer exceeded 5% of accounts receivable. For the periods from January to May 2010 and from June 1 to December 31, 2010, as well as for the years ended December 31, 2009 and 2008, no single customer accounted for more than 10% of net broadcasting revenue.

Recent accounting standards

In June 2009, the Financial Accounting Standards Board (the FASB) issued guidance regarding the consolidation of variable interest entities to require an enterprise to perform an analysis to determine whether the enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity; to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity; to revise previous guidance for determining whether an entity is a variable interest entity; and to require enhanced disclosures that will provide more transparent information about an enterprise s involvement with a variable interest entity. The provisions of this guidance were effective for the Company beginning January 1, 2010, and the adoption of this guidance did not have an impact on the Company s consolidated financial statements.

In January 2010, the FASB issued guidance which provides improvements to disclosures related to fair value measurements. New disclosures are required for significant transfers in and out of Level 1 and Level 2 fair value measurements, disaggregation regarding classes of assets and liabilities, valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3 (see further discussion at Note 19). These disclosures were effective for the Company beginning in the first quarter of 2010; however the adoption of this guidance did not impact the Company s consolidated financial statements. Additional new disclosures regarding the purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective beginning with the first interim period in 2011.

In December 2010, the FASB issued guidance that modifies step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity will be required to perform step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. This guidance will be

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Notes to consolidated financial statements (Continued)

effective beginning with the first interim period in 2011, and the Company does not expect the adoption to have a material impact on the Company s consolidated financial statements.

3. Emergence from chapter 11 proceedings and fresh-start reporting

Plan of reorganization, claims resolution and plan distributions

In accordance with the Emergence Plan, approximately $2.1 billion of the debt outstanding under the Predecessor Senior Credit and Term Facility was converted into the Emergence Term Loan Facility in the initial principal amount of $762.5 million, with a 5-year term (see Note 10).

The pre-petition claims of the Debtors are evidenced in the schedules of liabilities filed by the Debtors and by proofs of claim filed by creditors with the Bankruptcy Court. The Bankruptcy Code requires the Bankruptcy Court to set the time within which proofs of claim must be filed in a Chapter 11 case. The Bankruptcy Court established April 21, 2010 as the last date for each person or entity to file a proof of claim (except for governmental units and administrative and priority claims whereby the bar dates were August 17, 2010 and August 2, 2010, respectively). Claims that were objected to are allowed or disallowed through a claims resolution process established by the Bankruptcy Court. Pursuant to objections filed by the Debtors, the Bankruptcy Court has reduced, reclassified and/or disallowed a significant number of claims for varying reasons, including claims that were duplicative, amended, without merit, misclassified or overstated. The claims resolution process is ongoing and will continue until all claims are resolved.

Secured claims

Holders of senior secured claims were entitled to receive a pro rata share of (i) the Emergence Term Loan Facility; (ii) 90% of the equity in the reorganized Successor company, subject to dilution for distributions of equity under the Successor s equity incentive program; and (iii) cash held as of the Emergence Date in excess, if any, of the sum of $86.0 million (as further described in the Emergence Term Loan Facility documents). There was no such excess cash as of the Emergence Date, and no additional payment was made to holders of senior secured claims. As of December 31, 2010, 2.6 million shares of Successor class A common stock, 10.0 million shares of class B common stock and 28.5 million special warrants had been distributed with respect to secured claims. See further discussion of equity in the Successor at Note 14.

Unsecured claims

Holders of unsecured claims, including the secured lenders deficiency claim in the stipulated amount of $267.2 million and the claims of the Predecessor s convertible subordinated noteholders, received a pro rata share of (i) 10% of Successor equity (subject to dilution for distributions of equity under the Successor s equity incentive program) and (ii) $36.0 million in cash. Once the allowed amount of an unsecured claim is determined through settlement or by Bankruptcy Court order, the claimant is entitled to a distribution as provided for by the Emergence Plan. As of December 31, 2010, 4.1 million shares of equity and $32.2 million in cash had been distributed to holders of allowed unsecured claims that totaled $320.9 million, and approximately 478,000 shares of Successor equity and $3.8 million of cash were held in reserve to satisfy remaining allowed, disputed or unreconciled unsecured claims. Shares held in reserve are not designated as class A common stock or class B common stock until issuance. The cash

held in reserve is included with restricted cash and is classified as prepaid expenses and other current assets in the accompanying consolidated balance sheet. The offsetting amount remaining to be disbursed on account of unsecured claims is classified as accounts payable, accrued liabilities and other liabilities in the accompanying consolidated balance sheet. If excess shares of equity and cash remain in reserve after resolution of all disputed unsecured claims, such shares and cash will be distributed to the claimants with allowed unsecured claims pro-rata, based on the number of shares and cash they received pursuant to the Emergence Plan. There is no assurance that there will

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be sufficient shares and cash to satisfy all allowed claims or any excess shares for any such subsequent distribution.

Administrative and priority claims

Pursuant to the Emergence Plan, administrative and priority claims are satisfied with cash. Administrative and priority claims that were allowed as of the Emergence Date were paid in full shortly thereafter. Other administrative claims were required to be asserted by application filed with the Bankruptcy Court by August 2, 2010 (with certain exceptions, including ordinary course of business claims). Proofs of claims for priority claims were required to be submitted by April 21, 2010 (June 18, 2010 for governmental entities). Any administrative or priority claim that was not asserted in a timely filed application (unless subject to an exception) or timely submitted proof of claim is no longer enforceable against the Debtors. As the claims resolution process remains ongoing, the allowed amounts of certain administrative and priority claims have not yet been established. The Company recorded an estimate of the allowed amount of administrative and priority claims incurred as of the Fresh-Start Date, based on the best information then available to the Company. The claims resolution process for such claims could result in additional expense or income in the Successor s financial statements if actual results differ from such estimates. Such additional expense or income could be material.

Leases and contracts

As of the Emergence Date, the Debtors assumed the majority of leases and other executory contracts, including numerous collective bargaining agreements, as well as certain employee benefit programs. Any past due amounts owed under the assumed leases and contracts were required to be cured, and all undisputed cure payments were made shortly after the Emergence Date. Continuing obligations under the assumed leases and contracts will be satisfied in the ordinary course of business. Any lease or contract that was not assumed or rejected by order of the Bankruptcy Court, or that had not otherwise expired or terminated pursuant to its terms, was deemed assumed as of the Emergence Date pursuant to the Emergence Plan. Pre-petition amounts owing under rejected leases and contracts, as well as prospective rejection damage claims, were treated as unsecured claims under the Emergence Plan.

Reorganization items

Reorganization items shown below were a direct result of the Chapter 11 Proceedings and consist of the following for the period from January 1, 2010 through May 31, 2010 and for the year ended December 31, 2009:

	Predecessor	
	Period from January 1, 2010 through May 31, 2010	Year ended December 31, 2009
	(in thousands)	
Gain on extinguishment of debt	$ (139,813)	$

Revaluation of assets and liabilities		(921,801)		
SERP liability (See Note 9)		10,510		
Professional fees		31,666		469
Rejected executory contracts		5,361		
Write-off of deferred financing costs				4,087
Reorganization items, net	$	(1,014,077)	$	4,556

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Notes to consolidated financial statements (Continued)

For the period from January 1, 2010 through May 31, 2010, gain on extinguishment of debt resulted from debt extinguishments exceeding the value of distributions to creditors, and the gain from revaluation of assets and liabilities was a result of the application of fresh-start reporting, as further described below. Professional fees included legal, consulting, and other related services directly associated with the reorganization process. Lease rejections represent the net non-cash amounts that resulted from claims associated with the rejections of certain executory contracts and the adjustment of previously recorded liabilities to their estimated allowed claim amounts. For the year ended December 31, 2009, expenses related to the evaluation of financial and strategic alternatives, including financial advisory services and legal expenditures, associated with the Company s prepetition reorganization efforts, including preparing for the bankruptcy filing, amounted to approximately $9.0 million and are included in other, net in the accompanying consolidated statement of operations. During the period from June 1, 2010 through December 31, 2010, the Company incurred approximately $6.0 million of bankruptcy-related expenses, which are included in other, net in the accompanying consolidated statement of operations.

Liabilities subject to compromise

Liabilities subject to compromise reflected the estimated liability to unsecured creditors for pre-petition claims that were expected to be restructured pursuant to the Emergence Plan. Subsequent to the Petition Date, as permitted under the Bankruptcy Code, the Predecessor rejected certain of its pre-petition contracts and calculated its estimated liability to the unsecured creditors. Liabilities subject to compromise at December 31, 2009 consisted of the following:

	Predecessor December 31, 2009 (in thousands)
Accounts payable	$ 4,846
Accrued liabilities and other liabilities	13,231
Working capital adjustment	10,927
Accrued interest	1,657
Accounts payable, accrued and other liabilities	30,661
Senior debt	2,144,387
Convertible subordinated notes	48,310
Other long-term liabilities, less current portion	47,060
	$ 2,270,418

The Emergence Plan discharged most of the Predecessor s pre-petition liabilities. Any reinstated pre-petition liabilities that had previously been subject to compromise were reclassified to the appropriate liability accounts under the terms of the Emergence Plan.

Application of fresh-start reporting

Accounting guidance on reorganizations states that fresh-start reporting was required upon emergence because holders of existing voting shares immediately before confirmation of the Emergence Plan received less than 50 percent of the voting shares of the Successor and the reorganization value of the Successor s assets immediately before the recording of the effects of the Emergence Plan on the Fresh-Start Date was less than the total of all post-petition liabilities and allowed claims. Fresh-start reporting generally requires the adjustment of the historical net book value of assets and liabilities to fair value by allocating the entity s enterprise value as set forth in the Emergence Plan to its assets and liabilities pursuant to accounting guidance related to business combinations as of the Fresh-Start Date.

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Notes to consolidated financial statements (Continued)

In the disclosure statement related to the Emergence Plan, as confirmed by the Bankruptcy Court on May 19, 2010, the enterprise value of the Company was estimated to be approximately $2.04 billion. The enterprise value was estimated using various valuation methods, including (i) a comparable company analysis, in which implied valuation multiples observed from industry participants were considered and comparisons were made between the expected performance of the Company relative to other industry participants; (ii) a calculation of the present value of the future cash flows based on the Company s projections as included in the disclosure statement related to the Emergence Plan; and (iii) review and analysis of mergers, acquisitions, and restructuring transactions of companies determined to be similar to the Company. The enterprise value using the discounted cash flow method, a form of the income approach, was determined using financial projections for the period 2010 through 2014. The discount rate applied was in the range of 9.5% to 11.5%, and the present value of all cash flows after 2014 were calculated using the terminal multiple methodology and the implied perpetuity growth rate, which were calculated by applying enterprise value to EBITDA (as defined) multiples ranging from 8.0 to 9.0. The reorganization value was determined using numerous projections and assumptions that are inherently subject to significant uncertainties and the resolution of contingencies beyond the control of the Company. Accordingly, there can be no assurance that the estimates, assumptions and amounts reflected in the valuation will be realized.

In accordance with fresh-start reporting, the reorganization value of the Successor was allocated to assets and liabilities in conformity with relevant accounting guidance, with any portion that could not be attributed to specific tangible or identified intangible assets of the Successor reported as goodwill. Each liability existing at the Fresh-Start Date, other than deferred taxes, was stated at the present values of amounts expected to be paid. Certain of these values differed materially from the values recorded on the Predecessor s consolidated balance sheet as of December 31, 2009. The Company s emergence from bankruptcy and reorganization resulted in a new reporting entity that had no retained earnings or accumulated deficit as of the Fresh-Start Date. Therefore, the Predecessor s accumulated deficit has been eliminated, and the Company s new debt and equity have been recorded in accordance with the Emergence Plan. In addition, the Company s accounting practices and policies may not be the same as that of the Predecessor. For all of these reasons, the consolidated financial statements for periods subsequent to the Fresh-Start Date are not comparable with the Predecessor s prior periods.

As detailed below, the net fresh-start valuation adjustments increased the book values of assets, excluding goodwill, and liabilities by $543.8 million and $63.8 million, respectively. Management considered a number of factors, including valuations or appraisals, in determining the fair values of assets. Liabilities were revalued at present values using appropriate discount rates. Deferred taxes were determined in accordance with accounting principles generally accepted in the United States of America. In addition to revaluing existing assets and liabilities, the Company recorded certain previously unrecognized assets and liabilities, including customer and affiliate relationships, income contracts and unfavorable leases. The reorganization value exceeded the sum of the amounts assigned to assets and liabilities by approximately $763.8 million. The Company recorded the excess to goodwill.

Adjustments to reflect the revaluation of assets and liabilities resulted in a net gain of $921.8 million. The restructuring of the Company s capital structure and resulting discharge of pre-petition debt resulted in a gain of $139.8 million. Both of these amounts were recorded as reorganization items in the Predecessor s statement of operations.

Fresh-start reporting resulted in the selection of appropriate accounting policies for the Successor. The significant accounting policies disclosed in the Predecessor s Annual Report on Form 10-K for the year ended December 31,

2009, were adopted by the Successor, though many of the account balances were affected by the adjustments detailed below.

The following table presents the effects of transactions outlined in the Emergence Plan and adoption of fresh-start reporting on the consolidated balance sheet as of the Fresh-Start Date. The table reflects settlement

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of various liabilities, cancellation of existing stock, issuance of new stock, and other transactions, as well as the fresh-start adjustments, such as revaluation of assets and liabilities to fair values and recording of certain intangible assets.

	Predecessor	Plan of reorganization adjustments	Fresh-start valuation adjustments	Successor
		(in thousands)		
Assets				
Current assets				
Cash and cash equivalents	$ 126,746	$ (36,000)[a]	$	$ 90,746
Accounts receivable, net	144,734	285[b]	93[f]	145,112
Prepaid expenses and other current assets	19,341	5,313[c]	3,289[f]	27,943
Total current assets	290,821	(30,402)	3,382	263,801
Long-term assets				
Property and equipment, net	197,365		5,606[f]	202,971
FCC licenses	600,604		293,006[f]	893,610
Goodwill	321,976		441,873[g]	763,849
Customer and affiliate relationships, net	31,268		207,632[f]	238,900
Other assets, net	19,917		34,147[f]	54,064
Total assets	$ 1,461,951	$ (30,402)	$ 985,646	$ 2,417,195
Liabilities and stockholders equity (deficit)				
Liabilities not subject to compromise				
Current liabilities				
Accounts payable, accrued liabilities and other liabilities	$ 54,375	$ 14,007[c,d]	$ 1,068[f]	$ 69,450
Senior debt, current		7,625[d]		7,625
Total current liabilities not subject to compromise	54,375	21,632	1,068	77,075
Long-term liabilities				
Senior debt, less current portion		773,938[d]		773,938
Other long-term liabilities, less current portion	2,718	55,113[d]	5,120[f]	62,951
Deferred income tax liabilities	185,913	1,224[d]	57,657[f]	244,794
Total liabilities not subject to compromise	243,006	851,907	63,845	1,158,758
Liabilities subject to compromise	2,270,288	(2,270,288)[d]		

Total liabilities	2,513,294	(1,418,381)	63,845	1,158,758
Commitments and contingencies				
Stockholders equity (deficit)				
Successor preferred stock				
Successor class A common stock		3e		3
Successor class B common stock		17e		17
Successor equity held in reserve		14,305e		14,305
Additional paid-in capital	2,448,187	903,730e	(2,107,805)[h]	1,244,112

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Notes to consolidated financial statements (Continued)

	Predecessor	Plan of reorganization adjustments	Fresh-start valuation adjustments	Successor
		(in thousands)		
Predecessor preferred stock				
Predecessor common stock	2,942	(2,942)[e]		
Predecessor treasury stock	(344,376)	344,376[e]		
Retained earnings (accumulated deficit)	(3,158,096)	128,490[e]	3,029,606[h]	
Total stockholders equity (deficit)	(1,051,343)	1,387,979	921,801	1,258,437
Total liabilities and stockholders equity (deficit)	$ 1,461,951	$ (30,402)	$ 985,646	$ 2,417,195

(a.) Amount represents the cash payment to be allocated to holders of general unsecured claims.

(b.) Represents primarily the recognition of a note receivable related to amounts due from an employee for the remaining purchase price of shares of Predecessor common stock, which were canceled in connection with the Emergence Plan.

(c.) Amount represents primarily restricted cash held in reserve and not yet disbursed to satisfy remaining allowed, disputed or unreconciled unsecured claims.

(d.) Included in liabilities subject to compromise were amounts settled with the Emergence Term Loan Facility and the issuance of equity in the Successor. These adjustments reflect the discharge of most of the Predecessor s pre-petition liabilities in accordance with the Emergence Plan, including the reclassification of remaining liabilities that had been subject to compromise to the appropriate liability accounts, as well as additional liabilities incurred pursuant to the Emergence Plan, including the related income tax consequences. Pursuant to the Emergence Plan, the Company agreed to enter into the SERP effective as of the Emergence Date (see Note 9).

(e.) Reflects the issuance of new Successor common stock to pre-petition creditors, the cancellation of Predecessor common stock and treasury stock, the gain on extinguishment of pre-petition liabilities, the acceleration of stock-based compensation expense resulting from the cancellation of Predecessor stock options and restricted stock awards, and other costs incurred pursuant to the Emergence Plan. Certain amounts of Successor equity are held in reserve and have not yet been issued to satisfy remaining allowed, disputed or unreconciled unsecured claims.

(f.) Reflects the revaluation of the carrying values of assets and liabilities to reflect estimated fair values, as well as the recognition of certain intangible assets and other liabilities, in accordance with fresh-start reporting.

(g.) Reflects the elimination of historical goodwill of the Predecessor and the recording of goodwill for the amount of reorganization value in excess of the amount allocable to specifically identifiable assets and liabilities.

(h.) Reflects the gain on revaluation of assets and liabilities and the elimination of the Predecessor s historical accumulated deficit and other equity accounts, resulting in an adjustment to stockholder s equity to arrive at the estimated reorganized equity value of the Successor.

Correction

Certain amounts in the Predecessor s consolidated statement of cash flows (previously reported in the Company s quarterly reports on Form 10-Q for the quarters ended June 30, 2010 and September 30, 2010) were corrected in the consolidated statement of cash flows for the five-month period from January 1,

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated financial statements (Continued)

2010 to May 31, 2010, resulting in a decrease in the amount of the line Reorganization items, net of $4 million, an increase to net cash provided by operating activities of $4 million, an increase in the change in restricted cash of $4 million and an increase in net cash used in investing activities of $4 million.

4. Property and equipment

Successor

As a result of the application of fresh-start reporting, property and equipment assets were revalued to $203.0 million, which represented an increase of $5.6 million. Additionally, the adoption of fresh-start reporting resulted in a new accounting basis for these assets, which were recorded at their estimated fair values, and the Predecessor s accumulated depreciation was eliminated. Depreciation expense was $8.9 million for the period from June 1, 2010 through December 31, 2010, and property and equipment consisted of the following as of December 31, 2010:

		December 31, 2010 (in thousands)	**Estimated useful life**
Land	$	86,090	
Buildings and improvements		38,655	3 to 40 years
Transmitters, towers and studio equipment		70,728	5 to 25 years
Office furniture, equipment and vehicles		10,502	2 to 12 years
Construction in progress		2,971	
		208,946	
Less accumulated depreciation and amortization		(8,825)	
	$	200,121	

Predecessor

Depreciation expense was $6.1 million, $15.4 million and $18.0 million for the period from January 1, 2010 through May 31, 2010 and each of the years ended December 31, 2009 and 2008, respectively, and property and equipment consisted of the following as of December 31, 2009:

		December 31, 2009 (in thousands)	**Estimated useful life**
Land	$	119,682	
Buildings and improvements		53,443	3 to 25 years

Transmitters, towers and studio equipment		126,045	5 to 10 years
Office furniture, equipment and vehicles		30,166	2 to 12 years
Construction in progress		4,848	
		334,184	
Less accumulated depreciation and amortization		(132,642)	
	$	201,542	

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Notes to consolidated financial statements (Continued)

5. Intangible assets

Successor

Indefinite-lived intangible assets and goodwill

Indefinite-lived intangible assets consist of FCC broadcast licenses and goodwill.

FCC licenses and goodwill represent a substantial portion of the Company s total assets. The fair value of FCC licenses and goodwill is primarily dependent on the future cash flows of the Radio Markets and Radio Network and other assumptions, including, but not limited to, forecasted revenue growth rates, market share, profit margins and a risk-adjusted discount rate.

As a result of fresh-start reporting, FCC licenses were revalued to $893.6 million, which represented an increase of $293.0 million. The material assumptions utilized in the valuation included overall future market revenue growth rates for the residual year of approximately 2.0% and weighted average cost of capital of 10.5%. Goodwill represents the excess of total acquisition costs over the fair market value of net assets acquired and liabilities assumed in a business combination. The Company established deferred tax liabilities for book and tax differences between assigned values and tax bases of the acquired assets, which resulted in the recognition of additional goodwill. Upon the application of fresh-start reporting, the Company recorded goodwill of $763.8 million, and the Predecessor s goodwill of $322.0 million was eliminated.

The Company performed its 2010 annual evaluation of FCC licenses and goodwill as of October 1, the annual testing date. Based on the results of the Company s 2010 annual impairment evaluation, the fair values of the Company s FCC licenses more likely than not exceeded their carrying values and therefore, no impairment of these assets had occurred as of the date of the annual test. Additionally, the Company concluded that the fair values of its reporting units more likely than not exceeded their related carrying values, and goodwill had not been impaired as of the annual testing date.

If market conditions and operational performance of the Company s reporting units were to deteriorate and management had no expectation that the performance would improve within a reasonable period of time or if an event occurs or circumstances change that would, more likely than not, reduce the fair value of its intangible assets below the amounts reflected in the balance sheet, the Company may be required to recognize impairment charges in future periods.

Definite-lived intangible assets

Definite-lived intangible assets consist primarily of customer and affiliate relationships, but also include certain other intangible assets identified in conjunction with fresh-start reporting or acquired in business combinations. In connection with the adoption of fresh-start reporting, the Company s definite- lived intangible assets were revalued, which resulted in customer and affiliate relationships of $193.4 million and $45.5 million, respectively. This revaluation represented net increases to the customer and affiliate relationships of $176.1 million and $31.6 million, respectively. These assets are being amortized in relation to the economic benefits of such assets over total estimated useful lives of approximately four to six years.

Approximately $43.8 million of amortization expense was recognized on the intangible assets discussed above during the period from June 1, 2010 through December 31, 2010.

Other definite-lived intangible assets, excluding the customer relationships and affiliate relationships, are a component of other assets, net, in the accompanying consolidated balance sheets. As a result of fresh-start reporting, other intangible assets, including income contracts and favorable leases, were increased by $36.0 million to $36.7 million. The balance of other intangible assets as of December 31, 2010 was $30.9 million. These assets are generally being amortized over their estimated useful lives of approximately three to six years, and the amount of amortization expense for definite-lived intangible assets, excluding the

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Notes to consolidated financial statements (Continued)

customer and affiliate relationships discussed above, during the period from June 1, 2010 through December 31, 2010 was $5.9 million.

These other definite-lived intangible assets consisted of the following as of December 31, 2010:

		(in thousands)
Other intangible assets, gross	$	36,726
Less accumulated amortization		(5,876)
Other intangible assets, net	$	30,850

The Company estimates the following amount of amortization expense over the next five years related to the total definite-lived intangible asset balance as of December 31, 2010:

		(in thousands)
2011	$	76,023
2012		62,836
2013		50,286
2014		22,439
2015		10,295
	$	221,879

The changes in the carrying amounts of FCC licenses for the year ended December 31, 2009, for the five months ended May 31, 2010 and for the seven months ended December 31, 2010 are as follows:

		(in thousands)
Balance as of January 1, 2009: (Predecessor)	$	1,370,904
Asset impairment and disposal charges		(770,301)
Balance as of January 1, 2010 (Predecessor)	$	600,603
Elimination of Predecessor FCC licenses as of May 31, 2010		(600,603)
FCC licenses from application of fresh-start reporting as of May 31, 2010		893,610
Balance as of December 31, 2010 (Successor)	$	893,610

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Notes to consolidated financial statements (Continued)

The changes in the gross amounts of goodwill and the accumulated asset impairment and disposal charges for the year ended December 31, 2009, for the five months ended May 31, 2010 and for the seven months ended December 31, 2010 are as follows:

		(in thousands)
Balance as of January 1, 2009 (Predecessor):		
Goodwill	$	1,975,197
Accumulated asset impairment and disposal charges		(1,482,398)
Goodwill net of impairment as of January 1, 2009 (Predecessor)	$	492,799
Asset impairment and disposal charges		(170,823)
Balance as of January 1, 2010 (Predecessor):		
Goodwill	$	1,975,197
Accumulated asset impairment and disposal charges		(1,653,221)
Goodwill net of impairment as of January 1, 2010 (Predecessor)	$	321,976
Elimination of Predecessor goodwill as of May 31, 2010		(1,975,197)
Elimination of Predecessor accumulated goodwill impairment as of May 31, 2010		1,653,221
Goodwill from application of fresh-start reporting as of May 31, 2010		763,849
Balance as of December 31, 2010 (Successor):		
Goodwill	$	763,849
Accumulated asset impairment and disposal charges		
Goodwill net of impairment as of December 31, 2010 (Successor)	$	763,849

Predecessor

Indefinite-lived intangible assets and goodwill

During 2009, the Predecessor performed an interim impairment analysis for its Radio Markets and Radio Network as of June 30, 2009 in addition to its annual impairment test as of October 1, 2009. As a result of these evaluations during the year ended December 31, 2009, the Company recognized non-cash impairment charges of $933.1 million, which were comprised of $762.3 million and $170.8 million of FCC licenses and goodwill, respectively, to reduce the carrying values to their estimated fair values at that time. The Predecessor also recognized non-cash impairment and disposal charges of $10.0 million in the second quarter of 2009 in order to write down the FCC licenses of the stations in the Divestiture Trusts to their estimated fair value since these stations are more likely than not to be disposed. The material assumptions utilized in the Predecessor s analyses as of June 30, 2009 included overall future market revenue growth rates for the residual year of approximately 1.5%, a weighted average cost of capital of 12.0% and estimated EBITDA multiples of approximately 5.0 times.

Definite-lived intangible assets

In connection with the ABC Merger, the Predecessor allocated $82.5 million to customer relationships and $57.9 million to affiliate relationships that were being amortized in relation to the economic benefits of such assets over total estimated useful lives of approximately five to seven years. In connection with the Predecessor s interim impairment test during the second quarter of 2009, the Predecessor assessed the carrying value of certain material definite-lived intangible assets at the Radio Network. This assessment resulted in a non-cash impairment charge of approximately $17.2 million to customer relationships and $25.4 million to affiliate relationships to reduce the carrying value of the definite-lived intangibles to their estimated fair values at that time.

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Notes to consolidated financial statements (Continued)

Approximately $5.0 million of amortization expense was recognized on the intangible assets discussed above during the five months ended May 31, 2010 and approximately $19.6 million and $26.7 million was recognized during the years ended December 31, 2009 and 2008, respectively. Other definite-lived intangible assets, excluding the customer relationships and affiliate relationships, are a component of other assets, net, in the accompanying consolidated balance sheets, and the balance as of December 31, 2009 was $1.2 million. The amount of amortization expense for definite-lived intangible assets, excluding the customer and affiliate relationships discussed above, during the five months ended May 31, 2010 was $0.2 million and $0.6 million for each of the years ended December 31, 2009 and 2008.

These other definite-lived intangible assets consisted of the following as of December 31, 2009:

	(in thousands)
Other intangible assets, gross	$ 7,362
Less accumulated amortization	(6,168)
Other intangible assets, net	$ 1,194

6. Acquisitions and dispositions

Completed acquisition

During the year ended December 31, 2008, the Company acquired a radio station in Salt Lake City, UT in exchange for the balance of a note receivable of approximately $9.7 million. In order to comply with the FCC s rules and policies regarding ownership limitations, the Company transferred one of its existing stations in the Salt Lake City market into the Divestiture Trusts.

Completed dispositions

During the year ended December 31, 2008, the Divestiture Trusts completed the sale of two stations for a total purchase price of approximately $1.3 million.

7. Accounts payable, accrued liabilities and other liabilities

Accounts payable, accrued liabilities and other liabilities as of December 31 consisted of the following:

	Successor	Predecessor
	December 31, 2010	December 31, 2009
	(in thousands)	

Accounts payable	$	4,745	$	3,627
Accrued compensation and related costs		16,426		10,634
Other accrued liabilities		9,243		2,257
Payments received in advance		4,837		5,237
Accrual for revenue sharing		5,379		3,159
Accrual for unsecured claims		3,771		
Accrual for network programming		3,731		2,997
Accrued national representation fees		2,715		
Accrued professional fees		2,007		516
Accrued interest		1,938		6,979
Accrued property, sales and use taxes		1,869		970
	$	56,661	$	36,376

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated financial statements (Continued)

8. Liabilities subject to compromise (predecessor)

Liabilities subject to compromise as of December 31, 2009 consisted of the following:

		December 31, 2009 (in thousands)
Accounts payable	$	4,846
Accrued liabilities and other liabilities		13,231
Working capital adjustment		10,927
Accrued interest		1,657
Accounts payable, accrued and other liabilities		30,661
Senior debt		2,144,387
Convertible subordinated notes		48,310
Other long-term liabilities, less current portion		47,060
	$	2,270,418

9. Other long-term liabilities

In prior periods, the Predecessor terminated contracts with its previous national representation firms and entered into long-term agreements with a new representation firm. Pursuant to these transactions, the national representation firm settled the Predecessor s obligations with its previous representation firms. As such, the Predecessor recognized the estimated payments to the previous national representation firm as a non-cash charge related to contract obligations in the period in which such payments were made, and the total up-front payment amounts related to these contracts represented a deferred obligation. Additionally, the Predecessor s new national representation firm guaranteed a minimum amount of national sales for the twelve-month period ended March 31, 2009. The minimum for the guarantee period was not attained, and the present value of the guaranteed amount was recorded as a receivable of approximately $11.5 million, with a corresponding deferred liability. The aggregate deferred obligation was included in liabilities subject to compromise in the accompanying consolidated balance sheet as of December 31, 2009.

During the application of fresh-start reporting, the remaining deferred obligation was determined to approximate fair value as of the Fresh-Start Date and was reclassified to other long-term liabilities. The remaining deferred amount is being amortized over the remaining term of the underlying agreement as a reduction to national commission expense, which is included in cost of revenue.

As a result of applying fresh-start reporting, the Company also recognized certain unfavorable leases and contracts, which resulted from agreements with rates in excess of market value rates as of the Fresh-Start Date. These amounts are being amortized on a straight-line basis over the terms of the underlying contracts as a component of cost of revenues or selling, general and administrative expenses, as appropriate. In addition, the Company s liability under the SERP was initially recorded at its estimated fair value as of the Fresh-Start Date and represents the actuarial present

value of benefits attributed to service rendered prior to the measurement date. The expected lump sum payment at retirement is measured using expected future pay increases and is calculated using the mortality table and yield curve assumptions prescribed by the Internal Revenue Service for lump sums payable from qualified retirement plans. The discount rate for pension cost purposes is the rate at which the pension obligations could be effectively settled and is developed from yields on available high-quality bonds. Expense amounts related to the liability are being amortized over the applicable service period as a component of non-cash compensation expense and were $0.7 million during the period from June 1, 2010 through December 31, 2010. The Company evaluates the estimated fair value of the SERP liability as of each reporting date to determine if any significant changes have occurred in the underlying assumptions. Any change in the fair value relating to prior service cost would be recognized in the statement of operations at the time of adjustment.

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Notes to consolidated financial statements (Continued)

10. Senior debt

Senior debt consisted of the following as of December 31, 2010 and 2009:

Type of borrowing	Successor December 31, 2010	Predecessor December 31, 2009
	(in thousands)	
Term Loan	$ 350,000	$
Tranche A term loans		526,176
Tranche B term loans		1,345,017
Revolving loans		135,747
	350,000	2,006,940
Interest rate swap		72,628
Facility fee		64,819
	350,000	2,144,387
Less current portion of senior debt	3,500	
Total senior debt less current portion	$ 346,500	$ 2,144,387(a)

(a) Classified as liability subject to compromise as of December 31, 2009. See Note 8.

In connection with the ABC Merger in June 2007, the Predecessor entered into the Predecessor Senior Credit and Term Facility. For the period from January 1, 2010 through May 31, 2010, interest expense was incurred on the $2.1 billion outstanding under the Predecessor Senior Credit and Term Facility at a rate of approximately 2.0%.

On the Emergence Date, approximately $2.1 billion of the debt outstanding under the Predecessor Senior Credit and Term Facility was converted into the Emergence Term Loan Facility, which was guaranteed by the Company s operating subsidiaries. The initial principal amount of $762.5 million under the Emergence Term Loan Facility was payable in 20 consecutive quarterly installments of approximately $1.9 million, due on the last day of each fiscal quarter, which commenced on September 30, 2010, with the final maturity of $724.4 million on June 3, 2015. A valuation adjustment of $19.1 million was recorded to reflect the Emergence Term Loan Facility at its estimated fair value upon issuance. This valuation adjustment was being amortized as a reduction of interest expense, net, over the contractual term of the Emergence Term Loan Facility.

During the period from the Fresh-Start Date through December 10, 2010, interest expense was incurred on the Emergence Term Loan Facility at 11.0%. On December 10, 2010 the Company refinanced the Emergence Term Loan Facility with the proceeds from the issuance of $400.0 million in Senior Notes (see Note 11) and borrowings of

$350.0 million under the Term Loan, along with cash on hand. Interest was incurred on the Term Loan through December 31, 2010 at an annual rate of 4.25%, compared to the rate applicable to each of the components of the Predecessor Senior Credit and Term Facility as of December 31, 2009 of 1.99%.

During the period from January 1, 2010 through May 31, 2010, the Company incurred $1.1 million in debt issuance costs related to the Emergence Term Loan Facility. Approximately $0.1 million of such costs were amortized, and the remaining balance of $1.0 million was written off in connection with the refinancing of the Emergence Term Loan Facility. Pursuant to the terms of the Emergence Term Loan Facility, a prepayment penalty of $38.0 million was incurred; this was netted against the write off of the unamortized balance of the valuation adjustment of $17.1 million, which resulted in a loss on the extinguishment of debt of $21.0 million. The Company incurred $11.9 million of debt issuance costs in connection with the Credit

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated financial statements (Continued)

Facilities, and amortization of these costs was $0.1 million during the period from June 1, 2010 through December 31, 2010.

At the Company s election, interest on outstanding principal for the Emergence Term Loan Facility accrued at a rate based on either: (a) the greatest of (1) the Prime Rate in effect; (2) the Federal Funds Rate plus 0.50%; and (3) the one-month Eurodollar rate plus 1.0%, in all cases subject to a 4.0% floor, plus, in each case, a spread of 7.0% or (b) the Eurodollar rate, subject to a 3.0% floor, plus 8.0%.

The Credit Facilities are unconditionally guaranteed by certain of the Company s subsidiaries and secured by the following: (a) a perfected first priority security interest in, among other things, all of accounts receivable, inventory, cash, personal property, material intellectual property and, in each case, proceeds thereof (subject to certain exceptions) of the Company and its guarantee subsidiaries; and (b) a perfected first priority pledge of the capital stock in the Company s subsidiaries.

The proceeds from the Term Loan and the Revolving Loan bear interest at either (A) ABR (as defined in the Credit Agreement) subject to a 2.0% floor, plus 2.25% or (B) Eurodollar Rate (as defined in the Credit Agreement) subject to a 1.0% floor, plus 3.25%.

The Term Loan is payable in quarterly payments of $875,000 commencing on March 31, 2011, with the remaining amount payable on December 30, 2016. Outstanding amounts under the Revolving Loan are payable on December 10, 2013.

The Credit Agreement requires compliance with a consolidated total leverage ratio of 4.5 to 1.0 as of December 31, 2010 (with stepdowns thereafter), a senior secured leverage ratio of 2.25 to 1.0 as of December 31, 2010 and consolidated interest coverage ratio of 2.5 to 1.0 as of December 31, 2010.

The Credit Agreement also contains customary restrictive non-financial covenants, which, among other things, and with certain exceptions, limit the Company s ability to incur or guarantee additional indebtedness; consummate asset sales, acquisitions or mergers; make investments; enter into transactions with affiliates; and pay dividends or repurchase stock.

The Company was in compliance with the covenants under its Term Loan as of December 31, 2010.

Predecessor

In connection with the ABC Merger, the Predecessor entered into the Predecessor Senior Credit and Term Facility, under which it borrowed $600 million under the Tranche A Term Loans and $1,535 million under the Tranche B Term Loans and used the proceeds to repay the ABC Radio Debt and to fund the Special Distribution, other merger-related costs or working capital purposes.

Pursuant to the terms of the Predecessor Senior Credit and Term Facility and the resulting classification as a current liability beginning with the quarter ended March 31, 2009, the Predecessor had been amortizing the remaining amount of debt issuance costs over the 9.5-month period through January 15, 2010. However, the Predecessor ceased amortization of these assets as of December 19, 2009 since subsequent to the Petition Date, interest expense was only

recognized to the extent it would be paid. During the years ended December 31, 2009 and 2008, the amortization of these debt issuance costs was $41.1 million and $5.1 million, respectively. The Predecessor wrote off the remaining $4.0 million balance of deferred financing costs in the fourth quarter of 2009 since the amount of the allowed claim for the Predecessor s senior debt was known as of December 31, 2009.

The Predecessor incurred $0.6 million in costs paid to third parties and wrote off $0.2 million in debt issuance costs in connection with the fourth amendment to the Predecessor Senior Credit and Term Facility entered into on March 26, 2009 (the Fourth Amendment) during the year ended December 31, 2009.

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Notes to consolidated financial statements (Continued)

As a result of the Company s voluntary petitions for reorganization, all of the Predecessor s senior debt obligations were accelerated, and the outstanding balances were aggregated as of December 20, 2009, including the liability of $72.8 million outstanding under the interest rate swap agreement (see Note 13), which was converted to a component of senior debt as of that date. The total modified amount of interest-bearing senior debt as of December 20, 2009 of $2,148.4 million began incurring interest at the non-default rate previously applicable to the Tranche B Term Loans under the Predecessor Senior Credit and Term Facility (see discussion below), which was due in monthly payments. In December 2009, the $4.0 million that had been remitted to a cash collateral account for the benefit of the Predecessor s lenders pursuant to a covenant under the Predecessor Senior Credit and Term Facility was applied as a reduction to the outstanding balance of the Predecessor s senior debt. This payment reduced the balance to $2,144.4 million, which is included in liabilities subject to compromise in the accompanying consolidated balance sheet as of December 31, 2009.

The Company stopped recognizing and paying interest on outstanding pre-petition debt obligations except for the Predecessor Senior Credit and Term Facility. However, interest expense related to the Predecessor Senior Credit and Term Facility for the period from January 1, 2010 through May 31, 2010 was approximately $1.9 million higher than it would have been absent the voluntary petitions for reorganization due mainly to the conversion of the outstanding interest rate swap liability and accrued facility fee balance as of the Petition Date, as well as the increased interest rate spread being paid on certain components of senior debt. In addition to these differences, in the first five months of 2009, the Company recognized and paid interest on its interest rate swap agreement and the convertible subordinated notes and no comparable amounts were incurred or paid in 2010. The Company s interest expense for the year ended December 31, 2009 was approximately $1.6 million lower than it would have been absent the voluntary petitions for reorganization.

Prior to the Fourth Amendment, at the Predecessor s election, interest on outstanding principal for the revolving loans and Tranche A Term Loans accrued at a rate based on either: (a) the greater of (1) the Prime Rate in effect; or (2) the Federal Funds Rate plus 0.5% plus, in each case, a spread that ranged from 0.00% to 0.50%, depending on the Predecessor s leverage ratio; or (b) the Eurodollar rate plus a spread that ranged from 0.75% to 1.50%, depending on the Predecessor s leverage ratio. As of the effective date of the Fourth Amendment, at the Predecessor s election, interest on outstanding principal for the revolving loans and Tranche A Term Loans accrued at a rate based on either: (a) the greatest of (1) the Prime Rate in effect; (2) the Federal Funds Rate plus 0.50%; and (3) the one-month Eurodollar rate plus 1.0% plus, in each case, a spread of 0.50% or (b) the Eurodollar rate plus 1.50%. These interest payments were due monthly.

Prior to the Fourth Amendment, for the outstanding principal for Tranche B Term Loans, the Predecessor could have elected interest to accrue at a rate based on either: (a) the greater of (1) the Prime Rate in effect; or (2) the Federal Funds Rate plus 0.5% plus, in each case, a spread that ranged from 0.50% to 0.75%, depending on the Predecessor s leverage ratio; or (b) the Eurodollar rate plus a spread that ranged from 1.50% to 1.75%, depending on the Predecessor s leverage ratio. As of the effective date of the Fourth Amendment, at the Predecessor s election, interest on outstanding principal for the Tranche B Term Loans accrued at a rate based on either: (a) the greatest of (1) the Prime Rate in effect; (2) the Federal Funds Rate plus 0.50%; and (3) the one-month Eurodollar rate plus 1.0% plus, in each case, a spread of 0.75% or (b) the Eurodollar rate plus 1.75%. These interest payments were due monthly.

As of the effective date of the Fourth Amendment, the revolving loans and Tranche A Term Loans incurred a facility fee in the amount of 4.50% per annum, and the Tranche B Term Loans incurred a rate of 4.25% per annum. On each

interest payment date, this additional interest increased the principal amount of the related debt and was to be payable upon the termination of the revolving loans, Tranche A Term Loans, and Tranche B Term Loans, as applicable. The Predecessor had incurred $64.9 million of total facility fee through December 19, 2009, and this liability was converted to a component of senior debt as of that date.

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11. Senior notes

On December 10, 2010, the Company completed the private placement of $400.0 million aggregate principal amount of the Senior Notes to qualified institutional buyers under Rule 144A and to persons outside the United States under Regulation S of the Securities Act of 1933, as amended. The private placement of the Senior Notes resulted in net proceeds to the Company of approximately $392.0 million. The Senior Notes were issued pursuant to an indenture (the Indenture), dated as of December 10, 2010 by and among the Company, Wilmington Trust Company, a Delaware banking corporation, as trustee, and Deutsche Bank Trust Company Americas, a New York banking corporation, as registrar, authentication agent and paying agent.

The Senior Notes will mature on December 15, 2018, and bear interest at a rate of 7.75% per annum, payable semi-annually in cash in arrears on June 15 and December 15 of each year, beginning on June 15, 2011. The Senior Notes are senior unsecured obligations of the Company and are guaranteed by each of the Company s subsidiaries that guarantees the Credit Facilities.

The terms of the Indenture, among other things, limit the ability of the Company and its restricted subsidiaries to (i) incur additional indebtedness or issue certain preferred stock; (ii) pay dividends on, or make distributions in respect of, their capital stock or repurchase their capital stock; (iii) make certain investments or other restricted payments; (iv) sell certain assets; (v) create liens or use assets as security in other transactions; (vi) merge, consolidate or transfer or dispose of substantially all of their assets; and (vii) engage in certain transactions with affiliates. These covenants are subject to a number of important limitations and exceptions that are described in the Indenture.

The Senior Notes are redeemable, in whole or in part, at any time after December 15, 2014, at the redemption prices specified in the Indenture, together with accrued and unpaid interest, if any, to the redemption date. At any time prior to December 15, 2013 and upon the terms set forth in the Indenture, the Company may redeem up to 35% of the aggregate principal amount of the Senior Notes with the net cash proceeds from one or more equity offerings at a redemption price equal to 107.75% of the principal amount thereof, together with accrued and unpaid interest, if any, to the redemption date. In addition, at any time prior to December 15, 2014, the Company may redeem the Senior Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Senior Notes so redeemed, plus a make-whole premium, plus accrued and unpaid interest, if any, to the redemption date. The Company may also redeem all or part of the Senior Notes at a redemption price equal to 107.75% of the face amount thereof plus accrued and unpaid interest, if any, to the redemption date if specified change of control or business combination events occur on or before 180 days after the issue date of the Senior Notes.

The Company incurred $8.9 million of debt issuance costs in connection with the issuance of the Senior Notes, and amortization of these costs was $0.1 million during the period from June 1, 2010 through December 31, 2010.

12. Subordinated debt and convertible subordinated notes (predecessor)

On February 18, 2004, the Predecessor sold $330.0 million principal amount of convertible subordinated notes. These convertible subordinated notes (the Original Notes) were scheduled to mature in February of 2011 and bore interest at a rate of 1.875% per annum, payable February 15 and August 15 each year. The Original Notes were redeemable prior to maturity under certain circumstances.

Pursuant to the terms of a settlement agreement regarding previous litigation with certain of the holders of the Original Notes that was dismissed in 2008, the Predecessor issued $274.5 million aggregate principal amount of amended and restated convertible subordinated notes (the Amended Notes) through an exchange offer and cash tender for the Original Notes at a price of $900 per $1,000 principal amount of Original Notes. The Amended Notes had increased interest rates and specifically negotiated redemption terms (Amended

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated financial statements (Continued)

Notes). The conversion terms of the Amended Notes did not differ in any material respect from those of the Original Notes. Through September 30, 2009, the Predecessor had repurchased an aggregate amount of $281.7 million in principal amount of convertible subordinated notes, including $0.7 million repurchased during the nine months ended September 30, 2009, which resulted in a gain of approximately $0.4 million, net of transaction fees. The Amended Notes were scheduled to mature on February 15, 2011 and bore interest at a rate of 8.0% per annum during the year ended December 31, 2009.

The Predecessor ceased accruing interest on all unsecured debt subject to compromise, including the convertible subordinated notes, since the amount of the allowed claim for the convertible subordinated notes was known as of December 31, 2009. The balance of convertible subordinated notes was $48.3 million as of December 31, 2009, including $0.5 million of Original Notes, and this amount, along with unpaid interest of $1.3 million related to the convertible subordinated notes, was included in liabilities subject to compromise in the accompanying consolidated balance sheet.

At the time that the Predecessor issued the Amended Notes, the underlying terms contained contingent interest rate adjustments that could have caused interest to vary in future periods depending on the outstanding balance of Amended Notes. The estimated fair value of the contingent interest rate derivative instrument was measured at each subsequent reporting date. As of December 31, 2009, no value was attributed to this derivative. The changes in fair value for the years ended December 31, 2009 and 2008 represented gains of $1.8 million and $3.3 million, respectively, which are included in the accompanying consolidated statement of operations as a component of interest expense, net.

The debt issuance costs and discount amounts corresponding to the convertible subordinated notes had been amortized over the remaining contractual term of the Amended Notes, which was accelerated pursuant to the terms of the convertible subordinated notes and the resulting classification as a current liability beginning with the quarter ended March 31, 2009. However, the Predecessor ceased amortization of these assets as of December 19, 2009 since subsequent to the Petition Date, interest expense was only recognized to the extent it would be paid. For the years ended December 31, 2009 and 2008, the amortization of these debt issuance costs was $0.3 million and $0.6 million, respectively, and of the debt discount was $0.6 million and $0.9 million, respectively. The Predecessor wrote off the remaining balance of deferred financing costs and debt discount in the fourth quarter of 2009 since the amount of the allowed claim for the convertible subordinated notes was known as of December 31, 2009.

In accordance with the Emergence Plan, all of the obligations of the Predecessor with respect to the convertible subordinated notes were terminated and these notes were cancelled on the Emergence Date.

13. Interest rate swap (predecessor)

In June 2007, the Predecessor entered into an amortizing interest rate swap agreement through September 2012 with an initial notional amount of $1,067.5 million on which the Predecessor paid a fixed rate of 5.394% and received a variable rate from the counterparty based on a three-month London Inter-Bank Offered Rate (LIBOR), for which measurement and settlement was performed quarterly.

The interest rate swap fair value was derived from the present value of the difference in cash flows based on the forward-looking LIBOR yield curve rates as compared to the Company s fixed rate applied to the hedged amount

through the term of the agreement less adjustments for credit risk. As part of the fair value determination of the interest rate swap, the Predecessor evaluated its default risk and credit spread compared to the swap counterparty s credit spread and adjusted the fair value of the interest rate swap liability to account for the Predecessor s nonperformance risk. Changes in the fair value of the interest rate swap liability during the years ended December 31, 2009 and 2008 were net gains of $9.6 million and $82.4 million, respectively, including the impact of the credit default risk, and were recognized as a component of interest expense, net.

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Notes to consolidated financial statements (Continued)

The liability under the interest rate swap agreement of $72.8 million was converted to a component of senior debt as of the Petition Date and was included in liabilities subject to compromise in the accompanying consolidated balance sheet as of December 31, 2009.

14. Stockholders equity

Successor

Pursuant to the Emergence Plan and upon the Company s emergence from bankruptcy, the Company issued three forms of equity: class A common stock (currently traded over-the-counter under the symbol CDELA); class B common stock (currently traded over-the-counter under the symbol CDELB); and warrants to purchase shares of class B common stock (the Special Warrants) (currently traded over-the- counter under the symbol CDDGW). As of its emergence from bankruptcy, the Company issued approximately 3.0 million shares of class A common stock; approximately 16.7 million shares of class B common stock and approximately 25.4 million Special Warrants.

The Company is authorized to issue up to 100 million shares of class A common stock, of which approximately 4.5 million shares were issued and outstanding as of December 31, 2010. This includes the remaining 1.2 million nonvested shares of class A common stock granted in August 2010 (see Note 15). Each holder of class A common stock has unlimited voting rights and is entitled to one vote for each share and shall vote, together with the holders of class B common stock, as a single class with respect to the limited number of matters which may be submitted to a vote of the holders of common stock and for which the holders of class B common stock are entitled to vote.

The Company is authorized to issue up to 100 million shares of class B common stock, of which approximately 18.1 million shares were issued and outstanding as of December 31, 2010. Holders of class B common stock have certain limitations on their voting rights, but are entitled to vote on most material matters involving the Company, including material asset sales, business combinations or recapitalizations. Each holder of class B common stock is entitled to a separate class vote on any amendment or modification of any specific rights or obligations of the holders of class B common stock that does not similarly affect the rights or obligations of the holders of class A common stock. If certain specific actions are submitted to a vote of the holders of common stock, each share of class B common stock shall be entitled to vote with class A common stock, with each share of common stock having one vote and voting together with the class A common shares as a single class. Each share of class B common stock may be converted into one share of class A common stock by the holder, provided that such holder does not have an attributable interest in another entity that would cause the Company to violate applicable FCC multiple ownership rules and regulations.

As of the Emergence Date, the Company issued Special Warrants to purchase up to an aggregate of approximately 25.4 million shares of class B common stock to certain holders of senior claims and general unsecured claims, of which 23.7 million Special Warrants were outstanding as of December 31, 2010. The Special Warrants have a 20-year term and will expire on June 3, 2030. The conversion of the Special Warrants is subject to the Company s compliance with applicable FCC regulations. Each Special Warrant to purchase class B common stock may be exercised prior to its expiration date at the minimal exercise price, which is the $0.001 per share par value of the class B common stock, provided that ownership of the Company by the holder does not cause the Company to violate applicable FCC rules and regulations surrounding foreign ownership of broadcasting licenses.

The Company is authorized to issue up to 50 million shares of preferred stock. No preferred shares were issued as of December 31, 2010.

The holders of shares of class A and B common stock, including holders under the Citadel Broadcasting Corporation 2010 Equity Incentive Plan (the 2010 EI Plan) as more fully described at Note 15, as well as warrant holders, participate in any dividends ratably on a per share basis, provided that no such distribution

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Notes to consolidated financial statements (Continued)

shall be made to holders of Special Warrants, class A common stock and class B common stock if (i) an FCC ruling, regulation or policy prohibits such distribution to holders of warrants or (ii) the Company s FCC counsel opines that such distribution is reasonably likely to cause (a) the Company to violate any applicable FCC rules or regulations or (b) any such holder of Special Warrants to be deemed to hold an attributable interest in the Company.

Equity held in reserve

Holders of unsecured claims, including the secured lenders deficiency claim in the stipulated amount of $267.2 million and the claims of the Predecessor s convertible subordinated noteholders, received a pro rata share of (i) 10% of Successor equity (subject to dilution for distributions of equity under the Successor s equity incentive program) and (ii) $36.0 million in cash. Once the allowed amount of an unsecured claim is determined through settlement or by Bankruptcy Court order, the claimant is entitled to a distribution as provided for by the Emergence Plan. As of December 31, 2010, 4.1 million units of equity and $32.2 million in cash had been distributed to holders of allowed unsecured claims that totaled $320.9 million, and approximately 478,000 shares of Successor equity and $3.8 million of cash were held in reserve to satisfy remaining allowed, disputed or unreconciled unsecured claims. Shares held in reserve are not designated as class A common stock or class B common stock until issuance. The Successor equity held in reserve to be disbursed on account of unsecured claims is separately identified in the accompanying consolidated balance sheet as of December 31, 2010. If sufficient excess shares of equity and cash remain in reserve after resolution of all disputed unsecured claims, such shares and cash will be distributed to the claimants with allowed unsecured claims pro-rata, based on the number of shares and cash they received pursuant to the Emergence Plan.

Predecessor

Citadel Broadcasting Corporation was incorporated in Delaware in 1993 and was initially capitalized by partnerships affiliated with FL&Co. in connection with a leveraged buyout transaction. The Predecessor s initial public offering registration statement with the Securities and Exchange Commission was declared effective on July 31, 2003. The Predecessor issued 151.7 million shares of its common stock to TWDC s stockholders in connection with the ABC Merger. In connection with the Company s reorganization and emergence from bankruptcy, all shares of common stock of the Predecessor outstanding prior to the Emergence Date were cancelled pursuant to the Emergence Plan.

15. Stock-based compensation

The cost of the Company s share-based payments to employees is recognized in the financial statements based on their fair values measured at the grant date, or the value determined based on subsequent modification, over the requisite service period. At the date of grant, the Company estimates the number of equity awards granted that are expected to be forfeited and subsequently adjusts the estimated forfeitures to reflect actual forfeitures when recording compensation cost for equity awards.

Successor

The Company adopted the 2010 EI Plan via approval of the Bankruptcy Court, effective as of June 3, 2010, which was amended on June 9, 2010. The 2010 EI Plan provides for grants of nonqualified stock options, incentive stock options, stock appreciation rights, performance awards, restricted stock units, restricted stock and other stock awards

(collectively, the Awards).

The aggregate number of shares of common stock available for delivery pursuant to Awards granted under the 2010 EI Plan is 10,000,000 shares, which may be either shares of the Company s common stock or Special Warrants. To the extent shares subject to an Award are not issued or delivered by reason of (i) the

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Notes to consolidated financial statements (Continued)

expiration, cancellation, forfeiture or other termination of an Award, (ii) the withholding of such shares in satisfaction of applicable taxes or (iii) the settlement of all or a portion of an Award in cash, then such shares will again be available for issuance under the 2010 EI Plan. The aggregate number of shares available for issuance under the 2010 EI Plan is subject to adjustment in connection with certain types of corporate events, including, but not limited to, a recapitalization, extraordinary dividend, stock split, spin- off or merger. As of December 31, 2010, the total number of shares that remain authorized, reserved, and available for issuance under the 2010 EI Plan was approximately 5,500,000.

In August 2010, the Successor s board of directors approved a grant to employees of the Successor under the 2010 EI Plan, of approximately 3.7 million non-vested shares of class A common stock, which are scheduled to vest in two equal annual installments. The fair value of the grant will be recognized as stock-based compensation of the Successor over the vesting period based upon the trading price of the shares on the grant date. In early November 2010, certain members of senior management and the board of directors elected to voluntarily forfeit approximately 2.5 million shares of nonvested stock previously granted by the Company. These forfeited nonvested shares were replaced with options to purchase approximately 3.3 million shares of class A common stock, the terms of which are governed by the 2010 EI Plan. The forfeiture of nonvested shares and subsequent issuance of stock options to these individuals was accounted for as a modification of the original award. No incremental stock-based compensation expense was recognized related to the modification since the fair value of the replacement stock options did not exceed the fair value of the nonvested shares of common stock originally granted.

Total stock-based compensation expense for the period from June 1, 2010 through December 31, 2010 was $18.0 million, on a pre-tax basis. The associated tax benefit for the period from June 1, 2010 through December 31, 2010 was $7.2 million.

As of December 31, 2010, unrecognized pre-tax stock-based compensation expense was approximately $59.5 million and is expected to be recognized over a weighted average period of approximately 1.4 years.

The following table summarizes the Successor s stock option activity for the period from June 1, 2010 through December 31, 2010:

	Options (in thousands)	Weighted-average exercise price	Weighted-average remaining contractual term (in years)	Aggregate intrinsic value (in thousands)
Options of common stock				
Outstanding as of June 1, 2010		$		
Granted	3,267	29.00		
Exercised				

Forfeited Cancelled						
Outstanding as of December 31, 2010	3,267	$	29.00	9.4	$	5,512
Vested or expected to vest as of December 31, 2010[1]	3,191	$	29.00	9.4	$	5,384
Exercisable as of December 31, 2010		$			$	

(1) Options expected to vest represents the options outstanding reduced for estimated forfeitures.

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For accounting purposes, the weighted average grant-date fair value of options granted during the period from June 1, 2010 through December 31, 2010 was $23.00 per share due to the modification of the original award, and no options were exercised during the same period.

The Successor s activity related to shares of nonvested stock for the period from June 1, 2010 through December 31, 2010 is summarized as follows:

	Number of nonvested share awards (in thousands)	Weighted-average grant date fair value
Shares of nonvested class A common stock awards		
Nonvested awards as of June 1, 2010		$
Granted	3,735	23.00
Awards vested		
Forfeited	(2,528)	23.00
Nonvested awards as of December 31, 2010	1,207	$ 23.00

There were no nonvested shares of common stock that vested during the period from June 1, 2010 through December 31, 2010.

Predecessor

Nonvested shares of the Predecessor s common stock and stock options to purchase shares of the Predecessor s common stock were generally granted under the Citadel Broadcasting Corporation Amended and Restated 2002 Stock Option and Award Plan (the 2002 Stock Option and Award Plan). However, pursuant to the Emergence Plan, the 2002 Stock Option and Award Plan was terminated as of the Emergence Date and all share-based payments previously granted thereunder were canceled as of the Emergence Date. As of May 31, 2010, approximately 7.5 million stock options and 1.4 million nonvested shares were outstanding.

The Predecessor issued no share-based payments during the five months ended May 31, 2010. There were no options exercised during the period from January 1, 2010 through May 31, 2010 or for the years ended December 31, 2009 and 2008. The total fair value of awards of nonvested shares of common stock that vested during the period from January 1, 2010 through May 31, 2010 and for the years ended December 31, 2009 and 2008 was $2.9 million, $8.2 million and $20.4 million, respectively.

Total stock-based compensation expense for the period from January 1, 2010 through May 31, 2010 and for the years ended December 31, 2009 and 2008 was $1.9 million, $10.5 million and $14.0 million, respectively, on a pre-tax basis. No tax benefit was recognized with respect to the expense for the period from January 1, 2010 through May 31, 2010 and for the year ended December 31, 2009 since there was a valuation allowance against the Company s deferred tax asset as of December 31, 2009. The associated tax expense for the year ended December 31, 2008 was $5.2 million. The expense for the year ended December 31, 2008 includes an $8.5 million non-cash write down of the Company s deferred tax asset for the excess of stock-based compensation expense recorded over the amount of such compensation costs deductible for income tax purposes upon vesting of these stock-based awards.

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16. Income taxes

Income tax expense (benefit)

The components of the income tax expense (benefit) for the Successor period from June 1, 2010 through December 31, 2010 and the Predecessor period from January 1, 2010 through May 31, 2010 and years ended December 31, 2009 and 2008 are as follows:

	Successor	Predecessor		
	Period from June 1, 2010 through December 31, 2010	Period from January 1, 2010 through May 31, 2010	Years ended December 31, 2009	2008
	(in thousands)			
Current tax expense (benefit):				
Federal	$ 73	$ 5	$ (9,372)	$ 9,066
State	1,423	583	792	4,423
	1,496	588	(8,580)	13,489
Deferred tax benefit:				
Federal	1,508	4,577	(220,226)	(162,900)
State	4,549	572	(25,291)	(13,268)
	6,057	5,149	(245,517)	(176,168)
Total income tax expense (benefit)	$ 7,553	$ 5,737	$ (254,097)	$ (162,679)

Reconciliations of the income tax expense (benefit) to the tax expense (benefit) calculated by applying the federal statutory rate of 35% to the income (loss) before income taxes for the Successor period from June 1, 2010 through December 31, 2010 and the Predecessor period from January 1, 2010 through May 31, 2010 and years ended December 31, 2009 and 2008 are as follows:

Successor	Predecessor	
Period from June 1, 2010 through	Period from January 1, 2010 through May 31,	Years ended December 31,

	December 31, 2010	2010	2009	2008
		(in thousands)		
Federal statutory rate applied to the income (loss) from continuing operations before income taxes	$ 2,020	$ 376,405	$ (363,110)	$ (396,374)
State tax expense (benefit), net of federal tax	4,850	1,814	(34,564)	(30,723)
Non-deductible compensation	704	857	2,212	1,783
Restructuring costs	(1,934)	11,151	3,335	
Other permanent differences	666	440	773	2,338
Change in federal and state valuation allowance	(470)	(68,709)	83,156	131,888
Non-taxable restructuring gain		(322,630)		
Non-deductible goodwill			51,895	119,249
State rate change	906		224	(1,369)
Excess book stock compensation	113	6,252	2,609	8,483
Other permanent differences	698	157	(627)	2,046
	$ 7,553	$ 5,737	$ (254,097)	$ (162,679)

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated financial statements (Continued)

Successor

For the period from June 1, 2010 through December 31, 2010, the Company recognized an income tax expense of $7.6 million based on income before taxes of $5.8 million resulting in an effective tax rate of 130.9%. This effective rate differed from the federal rate of 35% primarily due to state tax expense net of federal benefit, non-deductible restructuring costs, certain non-deductible compensation costs, and other non-deductible expenses.

Predecessor

For the period from January 1, 2010 through May 31, 2010, the Company recognized an income tax expense of $5.7 million based on income before taxes of $1,075.4 million resulting in an effective tax rate of 0.5%. Excluding the valuation benefit of approximately $68.7 million and restructuring gain of approximately $921.8 million, for which no income tax expense was recognized, income before taxes would have been $153.6 million and tax expense would have been $74.4 million, resulting in an effective rate of 48.5%. This rate differs from the federal tax rate of 35% primarily due to a $6.3 million non-cash write-down of the Company s deferred tax asset related to stock based compensation expense as discussed below, state tax expense net of federal benefit and non-deductible restructuring costs. In the first quarter of 2010, time-vesting nonvested shares vested and the Company recognized a $1.5 million non-cash write down of its deferred tax asset for the excess of stock-based compensation expense recorded over the amount of such compensation costs deductible for income tax purposes upon vesting of the stock-based awards. An additional $4.8 million non-cash write down of the Company s deferred tax asset was recognized in the second quarter primarily due to the Company s emergence from Chapter 11 Proceedings.

For the year ended December 31, 2009, the Company recognized an income tax benefit of $254.1 million based on a loss before income taxes of $1,037.5 million. Excluding the valuation allowance charge of approximately $83.2 million and asset impairment charge of approximately $985.7 million and the tax benefit associated with this charge of approximately $327.2 million, which was adversely impacted by the impairment of non-deductible goodwill, loss before income taxes would have been $51.8 million and tax benefit would have been $10.1 million, resulting in an effective tax rate of 19.5%. This effective rate differs from the federal tax rate of 35% as the result of a $2.6 million non-cash write-down of the Company s deferred tax asset related to stock-based compensation expense as discussed below, state tax benefit net of federal expense, non-deductible restructuring costs, certain non-deductible compensation costs, and other non-deductible expenses. In the first quarter of 2009, the compensation committee of the Company s board of directors determined that specified performance goals were achieved for certain of the outstanding stock-based awards. In addition, time-vesting nonvested shares vested during the year ended December 31, 2009, and the Company recognized a $2.6 million non-cash write down of its deferred tax asset for the excess of stock-based compensation expense recorded over the amount of such compensation costs deductible for income tax purposes upon vesting of the stock-based awards.

For the year ended December 31, 2008 the Company recognized an income tax benefit of $162.7 million based on a loss before income taxes of $1,132.5 million. Excluding the valuation allowance charge of $131.9 million and asset impairment charge of $1,208.2 million and the tax benefit associated with this charge of approximately $338.9 million, which was adversely impacted by the impairment of non-deductible goodwill, income before taxes would have been $75.7 million and tax expense would have been $44.3 million, resulting in an effective tax rate of 58.5%. This effective rate differs from the federal tax rate of 35% as the result of an $8.5 million non-cash write-down of the Company s deferred tax asset related to stock-based compensation expense as discussed below, state tax benefit,

net of federal expense, certain non-deductible compensation costs, and other non-deductible expenses. In the first quarter of 2008, the compensation committee of the Company s board of directors determined that specified performance goals were achieved for certain of the outstanding stock-based awards. In addition, time-vesting nonvested shares vested during the

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year ended December 31, 2008, and the Company recognized an $8.5 million non-cash write down of its deferred tax asset for the excess of stock-based compensation expense recorded over the amount of such compensation costs deductible for income tax purposes upon vesting of the stock-based awards.

Deferred tax assets (liabilities)

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets, liabilities and the valuation allowance at December 31 are as follows:

	Successor December 31, 2010	Predecessor December 31, 2009
	(in thousands)	
Deferred tax assets:		
Receivables, principally due to allowance for doubtful accounts	$ 2,839	$ 3,234
Net operating loss carryforwards	79,217	28,933
Accrued liabilities and other obligations not currently deductible	18,794	17,041
Compensation/benefits related	11,969	6,252
Hedging transaction		27,047
Property and equipment		792
Intangible assets		131,450
Other	10,326	13,193
Total deferred tax assets	123,145	227,942
Valuation allowance	(5,729)	(214,610)
Net deferred tax assets	117,416	13,332
Deferred tax liabilities:		
Property and equipment	(48,082)	(42,957)
Intangible assets	(252,162)	(150,170)
Cancellation of debt income	(62,305)	
Other	(298)	(62)
Total deferred tax liabilities	(362,847)	(193,189)
Net deferred tax liabilities	$ (245,431)	$ (179,857)

At December 31, 2010, the Company has approximately $225.7 million of net operating loss carryforwards for federal income tax purposes, $202.0 million net of unrecognized tax benefits. The federal net operating loss carryforwards expire as follows:

Year of expiration		**Net operating loss carryforward (in millions)**
December 31, 2025	$	5.5
December 31, 2029		86.4
December 31, 2030		133.8
Total federal loss carryforwards	$	225.7

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Notes to consolidated financial statements (Continued)

The Company s Chapter 11 Proceedings resulted in a change of control for purposes of Section 382 of the U.S. Internal Revenue Code of 1986, limiting our ability to utilize approximately $150 million of our net operating losses to offset future federal income tax liabilities. We estimate that the amount of limited net operating losses that we may use in each year through 2030 to offset federal income tax liabilities is approximately $50 million. We expect to increase this amount for certain recognized built-in gains. However, the amount of the increase is uncertain and varies by year.

At December 31, 2010, the Company had approximately $160.3 million in net operating loss carryforwards for state income tax purposes, $137.7 million net of unrecognized tax benefits. These net operating loss carryforwards expire in 2013 through 2030. The determination of the state net operating loss carryforwards is dependent upon the federal net operating loss, apportionment percentages and other respective state laws, which can change year to year and impact the amount of the state net operating loss carryforwards. Utilization of such federal and state net operating losses is subject to certain limitations under federal and state income tax laws.

Management assesses all available positive and negative evidence to evaluate the realizability of the Company s deferred tax assets. During 2010 management concluded that the expected timing of future reversals of deferred tax liabilities and assets arising from the emergence from bankruptcy provided positive objective evidence on the realizability of the deferred tax assets. Based on this evaluation, as of May 31, 2010, $143.9 million of valuation allowance was reversed in order to recognize the portion of the deferred tax assets that is more likely than not to be realized. This reversal was recognized as a reduction to goodwill as part of the Company s application of fresh-start reporting. The Company is required to evaluate the recoverability of its deferred tax assets at each reporting period. Changing facts and circumstances in future reporting periods may result in additional valuation allowances being recorded in those periods.

As of December 31, 2010, the Company has an alternative minimum tax (AMT) credit carryforward of approximately $2.1 million. AMT credits are available to be carried forward indefinitely and may be utilized against regular federal tax to the extent they do not exceed computed AMT calculations.

Generally for tax purposes, the Company is entitled to a tax deduction, subject to certain limitations, based on the fair value of the underlying equity awards when the restrictions lapse or stock options are exercised. As outlined in Note 15, in December 2010 the Company issued stock options to members of the board and certain management as replacement for awards of restricted stock which had subsequently been rescinded. The Company has accounted for the issuance of these options as a modification of the original restricted stock awards and, accordingly, compensation cost will be based on the value of the restricted stock awards while the ultimate tax deduction will be based on the value of the stock options when exercised. Through December 31, 2010, the Successor Company has recognized pre-tax compensation cost of $18.0 million and a related $7.2 million deferred tax asset for such awards on a cumulative basis. As of December 31, 2010, the Company does not have an available additional paid-in capital pool (as defined pursuant to ASC 718-740-35). Accordingly, absent significant increases of the underlying fair value of the stock options, the Company may be required to immediately recognize a non-cash write down of the deferred tax asset when the restrictions lapse or the stock options are exercised or expire. This adjustment to align compensation cost previously recognized in the financial statements to the amount that is ultimately realized for tax may be material to the future consolidated results of operations when the adjustment occurs.

Uncertain tax positions

A tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits.

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The following is a tabular reconciliation of the total amounts of unrecognized tax benefits for the Successor period from June 1, 2010 through December 31, 2010 and the Predecessor period from January 1, 2010 through May 31, 2010 and the years ended December 31, 2009 and 2008:

	Successor	Predecessor		
	Period from June 1, 2010 through December 31, 2010	Period from January 1, 2010 through May 31, 2010	Years ended December 31, 2009	2008
		(in thousands)		
Deferred tax assets:				
Unrecognized tax benefit opening balance	$ 12,410	$ 12,217	$ 10,961	$ 10,258
Gross increases tax positions in prior periods	186	66	1,111	574
Gross decreases tax positions in prior periods				(25)
Gross increases tax positions in current period		127		
Gross increases tax positions in current period	(4)		145	154
Unrecognized tax benefit ending balance	$ 12,592	$ 12,410	$ 12,217	$ 10,961

The entire balance of unrecognized tax benefits at December 31, 2010, 2009 and 2008, if recognized, would affect the effective tax rate. No additional significant increases or decreases in unrecognized tax benefit are expected within the next 12 months.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits as income tax expense. Related to the uncertain tax benefits noted above, the Company accrued $0.3 million and $0.2 million of interest during 2010 and 2009, respectively. In total, the Company has recognized a liability for interest related to uncertain tax benefits of $0.6 million, $0.3 million, and $0.1 million as of December 31, 2010, 2009, and 2008, respectively.

The Company files income tax returns in the U.S. federal jurisdiction and various state jurisdictions. The Company has a number of federal and state income tax years still open for examination as a result of the net operating loss carryforwards. Accordingly, the Company is subject to examination for both U.S. federal and certain state tax return purposes for the years 1993 to present.

17. Earnings per share

Successor

Basic earnings per share for the period from June 1, 2010 through December 31, 2010 includes the outstanding amount of both class A and class B common stock, as well as Special Warrants, whether outstanding or held in

reserve to be issued. All of the components of the Successor s equity described above are treated equally for accounting purposes, and the distinctions relate solely to certain voting restrictions and conversion mechanisms in order to allow the Company to comply with applicable FCC rules and regulations. Potentially dilutive equivalent shares outstanding for the seven months ended December 31, 2010 include approximately 0.6 million additional shares of the Successor s class A common stock related to outstanding nonvested shares, which were excluded from the computation of diluted weighted average shares outstanding as their effect was antidilutive due to the net loss reported. There were no potentially dilutive equivalent shares related to stock options for the seven months ended December 31, 2010.

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated financial statements (Continued)

Predecessor

The diluted shares outstanding for the five months ended May 31, 2010 include approximately 1.9 million shares of common stock of the Predecessor related to the conversion of the Predecessor s convertible subordinated notes. While operating under Chapter 11 of the Bankruptcy Code, the Predecessor was prohibited from paying unsecured pre-petition debts, including the convertible subordinated notes and interest thereon. Therefore, for the five months ended May 31, 2010, there was no related interest expense to consider in the calculation of the Predecessor s diluted shares. Potentially dilutive equivalent shares related to the conversion of the Predecessor s convertible subordinated notes into 1.9 million and 8.0 million shares of common stock of the Predecessor for the years ended December 31, 2009 and 2008, respectively, along with the related interest expense impact, net of tax, were excluded from the computation of diluted weighted average shares outstanding as their effect is antidilutive. There were no potentially dilutive equivalent shares related to stock options or nonvested shares of common stock for the five months ended May 31, 2010 or the years ended December 31, 2009 and 2008.

18. Supplemental financial information

Successor

A summary of additions and deductions related to the Successor s allowance for doubtful accounts for the seven months ended December 31, 2010 is as follows:

	Successor			
	Balance at beginning of period	Additions	Deductions	Balance at end of period
	(in thousands)			
Seven months ended December 31, 2010	$	$ 4,361	$	$ 4,361

Predecessor

A summary of additions and deductions related to the Predecessor s allowance for doubtful accounts for the years ended December 31, 2008 and 2009 and for the five months ended May 31, 2010 is as follows:

	Predecessor	
	Balance at Beginning of	Balance at end of

	Period	Additions	Deductions	period
		(in thousands)		
Year ended December 31, 2008	$ 8,064	$ 6,574	$ (6,025)	$ 8,613
Year ended December 31, 2009	8,613	6,231	(6,242)	8,602
Five months ended May 31, 2010	8,602	570	(9,172)	

19. Fair value of financial instruments

The Company s financial instruments are measured at fair value on a recurring basis. The related guidance requires, among other things, enhanced disclosures about investments that are measured and reported at fair value and establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. The three levels of the fair value hierarchy are described below:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

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Notes to consolidated financial statements (Continued)

Level 2 Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. As of December 31, 2010 and 2009, all of the Company s financial instruments were classified as level 3 except for its cash equivalents, which are classified as level 1.

The following tables present the changes in Level 3 instruments measured on a recurring basis for the year ended December 31, 2009 for the Predecessor period from January 1, 2010 through May 31, 2010 and the Successor period from June 1, 2010 through December 31, 2010:

	January 1, 2009	Net realized/unrealized gains included in earnings[(a)]	Transfers in and/or out of level 3[(b)]	December 31, 2009
	(in thousands)			
Financial Liabilities:				
Contingent interest derivative	$ 1,770	$ (1,770)	$	$
Interest rate swap	82,355	(9,578)	(72,777)	
Total liabilities	$ 84,125	$ (11,348)	$ (72,777)	$

	Predecessor		Successor	
	January 1, 2010	Additions[(c)]	Expense items recognized	December 31, 2010
	(in thousands)			
Financial Liabilities:				
SERP liability	$	$ 10,510	$ 967	$ 11,477

(a) Earnings impact is included in the interest expense, net caption of the accompanying consolidated statements of operations.

(b) As of the Petition Date, the liability of $72.8 million outstanding under the interest rate swap agreement was converted to a component of senior debt.

(c) The initial establishment of the Company s liability under the SERP was valued at $10.5 million and is included in reorganization items, net in the accompanying consolidated statement of operations of the Predecessor.

The following summary presents a description of the methodologies and assumptions used to determine the estimated fair values for the Company s significant financial instruments.

Cash Equivalents: As of December 31, 2010, cash equivalents represent amounts held in a mutual fund that invests in short-term United States Treasury funds or other short-term instruments backed by the United States government. Due to the short-term nature of these investments, the carrying value is assumed to approximate fair value.

Accounts Receivable, Accounts Payable and Accrued Liabilities: The carrying amount is assumed to be the fair value because of the liquidity or short-term maturity of these instruments.

Senior Debt: Based on available evidence, including certain trading prices, the estimated fair value of the Term Loan as of December 31, 2010 approximates its carrying value of $350.0 million. Based on evidence available as of that date, including average trading prices, the estimated fair value of the Predecessor Senior

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Notes to consolidated financial statements (Continued)

Credit and Term Facility at December 31, 2009 was $1,586.8 million compared to the Predecessor s carrying value of $2,144.4 million at December 31, 2009.

Senior Notes: Based on available evidence, including certain trading prices, the estimated fair value of the Senior Notes at December 31, 2010 approximates its carrying value of $400.0 million.

Subordinated Debt and Convertible Subordinated Notes: Based on available evidence, including average trading prices, the estimated fair value of the Predecessor s convertible subordinated notes at December 31, 2009 was $2.4 million compared to the Predecessor s carrying value of $48.3 million at December 31, 2009.

Other Long-Term Liabilities, including the SERP: The Company s liability under the SERP was initially recorded at its estimated fair value as of the Fresh-Start Date. The Company evaluates the estimated fair value of the SERP liability as of each reporting date to determine if any significant changes have occurred in the underlying assumptions. Any change in the fair value is recognized in the statement of operations at the time of adjustment. The terms of the Company s other long-term liabilities approximate the terms in the marketplace. Therefore, the fair value approximates the carrying value of these financial instruments.

20. Reportable segments

The Company operates two reportable segments, Radio Markets and Radio Network, as there is discrete financial information available for each segment and the segment operating results are reviewed by the chief operating decision maker. The Radio Markets revenue is primarily derived from the sale of broadcasting time to local, regional and national advertisers. Revenue for the Radio Network is generated primarily through national advertising. The Company presents segment operating income (SOI) as the primary measure of profit and loss for its operating segments. SOI is defined as operating income by segment adjusted to exclude depreciation and amortization, local marketing agreement fees, asset impairment and disposal charges, non-cash amounts related to contractual obligations, non-cash compensation, corporate general and administrative expenses, and other, net. The Company believes the presentation of SOI is relevant and useful for investors because it allows investors to view segment performance in a manner similar to a primary method used by the Company s management and enhances their ability to understand the Company s operating performance.

	Successor	Predecessor		
	Period from June 1, 2010 through December 31, 2010	Period from January 1, 2010 through May 31, 2010	Years ended December 31, 2009	Years ended December 31, 2008
	(in thousands)			
Net revenue:				
Radio Markets	$ 382,011	$ 247,112	$ 604,120	$ 688,815

Radio Network		64,924		50,324		123,839		181,798
Intersegment revenue:								
Radio Markets	$	(2,793)	$	(2,012)	$	(4,339)	$	(7,492)
Radio Network								
Net revenue	$	444,142	$	295,424	$	723,620	$	863,121
SOI:								
Radio Markets	$	160,591	$	94,023	$	214,942	$	261,405
Radio Network		9,518		8,027		3,559		28,539
Corporate general and administrative		(26,394)		(8,929)		(26,320)		(32,049)
Local marketing agreement fees		(379)		(455)		(1,027)		(1,334)

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Notes to consolidated financial statements (Continued)

	Successor	Predecessor		
	Period from June 1, 2010 through December 31, 2010	Period from January 1, 2010 through May 31, 2010	Years ended December 31, 2009	2008
	(in thousands)			
Asset impairment and disposal charges			(985,653)	(1,208,208)
Non-cash amounts related to contractual obligations				(21,440)
Non-cash compensation expense	(4,198)	(1,311)	(5,400)	(7,354)
Depreciation and amortization	(58,564)	(11,365)	(35,599)	(45,264)
Other, net	(7,486)	(854)	(6,841)	1,688
Operating income (loss)	73,088	79,136	(842,339)	(1,024,017)
Reorganization items, net		(1,014,077)	4,556	
Interest expense, net	45,365	17,771	190,175	211,818
Extinguishment of debt	20,969		(428)	(114,736)
Write-off of deferred financing costs and debt discount upon extinguishment of debt	984		814	11,399
Income (loss) before income taxes	5,770	1,075,442	(1,037,456)	(1,132,498)
Income tax expense (benefit)	7,553	5,737	(254,097)	(162,679)
Net (loss) income	$ (1,783)	$ 1,069,705	$ (783,359)	$ (969,819)
Asset impairment and disposal charges				
Radio Markets	$	$	$ 912,577	$ 1,188,338
Radio Network			73,076	19,870
Total asset impairment and disposal charges	$	$	$ 985,653	$ 1,208,208

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Notes to consolidated financial statements (Continued)

	Successor	Predecessor		
	Period from June 1, 2010 through December 31, 2010	Period from January 1, 2010 through May 31, 2010	Years ended December 31, 2009	2008
		(in thousands)		
Non-cash amounts related to contractual obligations				
Radio Markets	$	$	$	$ 21,440
Radio Network				
Total non-cash amounts related to contractual obligations	$	$	$	$ 21,440
Segment local marketing agreement fees:				
Radio Markets	$ 379	$ 455	$ 1,027	$ 1,334
Radio Network				
Total segment local marketing agreement fees	$ 379	$ 455	$ 1,027	$ 1,334
Segment non-cash compensation expense:				
Radio Markets	$ 3,719	$ 1,143	$ 4,064	$ 5,170
Radio Network	479	168	1,336	2,184
Total segment non-cash compensation expense	$ 4,198	$ 1,311	$ 5,400	$ 7,354
Segment depreciation and amortization:				
Radio Markets	$ 50,764	$ 8,370	$ 22,434	$ 25,719
Radio Network	7,800	2,995	13,165	19,545
Total segment depreciation and amortization	$ 58,564	$ 11,365	$ 35,599	$ 45,264

	Successor	Predecessor
		December 31, 2009

	December 31, 2010	
	(in thousands)	
Identifiable assets:		
Radio Markets, exclusive of goodwill shown separately below	$ 1,416,723	$ 964,580
Goodwill	719,229	292,563
Total Radio Markets identifiable assets	$ 2,135,952	$ 1,257,143
Radio Network, exclusive of goodwill shown separately below	$ 103,130	$ 77,435
Goodwill	44,620	29,413
Total Radio Network identifiable assets	$ 147,750	$ 106,848
Corporate and other identifiable assets	$ 124,412	$ 53,998
Total assets	$ 2,408,114	$ 1,417,989

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Notes to consolidated financial statements (Continued)

The following table presents the gross amount of goodwill and the accumulated asset impairment and disposal charges for the Company s two reportable segments, Radio Markets and Radio Network, for the year ended December 31, 2009, the five months ended May 31, 2010 and the seven months ended December 31, 2010:

	Radio markets	Radio network
	(in thousands)	
Balance as of January 1, 2009 (predecessor):		
Goodwill	$ 1,784,918	$ 190,279
Accumulated asset impairment and disposal charges	(1,352,019)	(130,379)
Goodwill net of impairment as of January 1, 2009 (predecessor)	$ 432,899	$ 59,900
Asset impairment and disposal charges	(140,336)	(30,487)
Balance as of January 1, 2010 (predecessor):		
Goodwill	$ 1,784,918	$ 190,279
Accumulated asset impairment and disposal charges	(1,492,355)	(160,866)
Goodwill net of impairment as of January 1, 2010 (predecessor)	$ 292,563	$ 29,413
Elimination of Predecessor goodwill as of May 31, 2010	(1,784,918)	(190,279)
Elimination of Predecessor goodwill impairment as of May 31, 2010	1,492,355	160,866
Goodwill from application of fresh-start reporting as of May 31, 2010	719,229	44,620
Balance as of December 31, 2010 (successor):		
Goodwill	$ 719,229	$ 44,620
Accumulated asset impairment and disposal charges		
Goodwill net of impairment as of December 31, 2010 (successor)	$ 719,229	$ 44,620

21. Commitments and contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, or other sources are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated.

Effective December 31, 2009, the Company s radio music license agreements with the two largest performance rights organizations, American Society of Composers, Authors and Publishers (ASCAP) and Broadcast Music, Inc. (BMI), expired. The Radio Music License Committee (RMLC), which negotiates music licensing fees for most of the radio industry with ASCAP and BMI, had reached an agreement with these organizations on a temporary fee schedule that reflects a provisional discount of 7.0% against 2009 fee levels. The temporary fee reductions became effective in January 2010. Absent an agreement on long-term fees between the RMLC and ASCAP and BMI, the U.S. District Court in New York has the authority to make an interim and permanent fee ruling for the new contract period. In May 2010 and June 2010, the U.S. District Court s judges charged with determining the licenses fees ruled to further reduce

interim fees paid to ASCAP and BMI, respectively, down approximately another 11.0% from the previous temporary fees negotiated with the RMLC. When the license fee negotiations are finalized, the rate will be retroactive to January 1, 2010, and the amounts could be greater or less than the temporary fees and could be material to the Company s financial results and cash flows. John Sander is currently the chairman of the board of directors of both the Company and BMI.

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Notes to consolidated financial statements (Continued)

Litigation

On December 20, 2009, the Debtors filed voluntary petitions in the Bankruptcy Court seeking relief under the Bankruptcy Code. Upon commencement of the Chapter 11 Proceedings, the Debtors also announced that they had reached an accord with over 60% of their senior secured lenders on the terms of a pre-negotiated financial restructuring that sought to extinguish approximately $1.4 billion of indebtedness. Specifically, the Company entered into a letter agreement, effective as of December 20, 2009 (the Emergence Plan Support Agreement), with over 60% of the holders of the Company s secured debt issued pursuant to the Predecessor Senior Credit and Term Facility.

On December 21, 2009, the Company announced that the Bankruptcy Court granted all of the Company s first day motions and applications, which allowed the Company to satisfy its obligations with cash on hand and pay employee wages, salaries and benefits, among other things, without interruption during the course of the restructuring.

On February 3, 2010, the Debtors filed with the Bankruptcy Court a proposed joint plan of reorganization and a related disclosure statement pursuant to Chapter 11 of the Bankruptcy Code. On March 15, 2010, the Debtors filed with the Bankruptcy Court a First Modified Joint Plan of Reorganization and the related disclosure statement pursuant to Chapter 11 of the Bankruptcy Code.

On March 15, 2010, the Bankruptcy Court approved the disclosure statement and authorized the Company to begin soliciting votes on the Emergence Plan.

On May 10, 2010, the Debtors filed the second modified Emergence Plan, reflecting certain technical, nonmaterial modifications to the first modification. Objections to the Debtors Emergence Plan were filed with the Bankruptcy Court by several stockholders, and on May 12, 2010, the Bankruptcy Court commenced a multi-day hearing, which ended on May 17, 2010 with the Bankruptcy Court confirming the Debtors Emergence Plan.

On May 19, 2010, (the Confirmation Date), the Bankruptcy Court entered the Confirmation Order confirming the Emergence Plan, and on May 26, 2010, the FCC granted the long form applications for transfer of control of the Company s FCC licenses to the new stockholders of the company.

On June 3, 2010, the Debtors consummated their reorganization, and the Emergence Plan became effective. The distribution of securities of the new reorganized successor to the Company under the Emergence Plan was made on the Emergence Date. Under the Emergence Plan, the Debtors distributed three forms of equity: class A common stock; class B common stock; and the special warrants.

In October 2010, R2 Investment, LDC (R2), a stockholder of the Company, filed a motion in the Bankruptcy Court requesting the Company be directed to revoke awards of restricted common stock granted in August 2010 to certain members of the Company s senior management and its board of directors and instead issue stock options, as R2 contended was required by the Emergence Plan. In early November 2010, certain members of the Company s senior management and its board of directors elected to voluntarily forfeit approximately 2.5 million shares of restricted stock that were granted in August 2010. Based upon (i) the relinquishment of the restricted stock by the named executive officers and the Company s board of directors and (ii) the Company s intent to replace the forfeited shares with options to purchase approximately 3.3 million shares of class A common stock, the terms of which are governed by the Emergence Plan, R2 withdrew its motion without prejudice. The forfeiture of restricted stock and subsequent

issuance of stock options to these individuals was accounted for as a modification of the original award. For more information see Notes 14 and 15.

Pursuant to the Bankruptcy Code, pre-petition claims (including secured, unsecured, priority and administrative claims) of the Debtors are evidenced in the schedules of liabilities filed by the Debtors with the Bankruptcy Court and by proofs of claim filed by creditors. The process to resolve these claims continues

Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated financial statements (Continued)

until all pre-petition claims are resolved. In connection with resolving these claims, while not expected, certain claims could result in additional expense or income in the Successor s financial statements if actual results differ from estimated liabilities, and such additional expense or income could be material.

The Company is involved in certain other claims and lawsuits arising in the ordinary course of its business. The Company believes that such litigation and claims will be resolved without a material adverse impact on its results of operations, cash flows or financial condition.

Lease commitments

The Company leases certain studio buildings, tower sites, transmitters and equipment, vehicles and office equipment. The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of December 31, 2010:

Year ended	Commitments	Sublease rentals	Net lease commitments
2011	$ 18,645	$ (1,278)	$ 17,367
2012	17,346	(1,174)	16,172
2013	15,902	(951)	14,951
2014	13,384	(669)	12,715
2015	9,304	(501)	8,803
Thereafter	44,733	(6,407)	38,326
	$ 119,314	$ (10,980)	$ 108,334

Total rental expense was approximately $11.7 million for the Successor period from June 1, 2010 through December 31, 2010 and approximately $8.2 million, $21.5 million and $20.8 million for the Predecessor period from January 1, 2010 through May 31, 2010 and the years ended December 31, 2009 and 2008, respectively.

Contractual commitments

The Company has entered into binding contracts in the normal course of business related to sports broadcasting, employment of personnel, and other goods and services utilized in our operations.

Defined contribution plan

The Company has a defined contribution 401(k) plan for all employees who are at least 21 years of age. Under the 401(k) plan, eligible employees can contribute up to 80% of their compensation, subject to the maximum contribution allowed by the Internal Revenue Code. Participants vest immediately in their contributions, and participants rights to amounts contributed by the Company vest on a graded schedule after five years of service. Participants are credited with one year of service if they work 1,000 hours in a plan year. Each year, for participants who have completed one

year of service, the Company may, at the discretion of the board of directors, contribute a matching contribution in an amount equal to a discretionary percentage, not to exceed the participants elective deferral. The Company may also make discretionary contributions as approved by the board of directors. Matching contributions by the Company were approximately $1.2 million for the combined Successor period from June 1, 2010 through December 31, 2010 and Predecessor period from January 1, 2010 through May 31, 2010 and none for the years ended December 31, 2009 and 2008.

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22. Quarterly financial data (unaudited), in thousands, except for share amounts.

	Predecessor		Successor		
	Quarter ended March 31	Period from April 1 through May 31	Period from June 1 through June 30	Quarters ended September 30	December 31
2010:					
Net revenue	$ 165,028	$ 130,396	$ 64,027	$ 188,604	$ 191,511
Operating income	37,137	41,999	13,984	33,957	25,147
Net income (loss)[(a)]	11,480	1,058,225	3,130	3,564	(8,477)
Basic net income (loss) per common share	$ 0.04	$ 3.98	$ 0.07	$ 0.08	$ (0.19)
Diluted net income (loss) per common share	$ 0.04	$ 3.95	$ 0.07	$ 0.08	$ (0.19)
Weighted average common shares outstanding Basic	266,085	265,977	45,625	47,409	45,625
Weighted average common shares outstanding Diluted	268,005	267,897	45,625	47,409	45,625

	Predecessor Quarters ended			
	March 31	June 30	September 30	December 31
2009:				
Net revenue	$ 158,891	$ 188,061	$ 183,810	$ 192,858
Operating income (loss)[(b)]	14,239	(944,080)	37,969	49,533
Net (loss) income	(5,305)	(758,657)	(21,251)	1,854
Basic net (loss) income per common share	$ (0.02)	$ (2.88)	$ (0.08)	$ 0.01
Diluted net (loss) income per common share	$ (0.02)	$ (2.88)	$ (0.08)	$ 0.01
Weighted average common shares outstanding Basic	263,630	263,815	264,237	264,263
	263,630	263,815	264,237	264,263

Weighted average common shares outstanding Diluted

(a) The revaluation of assets and liabilities through the application of fresh-start reporting resulted in a net gain of $921.8 million. The restructuring of the Company s capital structure and resulting discharge of pre-petition debt resulted in a gain of $139.8 million. Both of these amounts were recorded as reorganization items in the Predecessor s statement of operations for the period from April 1, 2010 through May 31, 2010. The net loss in the Successor s quarter ended December 31, 2010 was due primarily to net expense of $21.0 million incurred on extinguishment of debt in connection with the refinancing of the Emergence Term Loan Facility.

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Notes to consolidated financial statements (Continued)

(b) The Company conducted an interim impairment test during 2009 in addition to its annual impairment test as of October 1, 2009. As a result, the Company recorded non-cash impairment charges on a pre-tax basis of $985.7 million during the quarter ended June 30, 2009.

23. Subsequent events

Pending transaction

On March 10, 2011, the Company entered into a definitive merger agreement with Cumulus Media Inc., a Delaware corporation (Cumulus), Cadet Holding Corporation, a Delaware corporation and wholly owned subsidiary of Cumulus (HoldCo), and Cadet Merger Corporation, a Delaware corporation and wholly owned subsidiary of HoldCo (Cumulus Merger Sub), which provides that, upon completion of the merger of Cumulus Merger Sub into the Company (the Cumulus Merger), each outstanding share of class A common stock and class B common stock of the Company (other than shares owned by Cumulus Merger Sub, held in treasury by the Company or pursuant to which a holder has properly exercised and perfected appraisal rights under Delaware law), will, at the election of the holder thereof and subject to proration as described below, be converted into the right to receive (i) $37.00 in cash (the Cash Consideration), or (ii) 8.525 shares of class A common stock, par value $0.01 per share, of Cumulus (the Stock Consideration and, together with the Cash Consideration, the Cumulus Merger Consideration). In addition, holders of warrants to purchase class B common stock of the Company will have the right to elect to have their warrants adjusted at the effective time of the Cumulus Merger to become the right to receive upon exercise the (i) Cash Consideration or (ii) Stock Consideration, subject to proration as described below.

The merger agreement provides that each holder of the Company s common stock and/or warrants may elect to receive the Cash Consideration or the Stock Consideration for all or any number of such holder s common stock and/or warrants, however, such elections will be prorated, and consideration adjusted, so that Cumulus will not issue in excess of 151,485,282 shares of Cumulus class A Common Stock (as increased for the exercise of stock options of the Company prior to closing of the Cumulus Merger) or pay in excess of $1,408,728,600 in cash (less the cash value of any dissenting shares and increased for the exercise of Company stock options prior to closing of the Cumulus Merger). In circumstances where holders of common stock and/or warrants of the Company make aggregate elections which exceed either the aggregate available Cash Consideration or aggregate available Stock Consideration, holders of common stock of the Company will receive a combination of Cash Consideration and Stock Consideration pursuant to the terms of the merger agreement. Holders of common stock and/or warrants of the Company who do not make an election will receive the consideration choice selected by the majority of Company stockholders and warrantholders, subject to the proration described above.

Cumulus has obtained equity and debt financing commitments, subject to certain conditions set forth in definitive agreements related to such commitments, for the transactions contemplated by the merger agreement, the proceeds of which, in addition to cash on hand, will be sufficient for Cumulus to pay the cash portion of the aggregate Cumulus Merger Consideration contemplated by the merger agreement and any associated fees and expenses. In connection with the transactions contemplated by the merger agreement, affiliates of Crestview Partners and Macquarie Capital (the Equity Investors) have agreed, at or prior to the closing of the Cumulus Merger, to make an equity investment in Cumulus in an amount of up to approximately $500 million on the terms and subject to the conditions set forth in the investment agreements entered into by the Equity Investors and Cumulus in connection with the Cumulus Merger.

Certain affiliates of the Equity Investors having guaranteed the respective payment obligations of the termination fees payable by the Equity Investors if the merger agreement is terminated under specified circumstances, pursuant to limited guarantees executed in favor of the Company.

Upon the completion of the Cumulus Merger, the Company would cease to be a publicly reporting company and would cease all filings under the Securities Exchange Act of 1934, as amended.

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The Cumulus Merger was unanimously approved by the respective Boards of Directors of the Company and Cumulus. The merger agreement and the transactions contemplated thereby will be submitted to a vote of stockholders of the Company at a special/annual meeting of Company stockholders.

On March 14, 2011, the Company, its board of directors, and Cumulus were named in a putative shareholder class action complaint filed in the District Court of Clark County, Nevada, by a purported Citadel shareholder. On March 23, 2011, these same defendants, as well as Cadet Holding Corporation and Cadet Merger Corporation, were named in a second putative shareholder class action complaint filed in the same court by another purported Citadel shareholder. The complaints allege that the Company s directors breached their fiduciary duties by approving the Cumulus Merger for allegedly inadequate consideration and following an allegedly unfair sale process. The complaint in the first action also alleges that the Company s directors breached their fiduciary duties by allegedly withholding material information relating to the Cumulus Merger. The two complaints further allege that the Company and Cumulus aided and abetted the Citadel directors alleged breaches of fiduciary duty, and the complaint filed in the second action alleges, additionally, that Cadet Holding Company and Cadet Merger Corporation aided and abetted these alleged breaches of fiduciary duty. The complaints seek, among other things, a declaration that the action can proceed as a class action, an order enjoining the completion of the Cumulus Merger, rescission of the merger, attorneys fees, and such other relief as the court deems just and proper. The complaint filed in the second action also seeks rescissory damages. The Company intends to vigorously defend against these actions.

Consummation of the Cumulus Merger is conditioned, among other things, on (i) the adoption of the merger agreement by stockholders of the Company (voting together as a single class), (ii) the absence of certain legal impediments to the consummation of the Cumulus Merger, (iii) the effectiveness of a Form S-4 registration statement to be filed by Cumulus and (iv) the receipt of certain regulatory approvals regarding the transactions contemplated by the merger agreement, including expiration of the waiting period under the Hart-Scott Rodino Antitrust Improvements Act of 1976 and approval by the FCC.

Cumulus stockholders who hold in the aggregate approximately 54% of the outstanding voting power of the Cumulus stock have approved the issuance of Cumulus shares in connection with the Cumulus Merger and an amendment to Cumulus certificate of incorporation in connection with the transactions contemplated by the merger agreement. No further Cumulus stockholder approval is necessary for consummation of the transactions contemplated by the merger agreement.

Completion of the Cumulus Merger is anticipated to occur by the end of 2011, although there can be no assurance the Cumulus Merger will occur within the expected timeframe or at all.

Pursuant to the merger agreement, except as Cumulus may otherwise consent to in writing (which consent will not be unreasonably withheld, conditioned or delayed), the Company has agreed to (i) conduct, in all material respects, its business in the ordinary course; (ii) use commercially reasonable efforts to preserve intact its business organization and significant business relationships and to retain the services of current key officers and key employees; (iii) use commercially reasonable efforts to comply with the Communications Act of 1934, as amended by the Telecommunications Act of 1996, and FCC rules and policies in the operation of its stations; (iv) promptly deliver to Cumulus copies of any material reports or applications filed with the FCC, subject to certain exceptions; (v) promptly notify Cumulus of any inquiry, investigation or proceeding which to its knowledge has been initiated by the FCC relating to its stations, subject to certain exceptions; and (vi) diligently prosecute any pending FCC applications or any

other filings necessary or appropriate in other proceedings before the FCC to preserve or obtain any FCC authorization for its stations without material adverse modification, subject to certain exceptions. In addition, under the merger agreement, the Company is not permitted to, without the prior written consent of Cumulus (which consent will not be unreasonably withheld, conditioned or delayed): (a) incur indebtedness, subject to certain exceptions; (b) (i) adjust, split, combine or reclassify any of its capital stock, (ii) make, declare or pay any dividend, or make any other distribution on, or redeem, purchase or otherwise acquire, any shares of its capital stock or any convertible or

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Citadel Broadcasting Corporation and Subsidiaries

Notes to consolidated financial statements (Continued)

exchangeable securities, subject to certain exceptions, (iii) grant any stock appreciation rights or rights to acquire shares of its capital stock, other than grants to employees in the ordinary course of business, (iv) issue any additional shares of capital stock, subject to certain exceptions; (c) change certain specified compensation arrangements, subject to certain exceptions; (d) sell, transfer, mortgage, encumber or otherwise dispose of any of its properties or assets, subject to certain exceptions; (e) cancel, release, settle or assign any indebtedness or third party claim, action or proceeding, subject to certain exceptions; (f) enter into any local marketing agreement in respect of the programming of any radio or television broadcast station or contract for the acquisition or sale of any radio broadcast station, subject to certain exceptions; (g) enter into any new material line of business, subject to certain exceptions; (h) amend its charter or by-laws or terminate, amend or waive any provisions of any confidentiality or standstill agreements in place with any third parties; (i) except as required by GAAP or the Securities and Exchange Commission as concurred in by its independent auditors or in the ordinary course of business, make any material change in its methods or principles of accounting or make or change any material tax election; (j) enter into or amend in any material respect or waive any of its material rights under specified contracts, subject to certain exceptions; (k) adopt or recommend a plan of dissolution, liquidation, recapitalization, restructuring or other reorganization; (l) except as required by law, enter into or amend in any material respect any collective bargaining agreement; or (m) agree to take, make any commitment to take, or adopt specified resolutions of its board of directors. These constraints could significantly impact the Company s operations and business strategy as discussed in this report prior to the consummation of the proposed Cumulus Merger or the termination of the merger agreement.

License renewal applications may be pending before the FCC at the time the Cumulus Merger occurs. Pursuant to the merger agreement, Cumulus has agreed to request that the FCC apply its policy permitting license assignments and transfers in transactions involving multiple markets to proceed, notwithstanding the pendency of one or more license renewal applications. Under this policy, Cumulus will agree to assume the position of the Company with respect to any pending renewal applications, and to assume the risks relating to such applications.

The closing of the Cumulus Merger would constitute a change in control as defined in the Credit Agreement, which would be considered an event of default, also as defined, and could cause all amounts outstanding under the Credit Agreement to become immediately due and payable.

It is anticipated that the funds necessary to consummate the Cumulus Merger and related transactions will be funded by new credit facilities, private and/or public offerings of debt securities and equity financing of Cumulus. Under the merger agreement, we have agreed to commence a debt tender offer to purchase our existing Senior Notes. As part of the debt tender offer, we will solicit the consent of the holders to amend, eliminate or waive certain sections (as specified by Cumulus) of the applicable indenture governing the Senior Notes. The closing of the debt tender offer will be conditioned on the occurrence of the closing of the Cumulus Merger, but the closing of the Cumulus Merger and the debt financing are not conditioned upon the closing of the debt tender offer.

In addition, the closing of the Cumulus Merger would constitute a change of control under the indenture governing the Senior Notes. Following the occurrence of a change of control, the Company would be required to make an offer to purchase all outstanding Senior Notes at a price equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest.

Completed transaction

During February 2011, the Divestiture Trusts completed the sale of a radio station for a total purchase price of approximately $5.8 million.

Appendix A

Exchange Agreement

This EXCHANGE AGREEMENT (this **Agreement**), dated as of January 31, 2011, is made by and among the following parties: (i) Cumulus Media Inc., a Delaware corporation (**CMI**); (ii) each of the other undersigned parties hereto (each a **Seller** and collectively, the **Sellers**); and (iii) Blackstone FC Communications Partners L.P., a Delaware limited partnership, in its capacity as **Sellers Representative** (the Sellers Representative, together with CMI and the Sellers, each being hereinafter sometimes referred to as a **Party** and, collectively, as the **Parties**).

Witnesseth:

WHEREAS, CMI and the Sellers are the current holders of all of the issued and outstanding equity interests in Cumulus Media Partners, LLC, a Delaware limited liability company (**CMP**);

WHEREAS, each of the Sellers desires to sell to CMI all of the equity interests in CMP owned by it, such that CMI will acquire upon the closing of the transactions contemplated hereby, all of the outstanding equity interests in CMP that CMI currently does not hold, directly or indirectly;

WHEREAS, the board of directors of CMI (the **Board of Directors**) has unanimously (except for an approval with respect to the transactions contemplated by the Radio Holdings Warrant Agreement Amendment, which has been obtained from each director other than the interested director (who has recused himself with respect to such approval) in respect thereto) adopted resolutions in which it (i) approved and declared advisable and in the best interests of CMI and its stockholders this Agreement, the Charter Amendment, the Registration Rights Agreement and the Transactions, (ii) resolved to recommend that CMI s stockholders approve the issuance of shares of CMI Common Stock pursuant to the Exchange and the adoption of the Charter Amendment, and (iii) directed that the issuance of shares of CMI Common Stock pursuant to the Exchange and the adoption of the Charter Amendment be submitted to a vote at a meeting of CMI s stockholders called for such purpose;

WHEREAS, the holders of CMI s outstanding shares of Class B Common Stock, par value $0.01 per share (the **Class B Common Stock**) have, contemporaneously herewith, approved this Agreement, the Charter Amendment, the Registration Rights Agreement and the other Transaction Documents, and the transactions contemplated hereby and thereby for all purposes under CMI s amended and restated certificate of incorporation (the **Class B Approval**);

WHEREAS, each of the Sellers has agreed to appoint the Sellers Representative as its attorney-in-fact as provided for herein; and

WHEREAS, capitalized terms used herein shall have the respective meanings ascribed to them in Article 10 of this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants, agreements, representations and warranties herein contained, and upon the terms and subject to the conditions hereinafter set forth, the Parties hereby agree as follows:

Article 1

The exchange

1.1 *The Exchange*. Subject to the terms and conditions set forth herein, at the Closing, CMI shall purchase, and each Seller shall sell, assign and transfer to CMI, free and clear of all Liens (except for (i) the restrictions set forth in the CMP LLC Agreement and the CMP Equityholders Agreement and (ii) Liens imposed by federal and/or state securities Laws), all of such Seller s Units in exchange for the number of shares of Class A Common Stock, par value $0.01 per share, of CMI (**Class A Common Stock**) or Class D Common Stock, par value $0.01 per share, of CMI (**Class D Common Stock**), which shall be created pursuant to the Charter Amendment, as applicable, listed opposite such Seller s name on **Annex A** (collectively, **Stock Consideration**), such Stock Consideration to be issued to the Sellers shall be free and clear of all Liens (except for Liens imposed by federal and/or state securities Laws); provided, however, that the number of shares of Stock Consideration shall be proportionately adjusted to reflect any splits, reverse splits, stock dividends, or similar events occurring between the date of this Agreement and the Closing with respect to either the Units or the common stock of CMI, if any (the **Exchange**). The sale, assignment and transfer of the Units shall be evidenced by delivery to CMI of assignments of such Units in the form attached as **Annex B** hereto (collectively, the **Unit Assignments**), executed by each Seller in respect of its respective Units.

1.2 *Charter Amendment*. Promptly (and, in any event, at least three (3) Business Days prior to Closing) after receipt of the Stockholder Approval at the Stockholders Meeting, CMI shall cause the Charter Amendment in the form attached as **Annex C**, which shall, among other things, authorize and create the Class D Common Stock having the conversion, voting and other rights set forth therein, to be filed with the Secretary of State of the State of Delaware and become effective.

1.3 *Registration Rights*. At the Closing, CMI, on the one hand, and each Seller, on the other hand, shall execute and deliver to the other a registration rights agreement in the form attached as **Annex D** (the **Registration Rights Agreement**).

Article 2

Closing; deliveries

2.1 *Closing*. The closing under this Agreement (the **Closing**) shall take place at the offices of Jones Day, 1420 Peachtree Street, N.E., Atlanta, Georgia 30309, commencing at 10:00 a.m., Eastern Time, on the latest of (i) the third (3rd) Business Day after the Initial Order shall have become a Final Order, (ii) the third (3rd) Business Day following the expiration or termination of the waiting period under the HSR Act should a filing be required under the HSR Act, and (iii) the third (3rd) Business Day following receipt of the Stockholder Approval (provided, that, in each such case, all of the conditions set forth in Article 3 shall have been satisfied or waived, other than those conditions, that by their nature, cannot be satisfied until the Closing Date, but subject to the satisfaction or waiver of those conditions), or such other date, place or time as CMI and the Sellers Representative may mutually agree upon in writing. The date of the Closing is herein called the **Closing Date** . All proceedings to be taken and all documents to be executed and delivered by the Parties at the Closing shall be deemed to have been taken and executed simultaneously and no proceedings shall be deemed taken nor any documents executed or delivered until all have been taken, executed and delivered.

2.2 *Deliveries by Sellers*. At the Closing, the Sellers shall deliver to CMI:

(a) from each Seller, a Unit Assignment, duly executed by such Seller, in respect of all of the Units owned by such Seller;

(b) from each Seller, a certificate, dated the Closing Date, signed by an executive officer or authorized signatory of such Seller (or its managing member or general partner), certifying to the effect that the conditions set forth in Section 3.2(b) and Section 3.2(c) have been satisfied with respect to such Seller;

(c) from each Seller, the Registration Rights Agreement, duly executed and delivered by such Seller;

(d) from each Seller, a duly executed certificate, dated the Closing Date, certifying any facts that would exempt the transactions contemplated hereby from withholding under Section 1445 of the Code; and

(e) all other documents required by the terms of this Agreement to be delivered to CMI at the Closing, and such other evidence of the performance of all covenants and satisfaction of all conditions required of any of the Sellers by this Agreement, at or prior to the Closing, as CMI or its counsel may reasonably require.

2.3 *Deliveries by CMI*. At the Closing, CMI shall deliver to the Sellers (in the case of paragraphs (a) and (e) below) and to the Sellers Representative (in all other cases):

(a) to each Seller, stock certificates representing the applicable Stock Consideration to be issued and delivered to such Seller, as set forth on **Annex A**;

(b) evidence, reasonably satisfactory to the Sellers Representative, of the Stockholder Approval;

(c) copies of corporate resolutions of the Board of Directors authorizing the execution, delivery and performance of this Agreement, the Charter Amendment, the Registration Rights Agreement and the other Transactions Documents to which it is a party and the consummation of the Transactions, certified by the chief executive officer or chief financial officer of CMI;

(d) a certificate, dated the Closing Date, signed by the chief executive officer or chief financial officer of CMI, certifying to the effect that the conditions set forth in Section 3.3(a) and Section 3.3(b) have been satisfied;

(e) to each Seller, the Registration Rights Agreement, duly executed and delivered by CMI; and

(f) all other documents required by the terms of this Agreement to be delivered to the Sellers Representative at the Closing, and such other evidence of performance of all covenants and satisfaction of all of the conditions required of CMI by this Agreement at or before the Closing as the Sellers Representative or the Sellers counsel may reasonably require.

2.4 *Further Assurances*. At any time and from time to time after the Closing, and without further consideration, each Party shall cooperate and take such actions, and execute such other documents, as may be reasonably requested by another Party in order to most effectively transfer the Units to CMI, to issue the Stock Consideration to the Sellers, and to otherwise carry out the provisions and purposes of this Agreement.

Article 3

Closing conditions

3.1 *Conditions to Each Party s Obligation to Effect the Exchange*. The obligations of CMI, on the one hand, and the Sellers, on the other, to consummate the Exchange and the other Transactions are subject to the satisfaction (or waiver in writing by CMI and the Sellers Representative, if permissible under Law) at or prior to the Closing of the following conditions:

(a) the Stockholder Approval shall have been obtained by CMI;

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(b) no Governmental Authority of competent jurisdiction shall have enacted or issued any Law or Order, or taken any other action, enjoining or otherwise prohibiting consummation of the Transactions;

(c) any waiting period (and any extensions thereof) applicable to the consummation of the Transactions under the HSR Act shall have expired or otherwise been terminated;

(d) the Initial Order shall have been issued and become a Final Order;

(e) (i) the 3,315,238 shares of Class A Common Stock issuable to the Blackstone Sellers at the Closing, (ii) 6,630,476 shares of Class A Common Stock issuable upon conversion of the shares of Class D Common Stock issuable to the Bain Sellers and the THL Sellers at the Closing, and (iii) an additional 994,572 shares of Class A Common Stock reserved for issuance in connection with the Exchange that may be necessary for the payment of (or upon conversion of shares of Class D Common Stock issued in payment of) any indemnification obligations of CMI hereunder, shall have been approved for listing on Nasdaq, subject to official notice of issuance; and

(f) the Charter Amendment shall have been duly accepted for filing with the Secretary of State of the State of Delaware and become effective.

3.2 *Conditions Precedent to the Obligations of CMI*. The obligations of CMI under this Agreement to consummate the Transactions are subject to the satisfaction at or prior to Closing of each of the following conditions, all or any of which may be waived, in whole or in part, by CMI in writing for purposes of consummating the Transactions, but without prejudice to any other right or remedy that CMI may have hereunder as a result of any misrepresentation by or breach of any agreement, covenant representation or warranty of the Sellers contained herein or any other certificate or instrument furnished by or on behalf of the Sellers hereunder:

(a) (i) each of the representations and warranties made by the Sellers in Section 4.1 (Organization), Section 4.2 (Capitalization) and Section 4.19 (Brokers or Finders) of this Agreement shall be true and correct other than in de minimis respects as of the date of this Agreement and as of the Closing Date, as if made as of such date (except for those representations and warranties which address matters only as of an earlier date which shall have been true and correct as of such earlier date) and (ii) each of the other representations and warranties made by the Sellers in Article 4 of this Agreement shall be true and correct (without giving effect to any materiality, Material Adverse Effect or any similar standard or qualification) as of the date of this Agreement and as of the Closing Date, as if made as of such date (except for those representations and warranties which address matters only as of an earlier date which shall have been true and correct as of such earlier date), except in the case of this clause (ii), where the failure of such other representations and warranties to be true and correct, has not had and would not have, individually or in the aggregate, a Material Adverse Effect on CMP and its Subsidiaries;

(b) (i) each of the representations and warranties made by each Seller in Section 6.1 (Title to Units), Section 6.2 (Authorization; Validity of Agreement) and Section 6.8 (Brokers or Finders) of this Agreement shall be true and correct other than in de minimis respects as of the date of this Agreement and as of the Closing Date, as if made as of such date (except for those representations and warranties which address matters only as of an earlier date which shall have been true and correct as of such earlier date) and (ii) each of the other representations and warranties made by each of the Sellers in Article 6 of this Agreement shall be true and correct in all material respects as of the date of this Agreement and as of the Closing Date, as if made as of such date (except for those representations and warranties which address matters only as of an earlier date which shall have been true and correct as of such earlier date), except in the case of this clause (ii), where the failure of such other representations and warranties to be true and correct, has not and would not have, individually or in the aggregate, a material adverse effect on the Sellers ability to consummate the Transactions as contemplated hereby;

(c) each covenant, agreement and obligation required by the terms of this Agreement to be complied with and performed by each Seller at or prior to the Closing shall have been duly and properly complied with

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and performed in all material respects, including the execution and delivery of all of the documents described in Article 2 hereof; and

(d) since the date of this Agreement, no Material Adverse Effect shall have occurred with respect to CMP and its Subsidiaries.

3.3 *Conditions Precedent to the Obligations of the Sellers*. The obligations of the Sellers under this Agreement to consummate the Transactions are subject to the satisfaction at or prior to Closing of each of the following conditions, all or any of which may be waived, in whole or part, by the Sellers Representative in writing for purposes of consummating the Transactions, but without prejudice to any other right or remedy which the Sellers may have hereunder as a result of any misrepresentation by or breach of any agreement, covenant, representation or warranty of CMI contained herein or any other certificate or instrument furnished by CMI hereunder:

(a) (i) each of the representations and warranties made by CMI in Section 5.1 (Organization), Section 5.2 (Capitalization) Section 5.3 (Authorization; Validity of Agreement), Section 5.20 (Brokers or Finders), Section 5.21 (Vote Required) and Section 5.22 (CMI Board of Directors Recommendation) of this Agreement shall be true and correct other than in de minimis respects as of the date of this Agreement and as of the Closing Date, as if made as of such date (except for those representations and warranties which address matters only as of an earlier date which shall have been true and correct as of such earlier date) and (ii) each of the other representations and warranties made by CMI in Article 5 of this Agreement shall be true and correct (without giving effect to any materiality, Material Adverse Effect or any similar standard or qualification) as of the date of this Agreement and as of the Closing Date, as if made as of such date (except for those representations and warranties which address matters only as of an earlier date which shall have been true and correct as of such earlier date), except in the case of this clause (ii), where the failure of such other representations and warranties to be true and correct, has not had and would not have, individually or in the aggregate, a Material Adverse Effect on CMI and its Subsidiaries;

(b) each covenant, agreement and obligation required by the terms of this Agreement to be complied with and performed by CMI at or prior to the Closing shall have been duly and properly complied with and performed in all material respects, including the execution and delivery of all the documents described in Article 2 hereof; and

(c) since the date of this Agreement, no Material Adverse Effect shall have occurred with respect to CMI and its Subsidiaries.

Article 4

Representations and warranties
Regarding CMP and its subsidiaries

Except (i) as set forth in the Seller Disclosure Schedule attached to this Agreement (the **Seller Disclosure Schedule**) or (ii) as otherwise to the Knowledge of CMI or CMP as of the date of this Agreement, the Sellers, severally (in accordance with their respective Seller Proportionate Shares) and not jointly, hereby represent and warrant to CMI:

4.1 *Organization*. Each of CMP and its Subsidiaries is a corporation or other entity duly organized and validly existing under the Laws of the jurisdiction of its incorporation or organization and has the requisite entity power and authority to own, lease and operate its properties and assets and to carry on its business as currently conducted. Each of CMP and its Subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed or in good standing would not have a Material Adverse Effect on CMP and its Subsidiaries. None of CMP or any of its Subsidiaries is in violation of any provision of its Organizational

Documents.

4.2 *Capitalization*. Other than equity interests owned directly or indirectly by CMI, the Sellers collectively own all of the title, rights and interest in and to all equity interests of CMP. Section 4.2(a) of the Seller Disclosure Schedule sets forth all of the Subsidiaries of CMP. Except as set forth on Section 4.2(a) of the Seller Disclosure Schedule, all of CMP s Subsidiaries are Wholly-Owned Subsidiaries. Section 4.2(a) of the Seller Disclosure Schedule sets forth the outstanding capital stock (or other equity interests) of CMP (and of each of CMP s Subsidiaries that is not a Wholly-Owned Subsidiary) and the record owners of such outstanding capital stock (or other equity interests). Except as set forth in Section 4.2(b) of the Seller Disclosure Schedule, as of the date hereof, there are no (i) shares of capital stock or other equity interests or voting securities of CMP or any of its Subsidiaries issued or outstanding, (ii) options, warrants, calls, preemptive rights, subscription or other rights, agreements, arrangements or commitments of any character, obligating any of CMP or its Subsidiaries to issue, transfer or sell, or cause to be issued, transferred or sold, any shares of capital stock or other equity interest or voting security in any of CMP or its Subsidiaries, or securities convertible into or exchangeable for such shares of capital stock or other equity interests or voting securities, or obligating CMP or its Subsidiaries to grant, extend or enter into any such option, warrant, call, preemptive right, subscription or other right, agreement, arrangement or commitment, (iii) contractual obligations of CMP or any of its Subsidiaries to repurchase, redeem or otherwise acquire the capital stock or other equity interest or voting securities of its Subsidiaries or to provide funds to make any investment (in the form of a loan, capital contribution or otherwise) in its Subsidiaries that is not a Wholly-Owned Subsidiary or any other Person, (iv) issued or outstanding stock appreciation rights, phantom stock rights, performance awards, units, dividend equivalent awards, rights to receive awards on a deferred basis, rights to purchase or receive interests in CMP or other equity interests or voting securities issued or granted by CMP or its Subsidiaries to any current or former director, executive officer, employee or consultant of CMP or its Subsidiaries or (v) other equity interest or voting securities of CMP or its Subsidiaries. All such equity interests and capital stock are validly issued. Neither CMP nor any of its Subsidiaries directly or indirectly owns, or has any right or obligation to subscribe for or otherwise acquire, any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity (other than a Subsidiary of CMP). Other than the CMP LLC Agreement, the CMP Equityholders Agreement and the CMP Amendment there are no voting trusts or other agreements or understandings to which CMP or any of its Subsidiaries are a party with respect to the voting of the capital stock of CMP or any of its Subsidiaries.

4.3 *Consents and Approvals; No Violations*.

(a) Except for the reports, registrations, consents, approvals, permits, authorizations, notices and/or filings (i) under the HSR Act and (ii) the FCC, no notices, reports or other filings are required to be made by CMP with, nor are any registrations, consents, approvals, permits or authorizations required to be obtained by CMP from, any Governmental Authority, in connection with the execution and delivery of this Agreement by the Sellers and the consummation by the Sellers of the Transactions, except those that the failure to make or obtain would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMP and its Subsidiaries.

(b) None of the execution, delivery or performance of this Agreement by the Sellers, the consummation by the Sellers of the Transactions, or the compliance by the Sellers of the provisions of this Agreement will (with or without notice or lapse of time, or both): (i) violate or conflict with any provision of CMP or its Subsidiaries Organizational Documents, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to a right of, or result in, termination, amendment, cancellation or acceleration of any obligation, or to loss of a material benefit under, or result in the creation of any Lien upon any of the properties or assets of CMP or any of its Subsidiaries under, any of the terms, conditions or provisions of any CMP Material Contract or material Permit to which CMP or any of its Subsidiaries is a party or by which any of them or any of their properties or assets is bound or (iii) assuming that all filings, registrations, notifications, authorizations, consents or approvals described in this Section 4.3(b) have been obtained and all filings and notifications described in Section 4.3(a) have been made and any waiting periods thereunder have terminated or expired, conflict with or violate

any Law or Order applicable to CMP or its Subsidiaries, or any of their respective properties or assets, except, in the case of

clauses (ii) and (iii), for such violations, conflicts, breaches or defaults that, or filings, registrations, notifications, authorizations, consents or approvals the failure of which to make or obtain, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMP and its Subsidiaries.

4.4 *Financial Statements*. CMP has made available to CMI copies of the audited consolidated balance sheets and related statements of income and cash flows of CMP Susquehanna Radio Holdings Corp. and its Subsidiaries, as of, and for the fiscal years ended, December 31, 2009, December 31, 2008 and December 31, 2007, and the unaudited consolidated balance sheets of CMP Susquehanna Radio Holdings Corp. and its Subsidiaries, and the related statements of income as of, and for the nine-month period ended, September 30, 2010 (collectively, the **CMP Financial Statements**). All of the CMP Financial Statements have been prepared in accordance with generally accepted accounting principles (**GAAP**) (except for the absence of footnotes and normal and customary year-end adjustments for the unaudited balance sheet and related statements of income and cash flows), consistently applied and maintained during the periods indicated (except as may be indicated in the notes thereto), and fairly present in all material respects the financial condition of CMP Susquehanna Radio Holdings Corp. and its Subsidiaries as of the respective dates thereof and the results of operations for the periods covered thereby.

4.5 *Absence of Certain Changes*. Since September 30, 2010, CMP and its Subsidiaries have conducted their respective businesses only in the ordinary course of business consistent with past practice.

4.6 *Litigation*. Except for administrative rule making or other proceedings of general applicability to all members of the radio broadcast industry, and except as set forth in Section 4.6 of the Seller Disclosure Schedule, there is no action, suit, proceeding, arbitration or, to the Knowledge of CMP, investigation pending by or against or, to the Knowledge of CMP, affecting any of CMP or its Subsidiaries, the resolution of which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on CMP and its Subsidiaries. There is no outstanding Order to which any of CMP or its Subsidiaries is subject or otherwise applicable to its business, except for immaterial Orders, nor is any of them in default with respect to any such Order.

4.7 *Compliance with Laws; Permits*.

(a) Each of CMP and its Subsidiaries has complied in all material respects with any Laws or Orders applicable to each of CMP and its Subsidiaries and its and their businesses, properties, rights and assets, including any Laws or Orders as to zoning, building requirements or standards, or environmental, health and/or safety matters. Neither CMP nor any of its Subsidiaries has received any written communication since January 1, 2007 from a Governmental Authority that alleges that such Person is not in compliance in any material respect with any applicable Laws or Orders. CMP and its Subsidiaries have conducted and are conducting its and their respective businesses in compliance with all federal and state antitrust and trade regulation Laws or Orders, including the Antitrust Laws.

(b) CMP and its Subsidiaries are collectively the holder of all right, title, interest in and to all Permits issued or granted by the FCC for the operation of, or used in connection with or necessary or useful for the operation of, its Stations as currently conducted (collectively, the **CMP Commission Authorizations**). The CMP Commission Authorizations are in full force and effect. There is not pending any action by or before the FCC to revoke, suspend, cancel, rescind or adversely modify any of the CMP Commission Authorizations (other than proceedings affecting members of the radio industry generally or in respect of immaterial CMP Commission Authorizations), and there is not now issued or outstanding, by or before the FCC, any Order to show cause, notice of violation, notice of apparent liability, or notice of forfeiture against any of CMP or its Subsidiaries, the resolution of which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on CMP and its Subsidiaries. CMP and its Subsidiaries are operating its Stations in compliance in all material respects with the CMP Commission Authorizations, the Communications Act, and the rules, regulations and policies of the FCC, including the FCC s guidelines regarding RF radiation. All FCC regulatory fees due and payable have been paid, and all broadcast towers

from which the Stations owned by CMP or its Subsidiaries operate have been duly registered with the FCC (to the extent required). Other

than as permitted by the FCC s rules, no Station is short-spaced to any present or proposed broadcast station, frequency assignment or channel allotment. The Stations are neither causing, nor receiving any interference at a level that would exceed whatever interference is permitted by FCC rules and policies.

(c) In addition to the CMP Commission Authorizations, CMP and its Subsidiaries collectively own or possess all material Permits required for CMP and its Subsidiaries to conduct its and their business as now conducted. No application, action or proceeding is pending or threatened for the renewal or modification of any such Permits (other than the CMP Commission Authorizations), and no application, action or proceeding is pending or threatened that may result in the denial of the application for renewal, the revocation, modification, non-renewal or suspension of any of such Permits, the issuance of a cease-and-desist Order, or the imposition of any administrative or judicial sanction, and there is no basis for any such denial, revocation, modification, non-renewal or suspension of any such Order or sanction.

4.8 *Tangible Assets*.

(a) As of the date hereof, except as would not have a Material Adverse Effect, CMP and its Subsidiaries have valid title to, or valid leasehold or sublease interests or other comparable Contract rights in or relating to, all of the real property and other tangible assets necessary to conduct the business of CMP and its Subsidiaries as currently conducted. As of the Closing Date, except as would not have a Material Adverse Effect on CMP and its Subsidiaries, CMP and its Subsidiaries will have valid title to, or valid leasehold or sublease interests or other comparable Contract rights in or relating to, all of the real property and other tangible assets necessary for the conduct of the business of CMP and its Subsidiaries as currently conducted.

(b) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMP and its Subsidiaries, (i) CMP and its Subsidiaries have good, marketable and valid fee simple title to all CMP Owned Real Property and valid leasehold estates in all CMP Leased Real Property, (ii) each such fee simple title and leasehold estate held by CMP or such Subsidiary is held free and clear of all Liens, other than Permitted Liens, and free and clear of any outstanding options or rights of first refusal or offer to purchase or lease and (iii) CMP or one of its Subsidiaries has exclusive possession of each CMP Leased Real Property and CMP Owned Real Property, other than any use and occupancy rights granted to third-party owners, tenants or licensees pursuant to agreements with respect to such CMP Leased Real Property and CMP Owned Real Property entered in the ordinary course of business consistent with past practice.

(c) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMP and its Subsidiaries, (i) each lease for the CMP Leased Real Property is in full force and effect and is valid, binding and enforceable in accordance with its terms and (ii) there is no default under any lease for the CMP Leased Real Property either by CMP or its Subsidiaries or, to the Knowledge of CMP, by any other party thereto, and in no event has occurred that, with the lapse of time or the giving of notice or both, would constitute a default by CMP or its Subsidiaries thereunder. Neither CMP nor any of its Subsidiaries has received any written notice of termination or cancellation of or of a breach under any such lease.

4.9 *Intangibles*. CMP and its Subsidiaries collectively own, license or possess (i) all rights necessary to use the call letters for each of its Stations, together with all copyrights, trademarks, brand names, trade names, certification marks, trade dress and other indications of origin, logos, jingles, service marks and other proprietary rights and intangibles and any goodwill associated therewith, (ii) all registrations in any domestic jurisdiction of, and applications in any such jurisdiction to register, the foregoing, including any extension, modification or renewal of any such registration or application, (iii) all inventions, discoveries, ideas, whether patentable or not, (iv) all trade secret rights and equivalent rights in confidential information and nonpublic information and (v) any copyrights in works of authorship (clauses (i) through (v) collectively, **Intellectual Property**) currently used in connection with the operation of its

Stations as presently operated. To the Knowledge of CMP, there is no infringement or unlawful, unauthorized or conflicting use of any of the foregoing, or of the use of any call letters, slogan or logo by any broadcast stations in the areas served by the Stations owned by CMP or its Subsidiaries which may be confusingly similar to any of the call letters, slogans

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and logos currently used by its Stations. None of CMP or its Subsidiaries are infringing upon or violating the Intellectual Property of others in any material respect, nor have any of CMP or its Subsidiaries received written notice or challenge that any of CMP or its Subsidiaries is infringing upon, violating or otherwise acting adversely to any Intellectual Property owned, licensed or used by any other Person.

4.10 *Contracts*.

(a) All Contracts to which any of CMP or its Subsidiaries is a party or is bound (excluding (i) purchase orders for necessary supplies or services for cash made in the ordinary course of business (on customary terms and conditions and consistent with past practice) involving payments or receipts of less than $25,000 in any single case or series of related orders and (ii) Contracts entered into in the ordinary course of business (on customary terms and conditions and consistent with past practice) involving payments or receipts during the entire life of such Contracts of less than $25,000 in the case of any single Contract);

(b) all guarantees, loan agreements, indentures, mortgages and pledges, all conditional sale or title retention agreements, security agreements, in each case to which any of CMP or its Subsidiaries is a party or by which any of CMP or its Subsidiaries is bound;

(c) all agency and representative agreements and all agreements providing for the services of an independent contractor involving payments during the entire life of the agreement of more than $25,000 to which any of CMP or its Subsidiaries is a party or by which any of CMP or its Subsidiaries is bound;

(d) all Contracts that create, govern or control a partnership or joint venture with respect to CMP or any of its Subsidiaries; and

(e) all Contracts that contain any earn-out, deferred or contingent payment, or other indemnification or material other obligations, which remains outstanding, in each case that relates to the acquisition or disposition of any business (whether by merger, sale of stock, sale of assets or other similar transaction);

together with any and all amendments thereto, and together with all such Contracts entered into after the date hereof, are referred to herein collectively as the **CMP Material Contracts** . Neither CMP nor any of its Subsidiaries is party to any contract containing any right of any exclusivity in favor of the other parties thereto or any covenant limiting, in any material respect, the ability of CMP or any of its Subsidiaries (or following the consummation of the Transaction, would restrict the ability of any Affiliates of CMP) to engage in any line of business or in any geographic area or to compete with any Person. All of the CMP Material Contracts are valid and binding on CMP and/or the relevant Subsidiary of CMP party thereto and, to the Knowledge of CMP, each other party thereto, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors rights and to general equity principles. All of the CMP Material Contracts are in full force and effect (other than those which have been fully performed). There is not under any CMP Material Contract any existing material default by any of CMP or its Subsidiaries, or, to the Knowledge of CMP, any other party thereto, or event which, after notice or lapse of time, or both, would constitute a material default or result in a right to accelerate or loss of rights in any material respect. CMP or one of its Subsidiaries has performed in all material respects all material obligations under each CMP Material Contract to which it is a party and, to the Knowledge of CMP, each other party to a CMP Material Contract has performed in all material respects all material obligations required to be performed by it under such CMP Material Contract. No party to any CMP Material Contract has provided CMP or any of its Subsidiaries written notice of its intention to cancel, terminate, materially change the scope of rights under or fail to renew any CMP Material Contract and neither CMP nor any of its Subsidiaries, nor, any other party to any CMP Material Contract, has repudiated in writing any material provision thereof. To the Knowledge of CMP, none of CMP or its Subsidiaries is a party to any Contract outside the ordinary course of business which obligates it or may obligate

it in the future to provide advertising time on stations on or after the Closing Date as a result of the failure of stations to satisfy specified ratings or any other performance criteria, guarantee or similar representation or warranty.

4.11 *Insurance*. All insurance policies maintained by or on behalf of each of CMP and its Subsidiaries on the date hereof are in full force and effect, all premiums due and payable thereon have been paid, and

neither CMP nor any of its Subsidiaries is in material default with respect to any of its obligations under any such insurance policies. All such insurance policies shall be maintained in full force and effect through the Closing. No written notice of cancellation or termination has been received by CMP or any of its Subsidiaries with respect to any such insurance policy other than in connection with ordinary renewals. There are no pending claims in excess of $25,000 against any such insurance policies as to which the insurers have denied liability, and there exist no claims in excess of $25,000 that have not been properly or timely submitted by any of CMP or its Subsidiaries to the related insurer.

4.12 *Environmental Matters*. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMP and its Subsidiaries: (i) CMP and each of its Subsidiaries comply and, to the Knowledge of CMP, have complied with all applicable Environmental Laws, and possess and comply, and, to the Knowledge of CMP, have complied, with all applicable Environmental Permits required under such Environmental Laws to operate as it currently operates; (ii) neither CMP nor any of its Subsidiaries has stored, handled, used, managed or disposed of Materials of Environmental Concern in a manner that has resulted in or is reasonably likely to result in liability of CMP or any of its Subsidiaries; and, to the Knowledge of CMP, there are no, and there have not been any, Materials of Environmental Concern otherwise at any property currently or formerly owned or operated by CMP or any of its Subsidiaries or at any other location, under circumstances that have resulted in or are reasonably likely to result in liability of CMP or any of its Subsidiaries; and (iii) neither CMP nor any of its Subsidiaries has received any written notification alleging that it is liable for, or request for information pursuant to Section 104(e) of the Comprehensive Environmental Response, Compensation and Liability Act or similar foreign, state or local Law, concerning any release or threatened release of Materials of Environmental Concern at any location except, with respect to any such notification or request for information concerning any such release or threatened release, to the extent such matter has been fully resolved with the appropriate Governmental Authority or otherwise. There are no actions, claims, suits, proceedings or investigations arising under Environmental Laws or regarding Materials of Environmental Concern pending or, to the Knowledge of CMP, threatened in writing against CMP or any of its Subsidiaries that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMP and its Subsidiaries.

4.13 *Employee Benefits*.

(a) Benefit Plans of CMP are collectively referred to herein as the **CMP Benefit Plans** . None of CMP or its Subsidiaries either contributes or is required to contribute to any multiemployer plan, as defined in Section 414(f) of the Code and Section 4001(a)(3) of ERISA and neither CMP, its Subsidiaries, nor any member of their Controlled Group) (defined as any organization which is a member of a controlled group of organizations within the meaning of Sections 414(b), (c), (m), or (o) of the Code) has at any time sponsored or contributed to, or has or had any liability or obligation in respect of, any multiemployer plan. No event has occurred and no condition exists that would subject CMP or its Subsidiaries by reason of their affiliation with any member of their Controlled Group to any material tax, fine, lien, penalty, or other liability imposed by ERISA, the Code, or other applicable laws, rules, and regulations. No CMP Benefit Plan is subject to Title IV of ERISA and none of CMP or its Subsidiaries or any member of their Controlled Group) (defined as any organization which is a member of a controlled group of organizations within the meaning of Sections 414(b), (c), (m), or (o) of the Code) has at any time maintained or contributed to, any defined benefit plan covered by Title IV of ERISA, or incurred any liability during such period under Title IV of ERISA. The Transactions will not subject CMP or its Subsidiaries to liability under Title IV of ERISA, and none of CMP or its Subsidiaries has any liability under Title IV of ERISA. Each CMP Benefit Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and has received a favorable determination letter as to its qualification, and nothing has occurred, whether by action or failure to act, that could reasonably be expected to cause the loss of such qualification, and each related trust is exempt from taxation under Section 501(a) of the Code.

(b) Each of the CMP Benefit Plans has been established, operated and administered in all material respects in accordance with its terms and applicable Law. No Governmental Authority having jurisdiction with respect to a CMP Benefit Plan has issued an oral or written communication questioning or challenging the

compliance of the CMP Benefit Plan with any applicable Law. No administrative investigation, audit, or other administrative proceeding by the Department of Labor, the Pension Benefit Guaranty Corporation, the Internal Revenue Service, or other Governmental Authorities are pending, threatened, or in progress. There is no material liability under ERISA or otherwise with respect to any CMP Benefit Plan other than for the payment or provision of the benefits due thereunder in accordance with its terms, which has been incurred or, based upon such facts as exist on the date hereof, may reasonably be expected to be incurred.

(c) No CMP Benefit Plan exists that, as a result of the execution of this Agreement, shareholder approval of this Agreement, or the consummation of the Transactions, either alone or in combination with another event, could result in (i) the entitlement of any current or former employee or officer of CMP or its Subsidiaries to severance pay or any increase in severance pay, unemployment compensation or any other payment, (ii) the acceleration of the time of payment or vesting, or increase the amount of compensation due, or result in any other material obligation pursuant to, any CMP Benefit Plan to any employee or officer, (iii) the limitation or restriction of the right of CMP to merge, amend, or terminate any of the CMP Benefit Plans, (iv) a requirement for CMP to record additional compensation expense on its income statement with respect to any outstanding stock option or other equity-based award, or (iv) payments under any CMP Benefit Plan which would fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code.

(d) There are no actions, suits, claims or disputes under the terms of, or in connection with, the CMP Benefit Plans (other than routine undisputed claims for benefits under the CMP Benefit Plans or other immaterial claims or disputes) pending or threatened, and no action, legal or otherwise, has been commenced with respect to any claim (including claims for benefits under CMP Benefit Plans). No facts or circumstances exist which could give rise to any actions, audits, suits or claims (other than in the ordinary course of business).

(e) Neither CMP nor its Subsidiaries nor any ERISA Affiliate, have maintained, and none now maintains, or has incurred any current or projected liability in respect of, a Benefit Plan providing welfare benefits (as described in Section 3(1) of ERISA) to employees after retirement or other separation of service, except to the extent required under Part 6 of Title I of ERISA and Section 4980B of the Code.

(f) None of the assets of any CMP Benefit Plan is invested in employer securities.

(g) There have been no non-exempt prohibited transactions (as described in Section 406 of ERISA or Section 4975 of the Code) with respect to any CMP Benefit Plan and none of CMP or its Subsidiaries has engaged in any non-exempt prohibited transaction.

(h) There have been no acts or omissions by CMP or any ERISA Affiliate that have given rise to or may give rise to fines, penalties, taxes or related charges under Section 502 of ERISA or Chapter 43 or 47 of the Code for which CMP or its Subsidiaries may be liable.

(i) Adequate accruals for all obligations under the CMP Benefit Plans are reflected in the CMP Financial Statements and such obligations include or will include a *pro rata* amount of the contributions which would otherwise have been made in accordance with past practices and applicable Law for the plan years which include the Closing Date. All obligations of CMP and its Subsidiaries under each CMP Benefit Plan (i) that are due prior to the Closing Date have been paid or will be paid prior to that date, and (ii) that have accrued prior to the Closing Date have been or will be paid or properly accrued at that time.

(j) There has been no act or omission that would impair the ability of CMP or its Subsidiaries (or any successor thereto) to amend or terminate any CMP Benefit Plan in accordance with its terms and applicable Law.

(k) No CMP Benefit Plan is or at any time was funded through a welfare benefit fund, as defined in Section 419(e) of the Code, and no benefits under any CMP Benefit Plan are or at any time have been provided through a voluntary employees beneficiary association (within the meaning of Section 501(c)(9)

of the Code) or a supplemental unemployment benefit plan (within the meaning of Section 501(c)(17) of the Code).

(l) Each CMP Benefit Plan that is or has ever been a nonqualified deferred compensation plan within the meaning of Section 409A of the Code and associated Treasury Department guidance (i) since January 1, 2005 has been operated in good faith compliance, and is in documentary compliance, with Section 409A of the Code and associated Internal Revenue Service and Treasury Department guidance, and (ii) in existence prior to January 1, 2005 has not been materially modified within the meaning of Section 409A of the Code and associated Internal Revenue Service and Treasury Department guidance, including IRS Notice 2005-1. All stock options and stock appreciation rights granted by CMP have been granted with a per share exercise price at least equal to the fair market value of the underlying stock on the date the option or stock appreciation right was granted, within the meaning of Section 409A of the Code and associated Treasury Department guidance.

4.14 *Labor Matters*.

(a) CMP and each of its Subsidiaries are in compliance with all applicable Laws and collective bargaining agreements with respect to employment, employment practices (including those related to sex discrimination, equal pay, race relations, disability discrimination, minimum wages, maximum working time, data protection and transfers of undertakings), discrimination in employment, terms and conditions of employment, worker classification (including the proper classification of workers as independent contractors and consultants), wages, hours and occupational safety and health and employment practices, except for any noncompliance that would not have a Material Adverse Effect on CMP and its Subsidiaries. To the Knowledge of CMP, no director or executive officer of CMP or any of its Subsidiaries is in violation, in any material respect, of any term of any employment agreement, non-disclosure agreement, common law nondisclosure obligation, fiduciary duty, non-competition agreement or restrictive covenant to a former employer. To the Knowledge of CMP, CMP and each of its Subsidiaries has paid in full to all directors, executive officers, independent contractors and consultants all wages, salaries, commissions, bonuses and benefits due and payable to such directors, executive officers, independent contractors and consultants, and has made all required deductions for social security contributions and income tax.

(b) Neither CMP nor any of its Subsidiaries is a party to or bound by any collective bargaining agreement or other labor union Contract, no collective bargaining agreement is being negotiated by CMP or any of its Subsidiaries with respect to any Person employed by CMP or its Subsidiaries, and neither CMP nor any of its Subsidiaries currently has any duty to bargain with any labor union. There is no pending demand for recognition or any other request or demand from a labor organization for representative status with respect to any Person employed by CMP or any of its Subsidiaries. To the Knowledge of CMP, there are no activities or proceedings of any labor union to organize employees of CMP or any of its Subsidiaries. There is no material labor dispute, strike or work stoppage against CMP or any of its Subsidiaries, current, pending or, to the Knowledge of CMP, threatened. There is no charge or complaint against CMP or any of its Subsidiaries by the National Labor Relations Board or any comparable Governmental Authority pending or, to the Knowledge of CMP, threatened.

(c) No investigation of CMP or any of its Subsidiaries by any Governmental Authority responsible for the enforcement of labor or employment Laws is pending in respect of any employment matters, and neither CMP nor any of its Subsidiaries has been informed by any such Governmental Authority that it intends to conduct such an investigation.

4.15 *Absence of Undisclosed Liabilities*. None of CMP or its Subsidiaries have any material debts, liabilities or obligations (whether absolute, accrued, contingent or otherwise) relating to or arising out of any act, transaction, circumstance or state of facts which has heretofore occurred or existed, due or payable, other than liabilities:
(i) reflected or reserved against on the balance sheet as of September 30, 2010 included in the CMP Financial Statements; (ii) which have arisen after September 30, 2010 in the ordinary course of business consistent with past

practice; (iii) for performance under executory Contracts after the date hereof; or (iv) incurred in connection with the Transactions.

4.16 *Taxes*.

(a) CMP has been taxed as a pass-through entity for federal, state and local income tax purposes at all times effective as of its formation.

(b) Except as would not have a Material Adverse Effect on CMP and its Subsidiaries: (i) each of CMP and its Subsidiaries has filed or caused to be filed or shall file or cause to be filed on or prior to the Closing Date, all Tax Returns which are required to be filed by or with respect to each of CMP and its Subsidiaries respectively on or prior to the Closing Date (including applicable extensions); (ii) such Tax Returns are, or, will be when filed, timely, complete and accurate; (iii) all Taxes of CMP and its Subsidiaries that have become due and are required to be paid by them through the date hereof have been paid in full, and all deposits required by Law to be made by CMP and its Subsidiaries through the date hereof with respect to employees and other withholding Taxes have been duly made; (iv) no Audits in respect of CMP or any of its Subsidiaries are presently pending; (v) there are no Liens for Taxes upon any property or assets of CMP or any of its Subsidiaries except for Permitted Liens; (vi) no deficiency for any amount of Tax has been asserted or assessed by a Governmental Authority against CMP or any of its Subsidiaries that has not been satisfied by payment, settled or withdrawn and none of CMP or its Subsidiaries has granted any waiver of any statute of limitations in respect of Taxes or agreed to any extension of time with respect to any Tax assessment or deficiency; and (viii) neither CMP nor any of its Subsidiaries has any liability for the Taxes of any Person (other than CMP or any of its Subsidiaries) under (A) Treasury Regulation Section 1.1502-6 (or any similar provision under state, local or foreign Law) or (B) any Tax sharing, allocation or indemnity agreement, arrangement or similar Contract (other than between or among CMP and any of its Subsidiaries immediately prior to the Exchange).

4.17 *Barter*. All Barter Agreements of CMP and its Subsidiaries have been accounted for in the CMP Financial Statements consistent with GAAP in all material respects, including EITF 99-17, Accounting for Advertising Barter Transactions and the barter provisions of FASB Statement 63, Financial Reporting by Broadcasters.

4.18 *Related Party Relationships*. To the Knowledge of CMP, no controlled Affiliate of CMP or any officer or director of any of CMP or its Subsidiaries possesses, directly or indirectly, any beneficial interests in, or serves as a director, officer, member or employee of any corporation, partnership, firm, association or business organization that is a client, advertiser, lessor, lessee, or other contracting party with any of CMP or its Subsidiaries.

4.19 *Brokers or Finders*. Except for Citadel Securities, the fees and expenses of which shall be paid solely by CMI, no investment banker, broker, finder, financial advisor or intermediary is entitled to any investment banking, brokerage, finder s or similar fee or commission in connection with this Agreement or the Transactions based upon arrangements made by or on behalf of CMP or any of its Subsidiaries.

4.20 *StickCo*. Notwithstanding anything in this Agreement to the contrary, no representations or warranties are made hereby with respect to StickCo or its Subsidiaries, their businesses, assets or operations.

Article 5

Representations and warranties of CMI

Except (i) as set forth in the CMI Disclosure Schedule attached to this Agreement (the **CMI Disclosure Schedule**) or (ii) disclosed in CMI s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, and each SEC Report filed subsequent to such Form 10-K but prior to the date of this Agreement, but excluding, in each case, any (x) SEC Report furnished and not filed under the rules and regulations of the SEC and (y) disclosures set forth in any risk factor section or in any other section to the extent they are

forward-looking statements or cautionary, predictive or forward-looking in nature, CMI hereby represents and warrants to Sellers, as follows:

5.1 *Organization*. Each of CMI and its Subsidiaries is a corporation or other entity duly organized and validly existing under the Laws of the jurisdiction of its incorporation or organization and has the requisite entity power and authority to own, lease and operate its properties and assets and to carry on its business as currently conducted. Each of CMI and its Subsidiaries is duly qualified or licensed to do business and is in good standing in each jurisdiction in which the nature of the business conducted by it makes such qualification or licensing necessary, except where the failure to be so duly qualified or licensed or in good standing would not have a Material Adverse Effect on CMI and its Subsidiaries. None of CMI or any of its Subsidiaries is in violation of any provision of its Organizational Documents.

5.2 *Capitalization*.

(a) As of the date hereof, the authorized capital stock of CMI consists of 270,262,000 shares, divided into four classes, consisting of (i) 200,000,000 shares of Class A Common Stock, (ii) 20,000,000 shares designated as Class B Common Stock, (iii) 30,000,000 shares designated as Class C Common Stock, $0.01 par value per share (**Class C Common Stock** and, together with the Class A Common Stock and Class B Common Stock, **CMI Common Stock**), and (iv) 20,262,000 shares of preferred stock, $0.01 par value per share, of which (A) 250,000 shares have been designated as 133/4% Series A Cumulative Exchangeable Redeemable Preferred Stock due 2009 (**Series A Preferred Stock**) and (B) 12,000 shares of which have been designated as 12% Series B Cumulative Preferred Stock (**Series B Preferred Stock**). No shares of Series A Preferred Stock or Series B Preferred Stock are issued or outstanding, nor are there any outstanding warrants, options or other rights to acquire same, or securities convertible into or exchangeable for the same. Upon the filing of the Charter Amendment with the Secretary of State of the State of Delaware as contemplated herein, an aggregate 300,000,000 shares of capital stock will be authorized, including 30,000,000 shares of Class D Common Stock. As of the close of business on January 24, 2011, (i) 35,542,998 shares of Class A Common Stock were issued and outstanding, (including 1,537,221 shares of Class A Common Stock that were outstanding as of such time but were subject to vesting or other forfeiture restrictions or a right of repurchase by CMI as of such time), (ii) 5,809,191 shares of Class B Common Stock were issued and outstanding, (iii) 644,871 shares of Class C Common Stock were issued and outstanding, (iv) 24,066,138 shares of Class A Common Stock were held by CMI in its treasury, (v) 0 shares of Class B Common Stock were held by CMI in its treasury, (vi) **0** shares of Class C Common Stock were held by CMI in its treasury, (vii) an aggregate of 2,379,956 shares of Class A Common Stock were available for issuance under CMI equity plans (**CMI Equity Awards**), of which 856,236 shares of Class A Common Stock are issuable upon the exercise of outstanding awards thereunder and 1,222,735 shares of Class A Common Stock are issuable upon exercise of outstanding warrants (**CMI Warrants**). There are no other classes of capital stock of CMI authorized or outstanding. From the close of business on January 24, 2011 through the date of this Agreement, there have been no issuances of shares of capital stock or equity securities of CMI or any other securities of CMI (other than pursuant to exercise of CMI Warrants or routine exercise of options issued under CMI Benefit Plans as disclosed herein).

(b) All of the outstanding shares of CMI Common Stock are, and all shares of CMI Common Stock which may be issued pursuant to the exercise of outstanding CMI Equity Awards or CMI Warrants will be, when issued in accordance with the respective terms of the CMI Equity Awards and CMI Warrants, duly authorized, validly issued, fully paid and non-assessable. Each Subsidiary of CMI is a Wholly-Owned Subsidiary. Except as set forth in Section 5.2(a) or in Section 5.2(b) of the CMI Disclosure Schedule, as of the date hereof, there are no (i) shares of capital stock or other equity interests or voting securities of CMI or any of its Subsidiaries issued or outstanding, (ii) options, warrants, calls, preemptive rights, subscription or other rights, agreements, arrangements or commitments of any character, obligating any of CMI or its Subsidiaries to issue, transfer or sell, or cause to be issued, transferred or sold, any shares of capital stock or other equity interest or voting security in any of CMI or its Subsidiaries, or

securities convertible into or exchangeable for such shares of capital stock or other equity interests or voting securities, or obligating CMI or its Subsidiaries to grant, extend or enter into any such option, warrant, call, preemptive right, subscription or other right,

agreement, arrangement or commitment, (iii) contractual obligations of CMI or any of its Subsidiaries to repurchase, redeem or otherwise acquire any shares of CMI Common Stock, or the capital stock or other equity interest or voting securities of CMI or any of its Subsidiaries or to provide funds to make any investment (in the form of a loan, capital contribution or otherwise) in its Subsidiaries or any other Person, (iv) issued or outstanding stock appreciation rights, phantom stock rights, performance awards, units, dividend equivalent awards, rights to receive awards or shares of CMI Common Stock on a deferred basis, rights to purchase or receive shares of CMI Common Stock or other equity interests or voting securities issued or granted by CMI or its Subsidiaries to any current or former director, executive officer, employee or consultant of CMI or any of its Subsidiaries or (v) other equity interest or voting securities of CMI or its Subsidiaries. All such equity interests and capital stock are validly issued. No Subsidiary of CMI owns any shares of CMI Common Stock. Neither CMI nor any of its Subsidiaries directly or indirectly owns, or has any right or obligation to subscribe for or otherwise acquire, any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity (other than CMP or a Subsidiary of CMI). Except as set forth in Section 5.2 of the CMI Disclosure Schedule, there are no voting trusts or other agreements or understandings to which CMI or any of its Subsidiaries are a party with respect to the voting of the capital stock of CMI or any of its Subsidiaries.

(c) Exhibit 21.1 to CMI s Annual Report on Form 10-K for the fiscal year ended December 31, 2009 includes all of the Significant Subsidiaries of CMI in existence as of the date hereof. All of the outstanding shares of capital stock of, or other equity interests in, each such Subsidiary of CMI have been duly authorized and validly issued and are fully paid and nonassessable and are owned of record and beneficially, directly or indirectly, by CMI, free and clear of all Liens and free of any other restriction (including any restriction on the right to vote, sell or otherwise dispose of such capital stock or other ownership interests), except for restrictions imposed by applicable securities Laws.

(d) When issued in the Exchange following filing of the Charter Amendment, the shares of Class A Common Stock and Class D Common Stock to be acquired by the Sellers hereunder will be duly authorized, validly issued, fully paid and non-assessable, and free and clear of any preemptive rights and all Liens (other than Liens imposed by federal and/or state securities Laws).

5.3 *Authorization; Validity of Agreement*. CMI has the requisite corporate power and authority to execute and deliver this Agreement and each Transaction Document to which it is a party, to perform its obligations hereunder and thereunder, and to consummate the Transactions. The execution, delivery and performance by CMI of this Agreement and each Transaction Document to which it is a party, and the consummation by CMI of the transactions hereunder and thereunder, and the consummation of the Transactions, has been duly and validly authorized by CMI s board of directors, and no other corporate action on the part of CMI is necessary to authorize the execution and delivery by CMI of this Agreement and any Transaction Document to which it is a party and, except for the Class B Approval (which has been obtained contemporaneously with execution of this Agreement) and the Stockholder Approval, the consummation by it of the Transactions. This Agreement has been, and each Transaction Document to which it is a party when executed by CMI will be, duly executed and delivered by CMI, and assuming the due authorization, execution and delivery of this Agreement by the Sellers and each Transaction Document to which they are a party, this Agreement is, and each Transaction Document will be, a valid and binding obligation of CMI enforceable against CMI in accordance with its terms, except that such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar Laws of general applicability, now or hereafter in effect, affecting creditors rights and to general equity principles.

5.4 *Consents and Approvals; No Violations*.

(a) Except for the reports, registrations, consents, approvals, permits, authorizations, notices and/or filings (i) under the HSR Act, (ii) Securities Exchange Rules, (iii) the Exchange Act and (iv) the FCC, no notices, reports or other filings are required to be made by CMI with, nor are any registrations, consents, approvals, permits or authorizations

required to be obtained by CMI from, any Governmental Authority, in connection with the execution and delivery of this Agreement by CMI and the consummation by CMI of the Transactions,

except those that the failure to make or obtain would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMI and its Subsidiaries.

(b) None of the execution, delivery or performance of this Agreement by CMI, the consummation by CMI of the Transactions, or the compliance by CMI of the provisions of this Agreement will (with or without notice or lapse of time or both) (i) violate or conflict with any provision of CMI s or its Subsidiaries Organizational Documents, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to a right of, or result in, termination, amendment, cancellation or acceleration of any obligation, or to loss of a material benefit under, or result in the creation of any Lien upon any of the properties or assets of CMI or any of its Subsidiaries under, any of the terms, conditions or provisions of any CMI Material Contract or material Permit to which CMI or any of its Subsidiaries is a party or by which any of them or any of their properties or assets is bound or (iii) assuming that all filings, registrations, notifications, authorizations, consents or approvals described in this Section 5.4(b) have been obtained and all filings and notifications described in Section 5.4(a) have been made and any waiting periods thereunder have terminated or expired, conflict with or violate any Law or Order applicable to CMI or its Subsidiaries, or any of their respective properties or assets; except, in the case of clauses (ii) and (iii), for such violations, conflicts, breaches or defaults that, or filings, registrations, notifications, authorizations, consents or approvals the failure of which to make or obtain, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMI and its Subsidiaries.

5.5 *SEC Reports; Disclosure Controls and Procedures*.

(a) CMI has filed or otherwise furnished (as applicable) all registration statements, prospectuses, forms, reports, definitive proxy statements, schedules, statements and other documents required to be filed or furnished by it under the Securities Act or the Exchange Act, as the case may be (together with all certifications required pursuant to the Sarbanes-Oxley Act), with or to the SEC since December 31, 2007 (such documents and any other documents filed by CMI with the SEC, including exhibits and other information incorporated therein as they have been amended prior to the date hereof, the **SEC Reports**). All of the SEC Reports required to be filed or furnished by CMI since December 31, 2009 have been timely filed or furnished by it. As of their respective filing dates (or, if amended prior to the date hereof, as of the date of the last amendment and filing), each of the SEC Reports (i) complied when filed or furnished (or, if applicable, when amended and filed) in all material respects with the requirements of the Securities Act, the Exchange Act and the Sarbanes-Oxley Act, and the rules and regulations promulgated thereunder applicable to such SEC Report and (ii) did not contain when filed, or as so amended, any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading.

(b) Each of the financial statements included in the SEC Reports, in each case, including any related notes thereto (the **CMI Financial Statements**), comply as to form in all material respects with the applicable accounting requirements and the published rules and regulations of the SEC with respect thereto in effect at the time of such filing (or, if amended or superseded by a filing prior to the date hereof, as of the date of such filing) and have been prepared in accordance with GAAP, consistently applied and maintained during the periods indicated (except as may be indicated in the notes thereto or, in the case of the unaudited statements, as may be permitted by Form 10-Q of the SEC), and fairly present, in all material respects, the financial condition of CMI and its Subsidiaries as of the respective dates thereof, and the results of their operations, stockholders equity and cash flows for the respective periods covered thereby.

(c) Neither CMI nor any of its Subsidiaries is a party to, or has any commitment to become a party to, any joint venture, off-balance sheet partnership or any similar Contract (including any Contract relating to any transaction or relationship between or among CMI or any of its Subsidiaries, on the one hand, and any unconsolidated Affiliate, including any structured finance, special purpose or limited purpose entity or Person, on the other hand), or any

off-balance sheet arrangements (as defined in Item 303(a) of Regulation S-K of the SEC) where the result, purpose or intended effect of such Contract is to avoid disclosure of any material transaction involving, or material liabilities of, CMI or its Subsidiaries in CMI s or such Subsidiaries published financial statements or other SEC Reports.

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5.6 *Absence of Certain Changes*. Since September 30, 2010, CMI and its Subsidiaries have conducted their respective businesses only in the ordinary course of business consistent with past practice.

5.7 *Litigation*. Except for administrative rule making or other proceedings of general applicability to all members of the radio broadcast industry, there is no action, suit, proceeding, arbitration or, to the Knowledge of CMI, investigation pending by or against or, to the Knowledge of CMI, affecting any of CMI or its Subsidiaries, the resolution of which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on CMI and its Subsidiaries. There is no outstanding Order to which any of CMI or its Subsidiaries is subject or otherwise applicable to its business, except for immaterial Orders, nor is any of them in default with respect to any such Order.

5.8 *Compliance with Laws; Permits*.

(a) Each of CMI and its Subsidiaries has complied in all material respects with and has not violated in any material respect any Laws or Orders applicable to each of CMI and its Subsidiaries and its and their businesses, properties, rights and assets, including any Laws or Orders as to zoning, building requirements or standards, or environmental, health and/or safety matters. Neither CMI nor any of its Subsidiaries has received any written communication since January 1, 2007 from a Governmental Authority that alleges that such Person is not in compliance in any material respect with, any applicable Laws or Orders. CMI and its Subsidiaries have conducted and are conducting its and their respective businesses in compliance with all federal and state antitrust and trade regulation Laws or Orders, including the Antitrust Laws.

(b) CMI and its Subsidiaries are collectively the holder of all right, title, interest in and to all Permits issued or granted by the FCC for the operation of, or used in connection with or necessary or useful for the operation of, its Stations as currently conducted (collectively, the **CMI Commission Authorizations**). The CMI Commission Authorizations are in full force and effect. There is not pending any action by or before the FCC to revoke, suspend, cancel, rescind or adversely modify any of the CMI Commission Authorizations (other than proceedings affecting members of the radio industry generally or in respect of immaterial CMI Commission Authorizations), and there is not now issued or outstanding, by or before the FCC, any Order to show cause, notice of violation, notice of apparent liability, or notice of forfeiture against any of CMI or its Subsidiaries, the resolution of which, individually or in the aggregate, would reasonably be expected to have a Material Adverse Effect on CMI and its Subsidiaries. CMI and its Subsidiaries are operating its Stations in compliance in all material respects with the CMI Commission Authorizations, the Communications Act, and the rules, regulations and policies of the FCC, including the FCC s guidelines regarding RF radiation. All FCC regulatory fees due and payable have been paid, and all broadcast towers from which the Stations owned CMI or its Subsidiaries operate have been duly registered with the FCC (to the extent required). Other than as permitted by the FCC s rules, no Station is short-spaced to any present or proposed broadcast station, frequency assignment or channel allotment. The Stations are neither causing, nor receiving any interference at a level that would exceed whatever interference is permitted by FCC rules and policies.

(c) In addition to the CMI Commission Authorizations, CMI and its Subsidiaries collectively own or possess all material Permits required for CMI and its Subsidiaries to conduct its and their business as now conducted. No application, action or proceeding is pending or threatened for the renewal or modification of any such Permits (other than the CMI Commission Authorizations), and no application, action or proceeding is pending or threatened that may result in the denial of the application for renewal, the revocation, modification, non-renewal or suspension of any of such Permits, the issuance of a cease-and-desist Order, or the imposition of any administrative or judicial sanction, and there is no basis for any such denial, revocation, modification, non-renewal or suspension of any such Order or sanction.

(d) Assuming the accuracy of the Sellers representations and warranties contained in Section 6.7 hereof, the issuance pursuant to the Exchange of CMI Common Stock or pursuant to indemnification hereunder to be acquired by the Sellers hereunder is exempt from the registration and prospectus delivery requirements of the Securities Act.

5.9 *Tangible Assets*.

(a) As of the date hereof, except as would not have a Material Adverse Effect, CMI and its Subsidiaries have valid title to, or valid leasehold or sublease interests or other comparable Contract rights in or relating to, all of the real property and other tangible assets necessary to conduct the business of CMI and its Subsidiaries as currently conducted. As of the Closing Date, except as would not have a Material Adverse Effect on CMI and its Subsidiaries, CMI and its Subsidiaries will have valid title to, or valid leasehold or sublease interests or other comparable Contract rights in or relating to, all of the real property and other tangible assets necessary for the conduct of the business of CMI and its Subsidiaries as currently conducted.

(b) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMI and its Subsidiaries, (i) CMI and its Subsidiaries have good, marketable and valid fee simple title to all CMI Owned Real Property and valid leasehold estates in all CMI Leased Real Property, (ii) each such fee simple title and leasehold estate held by CMI or such Subsidiary is held free and clear of all Liens, other than Permitted Liens, and free and clear of any outstanding options or rights of first refusal or offer to purchase or lease and (iii) CMI or one of its Subsidiaries has exclusive possession of each CMI Leased Real Property and CMI Owned Real Property, other than any use and occupancy rights granted to third-party owners, tenants or licensees pursuant to agreements with respect to such CMI Leased Real Property and CMI Owned Real Property entered in the ordinary course of business consistent with past practice.

(c) Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMI and its Subsidiaries, (i) each lease for the CMI Leased Real Property is in full force and effect and is valid, binding and enforceable in accordance with its terms and (ii) there is no default under any lease for the CMI Leased Real Property either by CMI or its Subsidiaries or, to the Knowledge of CMI, by any other party thereto, and in no event has occurred that, with the lapse of time or the giving of notice or both, would constitute a default by CMI or its Subsidiaries thereunder. Neither CMI nor any of its Subsidiaries has received any written notice of termination or cancellation of, or of a breach under, any such lease.

5.10 *Intangibles*. CMI and its Subsidiaries collectively own, license or possess all Intellectual Property currently used in connection with the operation of its Stations as presently operated. To the Knowledge of CMI, there is no infringement or unlawful, unauthorized or conflicting use of any of the foregoing, or of the use of any call letters, slogan or logo by any broadcast stations in the areas served by the Stations owned by CMI or its Subsidiaries which may be confusingly similar to any of the call letters, slogans and logos currently used by its Stations. None of CMI or its Subsidiaries are infringing upon or violating the Intellectual Property of others in any material respect, nor have any of CMI or its Subsidiaries received written notice or challenge that any of CMI or its Subsidiaries is infringing upon, violating or otherwise acting adversely to any Intellectual Property owned, licensed or used by any other Person.

5.11 *Contracts*.

(a) All Contracts to which any of CMI or its Subsidiaries is a party or is bound (excluding (i) purchase orders for necessary supplies or services for cash made in the ordinary course of business (on customary terms and conditions and consistent with past practice) involving payments or receipts of less than $25,000 in any single case or series of related orders and (ii) Contracts entered into in the ordinary course of business (on customary terms and conditions and consistent with past practice) involving payments or receipts during the entire life of such Contracts of less than $25,000 in the case of any single Contract);

(b) all guarantees, loan agreements, indentures, mortgages and pledges, all conditional sale or title retention agreements, security agreements, in each case to which any of CMI or its Subsidiaries is a party or by which any of

CMI or its Subsidiaries is bound;

(c) all agency and representative agreements and all agreements providing for the services of an independent contractor involving payments during the entire life of the agreement of more than $25,000 to which any of CMI or its Subsidiaries is a party or by which any of CMI or its Subsidiaries is bound;

(d) all Contracts that create, govern or control a partnership or joint venture with respect to CMI or any of its Subsidiaries;

(e) all Contracts that contain any earn-out, deferred or contingent payment, or other indemnification or material other obligations, which remains outstanding, in each case that relates to the acquisition or disposition of any business (whether by merger, sale of stock, sale of assets or other similar transaction); and

(f) all Contracts required to be filed as an exhibit to CMI s Annual Report on Form 10-K pursuant to Item 601(b)(10) of Regulation S-K under the Securities Act;

together with any and all amendments thereto, and together with all such Contracts entered into after the date hereof, are referred to herein collectively as the **CMI Material Contracts** . Neither CMI nor any of its Subsidiaries is party to any contract containing any right of any exclusivity in favor of the other parties thereto or any covenant limiting, in any material respect, the ability of CMI or any of its Subsidiaries (or following the consummation of the Transaction, would restrict the ability of any Affiliates of CMI) to engage in any line of business or in any geographic area or to compete with any Person. All of the CMI Material Contracts are valid and binding on CMI and/or the relevant Subsidiary of CMI party thereto and, to the Knowledge of CMI, each other party thereto, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar Laws of general applicability relating to or affecting creditors rights and to general equity principles. All of the CMI Material Contracts are in full force and effect (other than those which have been fully performed). There is not under any CMI Material Contract any existing material default by any of CMI or its Subsidiaries, or to the Knowledge of CMI, any other party thereto, or event which, after notice or lapse of time, or both, would constitute a material default or result in a right to accelerate or loss of rights in any material respect. CMI or one of its Subsidiaries has performed in all material respects all material obligations under each CMI Material Contract to which it is a party and, to the Knowledge of CMI, each other party to a CMI Material Contract has performed in all material respects all material obligations required to be performed by it under such CMI Material Contract. No party to any CMI Material Contract has provided CMI or any of its Subsidiaries written notice of its intention to cancel, terminate, materially change the scope of rights under or fail to renew any CMI Material Contract and neither CMI nor any of its Subsidiaries, nor, any other party to any CMI Material Contract, has repudiated in writing any material provision thereof. To the Knowledge of CMI, none of CMI or its Subsidiaries is a party to any Contract outside the ordinary course of business which obligates it or may obligate it in the future to provide advertising time on stations on or after the Closing Date as a result of the failure of stations to satisfy specified ratings or any other performance criteria, guarantee or similar representation or warranty.

5.12 *Insurance*. All insurance policies maintained by or on behalf of each of CMI and its Subsidiaries on the date hereof are in full force and effect, all premiums due and payable thereon have been paid, and neither CMI nor any of its Subsidiaries is in material default with respect to any of its obligations under any such insurance policies. All such insurance policies shall be maintained in full force and effect through the Closing. No written notice of cancellation or termination has been received by CMI or any of its Subsidiaries with respect to any such insurance policy other than in connection with ordinary renewals. There are no pending claims in excess of $25,000 against any such insurance policies as to which the insurers have denied liability, and there exist no claims in excess of $25,000 that have not been properly or timely submitted by any of CMI or its Subsidiaries to the related insurer.

5.13 *Environmental Matters*. Except as would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMI and its Subsidiaries: (i) CMI and each of its Subsidiaries comply and, to the Knowledge of CMI, have complied with all applicable Environmental Laws, and possess and comply, and, to the Knowledge of CMI, have complied, with all applicable Environmental Permits required under such Environmental Laws to operate as it currently operates; (ii) neither CMI nor any of its Subsidiaries has stored, handled, used, managed or disposed of Materials of Environmental Concern in a manner that has resulted in or is reasonably likely to result in liability of CMI or any of its Subsidiaries; and, to the Knowledge of CMI, there are no, and there have not

been any, Materials of Environmental Concern otherwise at any property currently or formerly owned or operated by CMI or any of its Subsidiaries or at any other location under circumstances that have resulted in or are reasonably likely to result in liability of CMI

or any of its Subsidiaries; and (iii) neither CMI nor any of its Subsidiaries has received any written notification alleging that it is liable for, or request for information pursuant to Section 104(e) of the Comprehensive Environmental Response, Compensation and Liability Act or similar foreign, state or local Law, concerning any release or threatened release of Materials of Environmental Concern at any location except, with respect to any such notification or request for information concerning any such release or threatened release, to the extent such matter has been fully resolved with the appropriate Governmental Authority or otherwise. There are no actions, claims, suits, proceedings or investigations arising under Environmental Laws or regarding Materials of Environmental Concern pending or, to the Knowledge of CMI, threatened in writing against CMI or any of its Subsidiaries that would, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on CMI and its Subsidiaries.

5.14 *Employee Benefits*.

(a) Benefit Plans of CMI are collectively referred to herein as the **CMI Benefit Plans** . None of CMI or its Subsidiaries either contributes or is required to contribute to any multiemployer plan, as defined in Section 414(f) of the Code and Section 4001(a)(3) of ERISA and neither CMI, its Subsidiaries, nor any member of their Controlled Group) (defined as any organization which is a member of a controlled group of organizations within the meaning of Sections 414(b), (c), (m), or (o) of the Code) has at any time sponsored or contributed to, or has or had any liability or obligation in respect of, any multiemployer plan. No event has occurred and no condition exists that would subject CMI or its Subsidiaries by reason of their affiliation with any member of their Controlled Group to any material tax, fine, lien, penalty, or other liability imposed by ERISA, the Code, or other applicable laws, rules, and regulations. No CMI Benefit Plan is subject to Title IV of ERISA and none of CMI or its Subsidiaries or any member of their Controlled Group) (defined as any organization which is a member of a controlled group of organizations within the meaning of Sections 414(b), (c), (m), or (o) of the Code) has at any time maintained or contributed to, any defined benefit plan covered by Title IV of ERISA, or incurred any liability during such period under Title IV of ERISA. The Transactions will not subject CMI or its Subsidiaries to liability under Title IV of ERISA, and none of CMI or its Subsidiaries has any liability under Title IV of ERISA. Each CMI Benefit Plan that is intended to be qualified under Section 401(a) of the Code is so qualified and has received a favorable determination letter as to its qualification, and nothing has occurred, whether by action or failure to act, that could reasonably be expected to cause the loss of such qualification, and each related trust is exempt from taxation under Section 501(a) of the Code.

(b) Each of the CMI Benefit Plans has been established, operated and administered in all material respects in accordance with its terms and applicable Law. No Governmental Authority having jurisdiction with respect to a CMI Benefit Plan has issued an oral or written communication questioning or challenging the compliance of the CMI Benefit Plan with any applicable Law. No administrative investigation, audit, or other administrative proceeding by the Department of Labor, the Pension Benefit Guaranty Corporation, the Internal Revenue Service, or other Governmental Authorities are pending, threatened, or in progress. There is no material liability under ERISA or otherwise with respect to any CMI Benefit Plan other than for the payment or provision of the benefits due thereunder in accordance with its terms, which has been incurred or, based upon such facts as exist on the date hereof, may reasonably be expected to be incurred.

(c) No CMI Benefit Plan exists that, as a result of the execution of this Agreement, shareholder approval of this Agreement, or the consummation of the Transactions, either alone or in combination with another event, could result in (i) the entitlement of any current or former employee or officer of CMI or its Subsidiaries to severance pay or any increase in severance pay, unemployment compensation or any other payment, (ii) the acceleration of the time of payment or vesting, or increase the amount of compensation due, or result in any other material obligation pursuant to, any CMI Benefit Plan to any employee or officer, (iii) the limitation or restriction of the right of CMI to merge, amend, or terminate any of the CMI Benefit Plans, (iv) a requirement for CMI to record additional compensation expense on its income statement with respect to any outstanding stock option or other equity-based award, or

(iv) payments under any CMI Benefit Plan which would fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code.

(d) There are no actions, suits, claims or disputes under the terms of, or in connection with, the CMI Benefit Plans (other than routine undisputed claims for benefits under the CMI Benefit Plans or other immaterial claims or disputes) pending or threatened, and no action, legal or otherwise, has been commenced with respect to any claim (including claims for benefits under CMI Benefit Plans). No facts or circumstances exist which could give rise to any actions, audits, suits or claims (other than in the ordinary course of business).

(e) Neither CMI nor its Subsidiaries nor any ERISA Affiliate, have maintained, and none now maintains, or has incurred any current or projected liability in respect of, a Benefit Plan providing welfare benefits (as described in Section 3(1) of ERISA) to employees after retirement or other separation of service, except to the extent required under Part 6 of Title I of ERISA and Section 4980B of the Code.

(f) None of the assets of any CMI Benefit Plan is invested in employer securities.

(g) There have been no non-exempt prohibited transactions (as described in Section 406 of ERISA or Section 4975 of the Code) with respect to any CMI Benefit Plan and none of CMI or its Subsidiaries has engaged in any non-exempt prohibited transaction.

(h) There have been no acts or omissions by CMI or any ERISA Affiliate that have given rise to or may give rise to fines, penalties, taxes or related charges under Section 502 of ERISA or Chapter 43 or 47 of the Code for which CMI or its Subsidiaries may be liable.

(i) Adequate accruals for all obligations under the CMI Benefit Plans are reflected in the CMI Financial Statements and such obligations include or will include a *pro rata* amount of the contributions which would otherwise have been made in accordance with past practices and applicable Law for the plan years which include the Closing Date. All obligations of CMI and its Subsidiaries under each CMI Benefit Plan (i) that are due prior to the Closing Date have been paid or will be paid prior to that date, and (ii) that have accrued prior to the Closing Date have been or will be paid or properly accrued at that time.

(j) There has been no act or omission that would impair the ability of CMI or its Subsidiaries (or any successor thereto) to amend or terminate any CMI Benefit Plan in accordance with its terms and applicable Law.

(k) No CMI Benefit Plan is or at any time was funded through a welfare benefit fund, as defined in Section 419(e) of the Code, and no benefits under any CMI Benefit Plan are or at any time have been provided through a voluntary employees beneficiary association (within the meaning of Section 501(c)(9) of the Code) or a supplemental unemployment benefit plan (within the meaning of Section 501(c)(17) of the Code).

(l) Each CMI Benefit Plan that is or has ever been a nonqualified deferred compensation plan within the meaning of Section 409A of the Code and associated Treasury Department guidance (i) since January 1, 2005, has been operated in good faith compliance with, and is in documentary compliance with, Section 409A of the Code and associated Internal Revenue Service and Treasury Department guidance, and (ii) in existence prior to January 1, 2005 has not been materially modified within the meaning of Section 409A of the Code and associated Internal Revenue Service and Treasury Department guidance, including IRS Notice 2005-1. All stock options and stock appreciation rights granted by CMI have been granted with a per share exercise price at least equal to the fair market value of the underlying stock on the date the option or stock appreciation right was granted, within the meaning of Section 409A of the Code and associated Treasury Department guidance.

5.15 *Labor Matters*.

(a) CMI and each of its Subsidiaries are in compliance with all applicable Laws and collective bargaining agreements with respect to employment, employment practices (including those related to sex discrimination, equal pay, race relations, disability discrimination, minimum wages, maximum working time, data protection and transfers of undertakings), discrimination in employment, terms and conditions of employment, worker

classification (including the proper classification of workers as independent contractors and consultants), wages, hours and occupational safety and health and employment practices, except for any noncompliance that would not have a Material Adverse Effect on CMI and its Subsidiaries. To the Knowledge of CMI, no director or executive officer of CMI or any of its Subsidiaries is in violation, in any material respect, of any term of any employment agreement, non-disclosure agreement, common law nondisclosure obligation, fiduciary duty, non-competition agreement or restrictive covenant to a former employer. To the Knowledge of CMI, CMI and each of its Subsidiaries has paid in full to all employees, former employees, directors, executive officers, independent contractors and consultants all wages, salaries, commissions, bonuses and benefits due and payable to such employees, former employees, directors, executive officers, independent contractors and consultants, and has made all required deductions for social security contributions and income tax.

(b) Neither CMI nor any of its Subsidiaries is a party to or bound by any collective bargaining agreement or other labor union Contract, no collective bargaining agreement is being negotiated by CMI or any of its Subsidiaries with respect to any Person employed by CMI or its Subsidiaries, and neither CMI nor any of its Subsidiaries currently has any duty to bargain with any labor union. There is no pending demand for recognition or any other request or demand from a labor organization for representative status with respect to any Person employed by CMI or any of its Subsidiaries. To the Knowledge of CMI, there are no activities or proceedings of any labor union to organize employees of CMI or any of its Subsidiaries. There is no material labor dispute, strike or work stoppage against CMI or any of its Subsidiaries, current, pending or, to the Knowledge of CMI, threatened. There is no charge or complaint against CMI or any of its Subsidiaries by the National Labor Relations Board or any comparable Governmental Authority pending or, to the Knowledge of CMI, threatened.

(c) No investigation of CMI or any of its Subsidiaries by any Governmental Authority responsible for the enforcement of labor or employment Laws is pending in respect of any employment matters, and neither CMI nor any of its Subsidiaries has been informed by any such Governmental Authority that it intends to conduct such an investigation.

5.16 *Absence of Undisclosed Liabilities*. None of CMI or its Subsidiaries have any material debts, liabilities or obligations (whether absolute, accrued, contingent or otherwise) relating to or arising out of any act, transaction, circumstance or state of facts which has heretofore occurred or existed, due or payable, other than liabilities: (i) reflected or reserved against on the balance sheet as of September 30, 2010 included in the CMI Financial Statements; (ii) which have arisen after September 30, 2010 in the ordinary course of business consistent with past practice; (iii) for performance under executory Contracts after the date hereof; or (iv) incurred in connection with the Transactions.

5.17 *Taxes*. Except as would not have a Material Adverse Effect on CMI and its Subsidiaries: (i) each of CMI and its Subsidiaries has filed or caused to be filed or shall file or cause to be filed on or prior to the Closing Date, all Tax Returns which are required to be filed by or with respect to each of CMI and its Subsidiaries, or any consolidated, combined, unitary or aggregate group for Tax purposes of which CMI or any Subsidiary is or has been a member, on or prior to the Closing Date (including applicable extensions); (ii) such Tax Returns are, or, will be when filed, timely, complete and accurate; (iii) all Taxes of CMI and its Subsidiaries that have become due and are required to be paid by them through the date hereof have been paid in full, and all deposits required by Law to be made by CMI and its Subsidiaries through the date hereof with respect to employees and other withholding Taxes have been duly made; (iv) no Audits in respect of CMI or any of its Subsidiaries are presently pending; (v) there are no Liens for Taxes upon any property or assets of CMI or any of its Subsidiaries except for Liens for Taxes not yet due and payable; (vi) no deficiency for any amount of Tax has been asserted or assessed by a Governmental Authority against CMI or any of its Subsidiaries that has not been satisfied by payment, settled or withdrawn and none of CMI or its Subsidiaries has granted any waiver of any statute of limitations in respect of Taxes or agreed to any extension of time with respect to any Tax assessment or deficiency; and (vii) neither CMI nor any of its Subsidiaries has any liability for the Taxes of any Person (other than CMI or any of its Subsidiaries) under (A) Treasury Regulation Section 1.1502-6 (or any similar

provision under state, local or foreign Law) or (B) any Tax

sharing, allocation or indemnity agreement, arrangement or similar Contract (other than between or among CMI and any of its Subsidiaries immediately prior to the Exchange).

5.18 *Barter*. All Barter Agreements of CMI and its Subsidiaries have been accounted for in the CMI Financial Statements consistent with GAAP in all material respects, including EITF 99-17, Accounting for Advertising Barter Transactions and the barter provisions of FASB Statement 63, Financial Reporting by Broadcasters.

5.19 *Related Party Relationships*. To the Knowledge of CMI, no controlled Affiliate of CMI or any officer or director of any of CMI or its Subsidiaries possesses, directly or indirectly, any beneficial interests in, or serves as a director, officer, member or employee of any corporation, partnership, firm, association or business organization that is a client, advertiser, lessor, lessee, or other contracting party with any of CMI or its Subsidiaries.

5.20 *Brokers or Finders*. Other than Moelis & Company, the fees and expenses of which shall be borne solely by CMI, no investment banker, broker, finder, financial advisor or intermediary is entitled to any investment banking, brokerage, finder s or similar fee or commission in connection with this Agreement or the Transactions based upon arrangements made by or on behalf of CMI or any of its Subsidiaries.

5.21 *Vote Required*. Except for any such consent as may be required to be obtained by the holders of the outstanding shares of Class B Common Stock, which consent has been obtained contemporaneously with the execution of this Agreement, the affirmative vote of the holders of a majority of the outstanding shares of CMI Common Stock, voting together as a single class, in favor of the Charter Amendment, and the approval required by Nasdaq Listing Rule 5635 for issuance of the shares of CMI Common Stock to be issued pursuant to the Exchange (collectively, the **Stockholder Approval**), is the only vote or consent of the holders of any shares of CMI s capital stock necessary for CMI to consummate the Transactions.

5.22 *CMI Board of Directors Recommendation*. At a meeting duly called and held, the Board of Directors has unanimously (except for an approval with respect to the transactions contemplated by the Radio Holdings Warrant Agreement Amendment, which has been obtained from each director other than the interested director (who has recused himself with respect to such approval) in respect thereto) adopted resolutions in which it (i) approved and declared advisable and in the best interests of CMI and its stockholders this Agreement, the Charter Amendment, the Registration Rights Agreement and the Transactions, (ii) resolved to recommend that CMI s stockholders approve the issuance of shares of CMI Common Stock pursuant to the Exchange and the adoption of the Charter Amendment, and (iii) directed that the issuance of shares of CMI Common Stock pursuant to the Exchange and the adoption of the Charter Amendment be submitted to a vote at a meeting of CMI s stockholders called for such purpose.

5.23 *Proxy Statement; Information Supplied*.

(a) The Proxy Statement, will (i) when filed, distributed or disseminated, as applicable and (ii) at the time of the Stockholders Meeting, in each such case, comply as to form in all material respects with the applicable requirements of the Exchange Act and all applicable Law.

(b) None of the information supplied or to be supplied by CMI or any of its respective Subsidiaries or representatives, or, to the Knowledge of CMI, by CMP, specifically for inclusion or incorporation by reference in the Proxy Statement, will, at the time the Proxy Statement is first mailed to the stockholders of CMI or at the time of the Stockholders Meeting, contain any statement which, at such times and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact or which omits to state a material fact necessary in order to make the statements therein not false or misleading or necessary to correct any statement which has become false or misleading, except that no representation or warranty is made by CMI with respect to statements made or incorporated by reference therein based on information supplied by the Sellers or any of their respective

representatives.

5.24 *Breaches of CMP Representations and Warranties; Preparation of the Seller Disclosure Schedule*.

(a) To the Knowledge of CMI as of the date of this Agreement, there are no breaches or inaccuracies of any of the representations and warranties made by the Sellers regarding CMP or its Subsidiaries contained in Article 4. CMI shall be deemed to have waived in full, including for purposes of Article 3 and Article 9 hereunder, any breaches or inaccuracies of any representations and warranties set forth in Article 4 that are Known to CMI as of the date of this Agreement.

(b) CMI has prepared the Seller Disclosure Schedule in good faith and after seeking confirmation and input, in connection with the preparation thereof, from the applicable persons who manage the businesses of CMP and its Subsidiaries.

Article 6

Representations and warranties of the sellers

Except as set forth in the Seller Disclosure Schedule, each Seller, solely with respect to itself and not jointly with respect to any other Seller, hereby represents and warrants to CMI as follows:

6.1 *Title to Units*. Such Seller is the beneficial owner of, and has good and legal title to, its respective Units as indicated on Section 6.1 of the Seller Disclosure Schedule, free and clear of all Liens, except for the restrictions set forth in the CMP LLC Agreement, the CMP Equityholders Agreement, the CMP Registration Rights Agreement and the CMP Amendment. At the Closing, such Seller shall sell to CMI good and marketable title to its Units, free and clear of all Liens (other than (i) such Liens described in the immediately preceding sentence and (ii) Liens imposed by federal and/or state securities Laws).

6.2 *Authorization; Validity of Agreement*. Such Seller has the requisite power and authority to execute and deliver this Agreement and each Transaction Document to which it is a party, to perform its obligations hereunder and thereunder, and to consummate the Transactions. The execution, delivery and performance by such Seller of this Agreement and each Transaction Document to which it is a party, and the consummation of the transactions hereunder and thereunder, and the consummation by such Seller of the Transactions, has been duly and validly authorized by all necessary corporate, limited liability company or limited partnership action on the part of such Seller, and no other action of such Seller is necessary to authorize the execution and delivery by such Seller of this Agreement and any Transaction Document to which it is a party, and the consummation by it of the Transactions. This Agreement has been, and each Transaction Document to which such Seller is a party when executed by such Seller will be, duly executed and delivered by such Seller, and assuming the due authorization, execution and delivery of this Agreement by CMI and each Transaction Document to which CMI is a party, this Agreement is, and each Transaction Document will be, a valid and binding obligation of such Seller enforceable against such Seller in accordance with its terms except that such enforcement may be subject to applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other similar Laws of general applicability, now or hereafter in effect, affecting creditors rights and to general equity principles.

6.3 *Consents and Approvals; No Violations*.

(a) Except for the reports, registrations, consents, approvals, permits, authorizations, notices and/or filings (i) under the HSR Act and (ii) the FCC, no notices, reports or other filings are required to be made by such Seller with, nor are any registrations, consents, approvals, permits or authorizations required to be obtained by such Seller from, any Governmental Authority, in connection with the execution and delivery of this Agreement by such Seller and the consummation by such Seller of the Transactions, except those that the failure to make or obtain would not,

individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on the ability of such Seller to consummate the Transaction contemplated hereby.

(b) None of the execution, delivery or performance of this Agreement by such Seller and the consummation by such Seller of the Transactions, or the compliance by such Seller of the provisions of this Agreement

will (with or without notice or lapse of time or both) (i) violate or conflict with any provision of such Seller s Organizational Documents, (ii) result in a violation or breach of, or constitute (with or without due notice or lapse of time or both) a default under, or give rise to a right of, or result in, termination, amendment, cancellation or acceleration of any obligation, or to loss of a material benefit under, or result in the creation of any Lien upon any of the properties or assets of such Seller under, any of the terms, conditions or provisions of any material Contract or material Permit to which such Seller is a party or by which any of them or any of their properties or assets is bound, (iii) assuming that all filings, registrations, notifications, authorizations, consents or approvals described in this Section 6.3(b) have been obtained and all filings and notifications described in Section 6.3(a) have been made and any waiting periods thereunder have terminated or expired, conflict with or violate any Law or Order applicable to such Seller, or any of its respective properties or assets; except, in the case of clauses (ii) and (iii), for such violations, conflicts, breaches or defaults that, or filings, registrations, notifications, authorizations, consents or approvals the failure of which to make or obtain, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect on Seller.

6.4 *Litigation*. There is no action, suit or proceeding pending, or to the Knowledge of such Seller, threatened in writing against such Seller, which in any case or in the aggregate, would affect the ability of such Seller to consummate the Transactions contemplated hereby. There is no outstanding Order to which such Seller is subject, which, individually or in the aggregate, would materially impede or delay the ability of such Seller to consummate the Transactions contemplated hereby and such Seller is not in default with respect to any such Order, which, individually or in the aggregate, would materially impede or delay the ability of such Seller to consummate the Transactions contemplated hereby.

6.5 *Information Supplied*. None of the information supplied or to be supplied by such Seller or any of its representatives specifically for inclusion or incorporation by reference in the Proxy Statement, will, at the time the Proxy Statement is first mailed to the stockholders of CMI or at the time of the Stockholders Meeting, contain any statement which, at such times and in the light of the circumstances under which it is made, is false or misleading with respect to any material fact or which omits to state a material fact necessary in order to make the statements therein not false or misleading or necessary to correct any statement which has become false or misleading, except that no representation or warranty is made by such Seller with respect to statements made or incorporated by reference therein based on information supplied by any other Seller or CMP, CMI or any of their respective Subsidiaries or representatives.

6.6 *Investment Intent*. Such Seller is acquiring the CMI Common Stock being delivered to such Seller under this Agreement for its own account and with no present intention of distributing or selling any of such CMI Common Stock in violation of the Securities Act or any applicable state securities Law. Such Seller will not sell or otherwise dispose of any such CMI Common Stock unless such sale or other disposition has been registered or is exempt from registration under the Securities Act and has been registered or qualified or is exempt from registration or qualification under applicable state securities Laws. Such Seller understands that the CMI Common Stock it is acquiring under this Agreement has not been registered under the Securities Act by reason of its contemplated issuance in transactions exempt from the registration and prospectus delivery requirements of the Securities Act pursuant to Section 4(2) thereof, and that the reliance of CMI on this exemption is predicated in part on this representation and warranty of such Seller. Such Seller acknowledges and agrees that a restrictive legend consistent with the foregoing has been or will be placed on the certificates for CMI Common Stock and related stop transfer instructions will be noted in the transfer records of CMI and/or its transfer agent for CMI Common Stock, and that such Seller will not be permitted to sell, transfer or assign any of CMI Common Stock acquired hereunder until such CMI Common Stock are registered or an exemption from the registration and prospectus delivery requirements of the Securities Act is available.

6.7 *Seller Status*. Such Seller (i) is either (A) a Qualified Institutional Buyer as such term is defined in Rule 144A under the Securities Act or (B) an accredited investor as such term is defined in Rule 501 of Regulation D

promulgated under the Securities Act; (ii) does not require the assistance of an investment advisor or other purchaser representative to participate in the Transactions contemplated by this Agreement; (iii) has such knowledge and experience in financial and business matters that it is capable of evaluating the

merits and risks of the investments to be made by it hereunder; (iv) has the ability to bear the economic risks of its investments for an indefinite period of time; and (v) has sole investment discretion with respect to the Exchange (except as provided in the CMP LLC Agreement, the CMP Equityholders Agreement and the CMP Amendment).

6.8 *Brokers or Finders*. Except for Citadel Securities, the fees and expenses of which shall be paid solely by CMI, no investment banker, broker, finder, financial advisor or intermediary is entitled to any investment banking, brokerage, finder s or similar fee or commission in connection with this Agreement or the Transactions based upon arrangements made by or on behalf of such Seller.

Article 7

Certain covenants

7.1 *Changes in Information*. During the period from the date of this Agreement to the Closing Date: (a) each Seller shall, to the extent it has Knowledge of any such matter, provide to CMI and the Sellers Representative prompt written notice of (i) any change in, or any of the information contained in, the representations and warranties made in or pursuant to this Agreement by such Seller in Article 6, and (ii) any event or circumstance which, if it had occurred on or prior to the date hereof, would cause any of such representations or warranties not to be true and correct in any material respect as of the date hereof, and (b) CMI shall, to the extent it has Knowledge of such matter, provide to the Sellers Representative prompt written notice of (i) any change in, or any of the information contained in, the representations and warranties made in or pursuant to this Agreement by the Sellers in Article 4 and/or CMI in Article 5, (ii) any event or circumstance which, if it had occurred on or prior to the date hereof, would cause any of such representations or warranties not to be true and correct in any material respect as of the date hereof, (iii) any notice or other communication from any Person alleging the consent of such Person is or may be required in connection with this Agreement or the Transactions and (iv) any action, suit claim or proceeding pending or threatened relating to this Agreement or the Transactions. On the Business Day immediately prior to Closing, CMI shall, in good faith, and after seeking confirmation and input from the applicable persons who manage the businesses of CMP and its Subsidiaries, provide written notice to the Sellers Representative in reasonable detail, to the extent Known to CMI, of any event or circumstance which, if it had occurred on or prior to the date hereof, would cause the representations or warranties made by Sellers in Article 4 not to be true and correct in any material respect as of the date hereof.

7.2 *Commercially Reasonable Efforts; Operations Prior to Closing*.

(a) CMI agrees to undertake, within five (5) Business Days after the date hereof, a fair market valuation (a **FMV**) of the equity interests of CMP that it reasonably expects to hold at the time of the Exchange together with the equity interests of CMP that it is acquiring pursuant to the Exchange. CMI shall, and shall cause CMP to, file a Notification and Report Form pursuant to the HSR Act within ten (10) Business Days after a determination that such a filing is required on the basis of the FMV of the equity interests of CMP that it reasonably expects to hold at the time of the Exchange together with the equity interests of CMP that it is acquiring pursuant to the Exchange. CMI agrees to undertake a new FMV (**Updated FMV**) of the equity interests of CMP that it reasonably expects to hold at the time of the Exchange together with the equity interests of CMP that it is acquiring pursuant to the Exchange every thirty (30) days thereafter until the Closing (unless it has conclusively determined that the Closing will occur within sixty (60) days of the last completed Updated FMV of the equity interests of CMP that it reasonably expects to hold at the time of the Exchange together with the equity interests of CMP that it is acquiring pursuant to the Exchange). CMI shall, and shall cause CMP to, file a Notification and Report Form pursuant to the HSR Act within ten (10) Business Days after the determination that such a filing is required on the basis of the Updated FMV of the equity interests of CMP that it reasonably expects to hold at the time of the Exchange together with the equity interests of CMP that it is acquiring pursuant to the Exchange. CMI shall, and shall cause CMP to, make all other filings required by applicable

foreign Antitrust Laws with respect to the Transactions as promptly as practicable and, in any event, prior to the expiration of any applicable legal deadline and to furnish as

promptly as practicable any additional information and documentary material that may be requested pursuant to the HSR Act or any other Antitrust Law. The Parties shall also consult and cooperate with one another, and consider in good faith the views of one another, in connection with, and provide to the other Parties in advance, any analyses, appearances, presentations, memoranda, briefs, arguments, opinions and proposals made or submitted by or on behalf of any Party in connection with proceedings under or relating to any such Antitrust Laws. Without limiting the foregoing, the Parties agree to (i) give each other reasonable advance notice of all meetings and conference calls with any Governmental Authority relating to any Antitrust Laws, (ii) give each other an opportunity to participate in each of such meetings and conference calls, (iii) to the extent practicable, give each other reasonable advance notice of all substantive oral communications with any Governmental Authority relating to any Antitrust Laws, (iv) if any Governmental Authority initiates a substantive oral communication regarding any Antitrust Laws, promptly notify the other Parties of the substance of such communication, (v) provide each other with a reasonable advance opportunity to review and comment upon all written communications (including any analyses, presentations, memoranda, briefs, arguments, opinions and proposals) with a Governmental Authority regarding any Antitrust Laws and (vi) provide each other with copies of all written communications to or from any Governmental Authority relating to any Antitrust Laws. Any such disclosures or provision of copies by one Party to the other may be made on an outside counsel basis if appropriate. CMI and the Sellers shall use commercially reasonable efforts to obtain any consents, clearances or approvals required under or in connection with the HSR Act, the Sherman Act, as amended, the Clayton Act, as amended, the Federal Trade Commission Act, as amended, and any other federal, state or foreign Law designed to prohibit, restrict or regulate actions for the purpose or effect of monopolization or restraint of trade or the significant impediment of effective competition (collectively, **Antitrust Laws**), to enable all waiting periods under applicable Antitrust Laws to expire and to avoid or eliminate each and every impediment under applicable Antitrust Laws asserted by any Governmental Authority, in each case, to cause the Transactions to occur prior to the End Date, including (A) promptly complying with or modifying any requests for information (including any second request) by any Governmental Authority and (B) contesting, defending and appealing any threatened or pending preliminary or permanent injunction or other Order or Law that would adversely affect the ability of any Party hereto to consummate the Transactions before the End Date and taking any and all other actions to prevent the entry, enactment or promulgation thereof, provided, however, that subject to the immediately succeeding sentence, nothing herein shall require, and such commercially reasonable efforts shall not include CMI or any Seller (i) paying any amounts (other than the payment by CMI of filing fees and reasonable expenses and fees of counsel), (ii) commencing or defending litigation, (iii) offering, negotiating, committing to and effecting, by consent decree, hold separate Order or otherwise, the sale, divestiture, license or other disposition of any capital stock, assets, rights, products or businesses of any of CMI, any Seller, or any of their respective Subsidiaries or Affiliates, (iv) agreeing to any restrictions on the activities of any of CMI, any Seller, or any of their respective Subsidiaries or Affiliates, or (v) waiving any of the conditions to this Agreement set forth in Section 3.2. Notwithstanding the foregoing, and subject to the remainder of this Section 7.2(a), CMI shall and, shall cause its Subsidiaries to, propose, negotiate, offer to commit and effect (and if such offer is accepted, commit to and effect), by consent decree, hold separate Order or otherwise, the sale, divestiture, license or other disposition of such assets or businesses of CMI or any of its Subsidiaries, or effective as of the Closing, CMP or any of its Subsidiaries, or otherwise offer to take or offer to commit to take any action (including any action that limits its freedom of action, ownership or control with respect to, or its ability to retain or hold, any of the businesses, assets, product lines, properties or services of CMI, CMP or any of their respective Subsidiaries) which it is lawfully capable of taking and if the offer is accepted, take or commit to take such action, in each case, as may be required in order to avoid the commencement of any action, suit or proceeding to prohibit the Transactions, or if already commenced, to avoid the entry of, or to effect the dissolution of, any injunction, temporary restraining order or other Order in any action, suit or proceeding so as to enable the Closing to occur as soon as reasonably possible (and in any event, not later than the End Date), unless such action, sale, divestiture, license or other disposition, individually or in the aggregate, would result in the loss of more than 5.0% of the assets or earnings before interest, taxes and depreciation and amortization of CMI, CMP and their respective Subsidiaries, taken as a whole on a pro forma basis (in each case, as measured by assets as of December 31, 2010 or earnings before interest, taxes and depreciation and amortization for the year ended December 31, 2010, as the case may be). The costs of a Notification

and

Report Form pursuant to the HSR Act and all other filings required by applicable foreign Antitrust Laws with respect to the Transactions, including the filing fees in connection therewith, shall be paid by CMI.

(b) Within ten (10) Business Days after the execution of this Agreement, CMP and CMI shall jointly file applications with the FCC requesting its consent to transfer control of CMP (the **Transfer of Control Applications**). The costs of the FCC filing fees in connection with the Transfer of Control Applications shall be paid by CMI. The Sellers and CMI shall thereafter prosecute the Transfer of Control Applications with all reasonable diligence and otherwise use their commercially reasonable efforts to obtain the grant of the Transfer of Control Applications as expeditiously as practicable (but neither Sellers nor CMI shall have any obligation to satisfy complaints of the FCC by taking any steps which would have a Material Adverse Effect upon CMI, CMP and their respective Subsidiaries, taken as a whole on a pro forma basis). If the FCC grant of the Transfer of Control Applications imposes any condition on any Party, such Party shall use commercially reasonable efforts to comply with such condition; provided, however, that no such Party shall be required hereunder to comply with any condition that would have a Material Adverse Effect upon CMI or CMP and their respective Subsidiaries, taken as a whole on a pro forma basis. The Sellers and CMI shall promptly provide each other with a copy of any pleading, Order, or other document or material communication received by such Party relating to the Transfer of Control Applications which is not served on or received by the other Parties (other than communications by or among such Party s lawyers and professional advisors and members, stockholders, employees and officers). The Sellers and CMI shall use commercially reasonable efforts and otherwise cooperate in responding to any information requested by the FCC related to the Transfer of Control Applications, in preparing any amendment to this Agreement requested by the FCC which does not have a Material Adverse Effect upon the Sellers or CMI, and in reasonably defending against any complaint or objection which may be filed against the Transfer of Control Applications or any petition for reconsideration, application for review, notice of appeal or other challenge to the Orders approving the same. The Sellers and CMI shall also jointly request extensions of any applicable consummation deadlines to the extent the transactions contemplated by this Agreement have not been consummated within ninety (90) days from the date of the FCC s Initial Order granting the Transfer of Control Applications.

(c) Subject to the terms and conditions hereof, and except with regard to the Antitrust Laws and Transfer of Control Applications, which shall be governed by Section 7.2(a) and Section 7.2(b), respectively, CMI shall, and shall cause its Subsidiaries to, and the Sellers shall, each use their commercially reasonable efforts to take, or cause to be taken, all actions, and do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective the Transactions as promptly as practicable, including:

(i) obtaining from any Governmental Authority or other third party, Permits or Orders, making any filings and sending any notices, in each case, which are material and required to be obtained, made or sent by CMP, CMI or any of their Subsidiaries in connection with the authorization, execution and delivery of this Agreement and the consummation of the Transactions;

(ii) executing or delivering any additional instruments necessary to consummate the Transactions and to fully carry out the purposes of this Agreement; and

(iii) the preparation and filing of all forms, registrations and notices required to be filed to consummate the Transactions.

CMI and each Seller shall cooperate with each other in connection with the making of all such filings, submissions, applications and requests. CMI and each Seller shall use their commercially reasonable efforts to furnish to each other (on an outside counsel basis if appropriate) all information required for any filing, submission, application or request to be made pursuant to applicable Law in connection with the Transactions. Notwithstanding anything in this Section 7.2(c) to the contrary, nothing herein shall require, and such commercially reasonable efforts shall not include

the obligation of any Seller or any of its Affiliates to pay or agree to pay any amounts to obtain any Permits, Orders, approvals or consents. For the avoidance of doubt, CMI and the Sellers agree that nothing contained in this Section 7.2(c) shall modify, limit or otherwise affect their respective rights and responsibilities under Section 7.2(a) or Section 7.2(b).

(d) Except as otherwise provided in this Agreement, between the date hereof and the Closing, CMI shall operate and carry on CMP s business in the ordinary course of business consistent with past practice and in accordance with the CMP Management Agreement. CMI shall, and shall cause CMP to, use commercially reasonable efforts to (i) keep and maintain its respective assets, rights and properties in substantially the same operating condition and repair (normal wear and tear excepted) as currently maintained, (ii) maintain and preserve intact its respective business organization and Permits, and maintain and preserve its respective relationships with the suppliers, licensors, licensees, franchisees, distributors, officers, employees, customers and others having business relations with CMI and CMP, respectively, (iii) continue all existing policies of insurance in full force and effect and at least at such levels as are in effect on the date hereof, or to replace any such policies with equivalent replacements, and (iv) duly comply with all applicable Laws, Orders and collective bargaining agreements.

7.3 *Stockholders Meeting; SEC Filings*.

(a) As promptly as reasonably practicable following the date hereof, CMI shall prepare and file with the SEC a proxy statement to be sent to the stockholders of CMI in connection with the Stockholders Meeting (such proxy statement, and any amendments or supplements thereto, the **Proxy Statement**), and shall use its reasonable best efforts to respond to any comments of the SEC or its staff, and, to the extent permitted by Law, to cause the Proxy Statement to be mailed to the stockholders of CMI as promptly as practicable after responding to all such comments to the satisfaction of the staff of the SEC. Each Seller covenants and agrees to provide to CMI such information about such Seller as may be necessary to be specifically included in the Proxy Statement. CMI shall, as promptly as reasonably practicable after receipt thereof, provide the Sellers Representative copies of any written comments and advise the Sellers Representative of any oral comments, with respect to the Proxy Statement received from the SEC. CMI shall provide the Sellers Representative with a reasonable opportunity to review and comment on the Proxy Statement prior to filing with the SEC, and will promptly provide the Sellers Representative with a copy of all such filings made with the SEC. Whenever CMI becomes aware of any event that is required to be set forth in an amendment or supplement to the Proxy Statement, CMI shall promptly inform the Sellers Representative of such occurrence and the Parties shall cooperate in filing with the SEC or its staff, and mailing to stockholders of CMI, such amendment or supplement, as and to the extent required by applicable Law. If at any time prior to the mailing of the Proxy Statement to the stockholders of CMI or the Stockholders Meeting, any information relating to CMI or the Sellers should be discovered by CMI or the Sellers which should be set forth in an amendment or supplement to the Proxy Statement so that the Proxy Statement would not include any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Party which discovers such information shall promptly notify the other Parties hereto and, to the extent required by Law, rules or regulations, an appropriate amendment or supplement describing such information shall be promptly filed by CMI with the SEC and disseminated to the stockholders of CMI.

(b) CMI shall duly take all lawful actions to call, give notice of, convene and hold a meeting of its stockholders (the **Stockholders Meeting**) on a date as soon as reasonably practicable for the purpose of considering and voting on the matters requiring Stockholder Approval; provided, however, that at CMI s sole discretion, CMI may bring such matters for a vote at CMI s regular annual meeting of its stockholders to be held in 2011 and shall not withdraw, modify or qualify (or publicly propose to withdraw, modify or qualify) in any manner adverse to the Sellers such recommendation. CMI shall include in the Proxy Statement the unanimous recommendation of the Board of Directors that its stockholders provide the Stockholder Approval to the effect as set forth in Section 5.22. CMI shall use its reasonable best efforts (including the solicitation of proxies) to solicit and obtain the Stockholder Approval.

7.4 *Public Announcement*. The initial press release regarding the Transactions by each of CMI, CMP and any of the Sellers shall be mutually acceptable to CMI, on the one hand, and the Sellers Representative a representative of the Bain Seller and a representative of the THL Seller, on the other hand, and shall be issued promptly after the date hereof. None of CMI, CMP or any Seller shall issue any other press release or make any other public announcement

with respect to this Agreement or the Transactions without the prior written

agreement of CMI, the Sellers Representative, a representative of the Bain Seller and a representative of the THL Seller. Notwithstanding the foregoing, each of CMI and the Sellers shall be permitted to make any press release, filing or other public announcement required by Law, Governmental Authority, Nasdaq or other Securities Exchange Rule.

7.5 *Filing of CMP Tax Returns*. The Parties acknowledge that the Exchange will result in an actual termination of CMP for United States federal income tax purposes. CMI, as the Tax Matters Member (as defined in the CMP LLC Agreement) of CMP, shall cause CMP s federal, state and local Tax Returns for the taxable years or periods that end on or prior to the Closing Date to be prepared and timely filed consistent with past practice, except as may be required by Law, in accordance with and subject to any limitations on the authority of the Tax Matters Member set forth in Article IV of the CMP LLC Agreement.

7.6 *Certain Taxes and Fees*. All transfer, documentary, sales, use, stamp, registration and other such Taxes, and all conveyance fees, recording charges and other fees and charges (including all penalties and interest) incurred in connection with consummation of the Transactions shall be paid by CMI when due, and CMI will file all necessary Tax Returns and other documentation with respect to such Taxes, fees and charges.

7.7 *Confidentiality*. Except as and to the extent required by Law, Governmental Authority, Nasdaq or other Securities Exchange Rule, CMI and the Sellers hereby agree not to disclose or use any confidential information with respect to any Party or its Subsidiaries furnished, or to be furnished, by such Party or their respective representatives in connection with the Transactions at any time or in any manner other than in connection with the Transactions. Notwithstanding anything in this Section 7.7 to the contrary, (i) each of the Sellers shall be permitted to make disclosures to their limited partners to the extent such information is customarily provided to current or prospective limited partners in private equity funds and (ii) each of the Parties may make disclosures to their attorneys, accountants and financial advisors in connection with their compliance with tax or legal reporting requirements; provided, however, that each such party who receives confidential information from any Seller is subject to a customary confidentiality provision in respect of such information.

7.8 *Related Agreements*.

(a) *Voting Agreements*. Contemporaneously with the execution of this Agreement, (i) the Sellers Representative, on the one hand, and each of Lewis W. Dickey, Jr., John W. Dickey, David W. Dickey, Michael W. Dickey, Lewis W. Dickey, Sr. and DBBC, L.L.C., on the other hand, have executed and delivered to the other a voting agreement and (ii) the Sellers Representative, on the one hand, and each of BA Capital Company, L.P., and Banc of America Capital Investors SBIC, L.P., on the other hand, have executed and delivered to the other a voting agreement and consent, in each of the case of clauses (i) and (ii), in the form previously agreed to by the Sellers Representative, pursuant to which the parties thereto have agreed to vote their shares of CMI Voting Stock now or hereafter owned in favor of (x) the Stockholder Approval and (y) the election of a representative designated by the Blackstone Sellers to the Board of Directors (such person, the **Blackstone Designee**), in each case, subject to the terms and conditions set forth in such voting agreement.

(b) *CMI Board of Directors*. As promptly as practicable following the execution of this Agreement (but in any event, within three (3) Business Days), CMI shall take all such actions as may be required under its Organizational Documents to appoint the Blackstone Designee as a member of the Board of Directors (provided, that in no event shall the Blackstone Designee be required to be independent as such term is defined in the rules and regulations promulgated by Nasdaq), subject to such individual s agreement in writing to promptly resign in his or her capacity as such in the event this Agreement is terminated without the Closing having been effected. For each of the next three successive annual meetings of stockholders of CMI, CMI shall, in accordance with its Organizational Documents, nominate the Blackstone Designee for election to its Board of Directors, until such time that Blackstone Seller (together with its Affiliates) ceases to beneficially own CMI Common Stock representing at least one-half of the

aggregate amount of Stock Consideration the Blackstone Seller receives at Closing. The Blackstone Designee shall be entitled to the same compensation, if any, and same indemnification in connection with his or her role as a director as the other members of the Board of Directors, and the Blackstone Designee shall be entitled to reimbursement for documented,

reasonable out-of-pocket expenses incurred in attending meetings of the Board of Directors or any committees thereof, to the same extent as the other members of the Board of Directors. CMI shall notify the Blackstone Designee of all regular and special meetings of the Board of Directors and shall notify the Blackstone Designee of all regular and special meetings of any committee of the Board of Directors of which the Blackstone Designee is a member, in each case, consistent with such notifications provided to the other members of the Board of Directors or the applicable committee thereof. CMI shall provide the Blackstone Designee with copies of all notices, minutes, consents and other materials provided to all other members of the Board of Directors concurrently as such materials are provided to the other members. Notwithstanding anything herein to the contrary, Blackstone Seller may at any time, upon delivery of written notice to CMI, forfeit its right to have the Blackstone Designee be required to be a member of the Board of Directors.

(c) *Termination of CMP Agreements*. The Parties acknowledge that, effective as of the Closing, each of the CMP Capital Contribution Agreement, the CMP Non-Solicitation Agreement, the CMP Consent and Agreement, the CMP Advisory Services Agreement, the CMP Registration Rights Agreement, the CMP Equityholders Agreement and the CMP Amendment will terminate without further obligation of the parties thereunder; provided, that in each such case, any indemnification, limitation of liability, advancement of expense or other similar provisions in favor of the stockholders, members, limited or general partners, directors, managers, officers, employees, affiliates, representatives and/or agents shall survive such termination.

(d) *Amendment of CMP Management Agreement*. Effective as of the date hereof, the term of the CMP Management Agreement has been amended, in a form mutually agreed by CMI and the Sellers Representative, to provide that such agreement shall expire in accordance with its terms on May 3, 2012.

(e) *Exchange of Stock Consideration*. As set forth in the Charter Amendment, shares of Class D Common Stock will be convertible into shares of Class A Common Stock. CMI hereby agrees, promptly upon the request of any Seller, and subject to compliance with applicable federal and/or state securities Laws, to exchange any shares of Class A Common Stock received by a Seller upon any such conversion, or any shares of Class A Common Stock received by a Seller in the Exchange, for an equal number of shares of Class D Common Stock, subject to receipt by CMI from such Seller of such reasonable assurances as to ownership of the applicable shares and such other documentation (which shall be in customary form) as CMI may reasonably request.

(f) *VCOC Letter Agreement*. At the Closing, CMI, on the one hand, and each of the Sellers party thereto, on the other hand, shall execute and deliver to the other the letter agreement in the form attached as **Annex E** (the **VCOC Letter Agreement**); provided, that no such Seller party shall be permitted or entitled to enter into a VCOC Letter Agreement if it or its Affiliates beneficially owns a material interest in a radio broadcast company deemed by the Board of Directors, in good faith, to be competitive with CMI.

7.9 *Radio Holdings*. CMI shall use its reasonable best efforts to obtain, prior to the Closing, the consent of the Majority Holders under the Radio Holdings Warrant Agreement to an amendment to such agreement. The amendment to such agreement shall be prepared by CMI in good faith (and in consultation with the Sellers Representative) promptly after the date of this Agreement (but in any event, not more than ten (10) Business Days following the date of this Agreement), and shall be in a form agreed to by the Sellers Representative (the **Radio Holdings Warrant Agreement Amendment**). Such amendment shall provide for (subject to such changes as may be agreed to in good faith by CMI and the Sellers Representative to accommodate tax planning considerations of one or more of the Sellers), among other things, (i) CMI to be added as a party thereto, (ii), upon the Closing, the Radio Holdings Warrants automatically converting into (A) 2.210159 shares of Class A Common Stock (or Class D Common Stock if the applicable holder of Radio Holdings Warrants is not permitted to own any CMI Voting Stock) per Warrant Share thereunder, rounded up to the nearest whole share (collectively, **Radio Holdings Warrant Shares**), 90% of which shares of Class A Common Stock shall be issued to the holders of the Radio Holdings Warrants promptly following

the Closing (subject to a nine month lock-up period and with certificates therefor having all required legends in connection therewith and applicable securities Laws) and 10% of which shall be withheld by CMI until final resolution of indemnity claims arising in favor of CMI hereunder and pursuant to the Radio Holdings Warrant

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Agreement Amendment (it being understood that any such shares not necessary to satisfy the indemnification obligations of the holders of Radio Holdings Warrants hereunder and pursuant to the Radio Holdings Warrant Agreement Amendment, shall be promptly issued by CMI to each holder of Radio Holdings Warrants) and (B) the right to receive additional shares of Class A Common Stock (or Class D Common Stock if the applicable holder of Radio Holdings Warrants is not permitted to own any CMI Voting Stock) in connection with indemnity claims for which CMI is liable hereunder and pursuant to the Radio Holdings Warrant Agreement Amendment (with the holders of Radio Holdings Warrants to share with the Sellers in the benefits of the indemnification by CMI under Section 9.1 on a *pro rata* basis, based upon the number of Radio Holdings Warrants Shares issuable to such holders pursuant to the Radio Holdings Warrant Agreement Amendment and the number of shares of CMI Common Stock issuable as Stock Consideration in the Exchange, respectively), all as more particularly set forth in the Radio Holdings Warrant Agreement Amendment. CMI shall use its reasonable best efforts to obtain, prior to the Closing, the consent of the holders of a majority of the Registrable Securities under the Radio Holdings Registration Rights Agreement to terminate such agreement effective as of the Closing, subject to such holders of Registrable Securities being permitted to include their Radio Holdings Warrant Shares in the shelf registration statement to be filed by CMI pursuant to the Registration Rights Agreement, and in piggyback registrations under the Registration Rights Agreement, in each case on the terms and subject to the conditions set forth therein. Nothing in this Section 7.9 shall be construed to require that CMI pay any monies or make any material concession to any holder of Radio Holdings Warrants or such holders of Registrable Securities under the Radio Holdings Registration Rights Agreement in connection therewith, and CMI agrees that it shall not make any material concession to any holder of Radio Holdings Warrants or holders of Registrable Securities under the Radio Holdings Registration Rights Agreement without the prior written consent of the Sellers Representative, which such consent shall not be unreasonably withheld or delayed.

7.10 *Exchange Listing*. CMI shall promptly use its reasonable best efforts to cause (i) the 3,315,238 shares of Class A Common Stock issuable to the Blackstone Sellers at the Closing, (ii) 6,630,476 shares of Class A Common Stock issuable upon conversion of the shares of Class D Common Stock issuable to the Bain Sellers and the THL Sellers at the Closing, and (iii) an additional 994,572 shares of Class A Common Stock reserved for issuance in connection with the Exchange that may be necessary for the payment of (or upon conversion of shares of Class D Common Stock issued in payment of) any indemnification obligations of CMI hereunder, to be approved for listing on Nasdaq, subject to official notice of issuance, as promptly as practicable, and in any event before the Closing.

7.11 *Director and Officer Liability*.

(a) If the Closing occurs, CMI agrees that all rights to indemnification, all limitations on liability, and rights to advancement of expenses existing in favor of all past and present officers, or members of the board of directors or board of managers of CMP, as provided in the CMP LLC Agreement, CMP Equityholders Agreement, CMP Advisory Services Agreement, and/or CMP Amendment or other applicable agreement to which CMP or any of its Subsidiaries is a party, as the case may be, in effect as of the date of this Agreement, shall survive the consummation of the Transactions (and any termination thereof) and be honored by the CMI and CMP after the Closing, notwithstanding any subsequent amendment (or termination) thereof. In the event CMI, CMP or any of their respective successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any Person, then and in each such case, to the extent not otherwise occurring by operation of Law, proper provision shall be made so that the successors and assigns of CMI or CMP, as the case may be (or their respective successors and assigns), shall assume the obligations set forth in this Section 7.11.

(b) Prior to the Closing, CMI shall obtain a tail insurance policy with a claims period of at least six (6) years from and after the Closing Date from insurance carriers with the same or better claims-paying ability ratings as CMP s current insurance carriers with respect to directors and officers liability insurance and fiduciary liability insurance (collectively, **D&O Insurance**), for all past and present directors, officers and employees of CMP and its Subsidiaries

(in all of their capacities) and all fiduciaries under any CMP Benefit

Plans, with terms, conditions, retentions and levels of coverage at least as favorable as CMP s existing D&O Insurance with respect to matters existing or occurring at or prior to the Closing (including with respect to acts or omissions occurring in connection with this Agreement and the consummation of the transactions contemplated hereby); provided, however, that in no event will CMI be required to expend in excess of 250% of the annual premium currently paid by CMP for such coverage (and to the extent the premium would exceed 250% of the annual premium currently paid by CMP for such coverage, CMI shall, and shall cause CMP to, cause to be maintained the maximum amount of coverage as is available for such 250% of such annual premium). CMI shall, and shall cause CMP after the Closing, to pay all premiums due under such policy in accordance with its terms (which may, for the avoidance of doubt, require payment at Closing) and to maintain such tail prepaid insurance policy in full force and effect, for its full term, and to continue to honor their respective obligations thereunder.

7.12 *Section 16 Matters*. Prior to the Closing, CMI shall take all such steps as may be required to cause any acquisitions of CMI Common Stock (including any derivative securities with respect to CMI Common Stock) resulting from the Exchange hereby by each individual who is subject to the reporting requirements of Section 16(a) of the Exchange Act with respect to CMI, to be exempt under Rule 16b-3 promulgated under the Exchange Act, to the extent such exemption is applicable and available, such steps to be taken in accordance with the interpretive guidance set forth by the SEC.

Article 8

Termination

8.1 *Termination*. This Agreement may be terminated at any time prior to the Closing as follows:

(a) by mutual written consent of CMI and the Sellers Representative;

(b) by the Sellers Representative, on the one hand, or CMI, on the other, upon written notice to the other, if the Stockholder Approval shall not have been obtained at the Stockholders Meeting;

(c) by the Sellers Representative, on the one hand, or CMI, on the other, upon written notice to the other, if the Exchange shall not have been consummated on or prior to December 31, 2011 (the **End Date**); provided, however, that the right to terminate this Agreement under this Section 8.1(c) shall not be available to any Party whose breach of this Agreement has been the proximate cause of, or resulted in, the failure of such conditions to be satisfied on or prior to such date;

(d) by the Sellers Representative, on the one hand, or CMI, on the other, upon written notice to the other, if any Governmental Authority of competent jurisdiction shall have enacted or issued any final and non-appealable Law or Order, or taken any other final and non-appealable action, enjoining or otherwise prohibiting consummation of the Transactions, provided, however, that the Party seeking to terminate this Agreement pursuant to this Section 8.1(d) shall have complied with its obligations under Section 7.2;

(e) by CMI, upon a breach of any covenant or agreement on the part of a Seller, or any failure of any representation or warranty of the Sellers made in Article 4 or any Seller made in Article 6 to be true and accurate, in any case such that a condition set forth in Section 3.2(a), Section 3.2 (b) or Section 3.2(c) would not be satisfied and such breach is incapable of being cured, or if capable of being cured, shall not have been cured within thirty (30) days following receipt by the Sellers Representative, in the case of breach of a representation and warranty in Article 4, or the applicable Seller (with a copy to the Sellers Representative), in the case of breach of a representation or warranty in Article 6 or breach of a covenant, of written notice of such breach or failure (or, if earlier, the End Date); provided, however, that the right to terminate this Agreement under this Section 8.1(e) shall not be available to CMI if it is then

in material breach of any of its representations, warranties or covenants contained in this Agreement; and

(f) by the Sellers   Representative, upon a breach of any covenant or agreement on the part of CMI, or any failure of any representation or warranty of CMI made in Article 5 to be true and accurate, in any case such that

a condition set forth in Section 3.3(a) or Section 3.3(b) would not be satisfied and such breach is incapable of being cured, or if capable of being cured, shall not have been cured within thirty (30) days following receipt by CMI from the Sellers Representative of written notice of such breach or failure (or, if earlier, the End Date); provided, however, that the right to terminate this Agreement under this Section 8.1(f) shall not be available to the Sellers Representative if any Seller is then in material breach of any of its representations, warranties or covenants contained in this Agreement.

8.2 *Effect of Termination*. In the event of any termination of this Agreement as provided in Section 8.1, this Agreement shall forthwith become wholly void and of no further force and effect and there shall be no liability or obligation on the part of CMI, the Sellers Representative, the Sellers or their respective Subsidiaries, officers or directors, except (i) with respect to Section 7.4 (Public Announcement), Section 7.7 (Confidentiality), Section 7.8 (Related Agreements), this Section 8.2 (Effect of Termination), Article X (Definitions) and Article XI (Miscellaneous), which shall remain in full force and effect and (ii) with respect to any liabilities or damages incurred or suffered by a Party, to the extent such liabilities or damages were the result of fraud or the willful and material breach by another Party of any of its representations, warranties, covenants or other agreements set forth in this Agreement. For purposes of this Section 8.2, **willful and material breach** shall mean a material breach that is a consequence of an act undertaken by the breaching party with the knowledge (actual or constructive) that the taking of such act would, or would be reasonably expected to, cause a breach of this Agreement. Notwithstanding anything to the contrary in this Agreement, if the Parties fail to effect the Closing when required by Section 2.1 for any reason or otherwise breach this Agreement (whether willfully, intentionally, unintentionally or otherwise) or fail to perform hereunder (whether willfully, intentionally, unintentionally or otherwise), then, (i) except for an order of specific performance as expressly permitted by Section 11.15, the Parties sole and exclusive remedy (whether at law, in equity, in contract, in tort or otherwise) against any Party hereto and any of their respective former, current and future direct or indirect equityholders, controlling persons, stockholders, directors, officers, employees, agents, Affiliates, members, managers, general or limited partners, or assignees for any breach, loss or damage shall be to terminate this Agreement pursuant to Section 8.1(e) or Section 8.1(f), as applicable, and seek to recover monetary damages solely from the applicable Party in breach of this Agreement; provided, that in no event shall any former, current and future direct or indirect equityholders, controlling persons, stockholders, directors, officers, employees, agents, Affiliates, members, managers, general or limited partners of a Party have any liability to any Person relating to or arising out of this Agreement or the Transaction Documents or in respect of any other document or theory of law or equity or in respect of any oral representations made or alleged to be made in connection herewith or therewith, whether at law or equity in contract, in tort or otherwise.

Article 9

Indemnification

9.1 *Indemnification*.

(a) *Indemnification by the Sellers*. From and after the Closing, the Sellers, severally (in accordance with their respective Seller Proportionate Shares) and not jointly, agree to indemnify, defend and hold harmless CMI and its directors, officers, employees, agents and Affiliates (the **CMI Indemnified Parties**) from and against any and all losses, liabilities, claims, damages or deficiencies, and injuries, and all penalties, fines, costs and expenses (including reasonable counsel fees and costs of any suits related thereto) (collectively, **Losses**) suffered or incurred by such CMI Indemnified Parties arising out of, or related to, any breach or inaccuracy of any representation or warranty (without regard to any limitation or qualification that references material, materiality or Material Adverse Effect in determining whether there has been a breach of the representation or warranty or the amount of damages incurred in connection with any such breach) of the Sellers set forth in Article 4 hereof; provided, that CMI delivers to the Sellers Representative a Claim Notice for indemnification against the Sellers pursuant to Section 9.4 within the applicable

survival period set forth in Section 9.2. Each Seller shall be liable only for its respective Seller Proportionate Share of any Losses under

this Section 9.1(a), with the intent that each Seller s liability be calculated assuming that the Radio Holdings Warrant Agreement Amendment has been obtained and the holders of Radio Holdings Warrants proportionately share in such Losses as contemplated by such amendment, even if such amendment has not been so obtained.

(b) *Indemnification by CMI*. From and after the Closing, CMI agrees to indemnify, defend and hold harmless each Seller and its respective directors, officers, members, managers, employees, agents and Affiliates (the **Seller Indemnified Parties**) from and against any and all Losses suffered or incurred by such Seller Indemnified Parties arising out of, or related to, any (i) breach or inaccuracy of any representation or warranty (without regard to any limitation or qualification that references material, materiality or Material Adverse Effect in determining whether there has been a breach of the representation or warranty or the amount of damages incurred in connection with any such breach) of CMI set forth in Article 5 hereof or (ii) breach of any post-Closing covenant or agreement to be performed or complied with by CMI under this Agreement; provided, that, with respect to the foregoing clause (i), the Seller s Representative delivers a Claim Notice for indemnification against CMI pursuant to Section 9.4 within the applicable survival period set forth in Section 9.2. For purposes of the foregoing clause (i), the amount of Losses suffered or incurred by a Seller shall be determined by reference to that Seller s Pro-Forma Ownership Percentage of CMI immediately after and as a result of the CMI Common Stock received by such Seller in the Exchange at the Closing and assuming that the Radio Holdings Warrant Agreement Amendment has been obtained and the Radio Holdings Warrant Shares have been issued, even if such amendment has not been so obtained. Each Seller shall be entitled to receive an indemnification payment only for its respective Seller Proportionate Share of any indemnifiable Losses, with the intent that a Seller s proportion of any indemnifiable Loss be calculated assuming that the Radio Holdings Warrant Agreement Amendment has been obtained and the holders of Radio Holdings Warrants proportionately share in such Losses as contemplated by such amendment, even if such amendment has not been so obtained.

(c) *Additional Indemnification by Each Seller*. From and after the Closing, each Seller hereby agrees, severally and not jointly, to indemnify, defend and hold harmless the CMI Indemnified Parties from and against any and all Losses suffered or incurred by the CMI Indemnified Parties arising out of, or related to, any (i) breach or inaccuracy of any representation or warranty (without regard to any limitation or qualification that references material, materiality or Material Adverse Effect in determining whether there has been a breach of the representation or warranty or the amount of damages incurred in connection with any such breach) of such Seller set forth in Article 6 hereof or (ii) breach of any post-Closing covenant or agreement to be performed or complied with by such Seller under this Agreement; provided, that, with respect to the foregoing clause (i), CMI delivers to the Seller s Representative a Claim Notice for indemnification against the Sellers pursuant to Section 9.4 within the applicable survival period set forth in Section 9.2. Notwithstanding anything herein to the contrary, no Seller is hereby providing any indemnification for the benefit of any CMI Indemnified Party with respect of another Seller s breaches or inaccuracies of such other Seller s representations and warranties set forth in Article 6.

(d) *Additional Indemnification by CMI*.

(i) If (A) (x) the Pro-Forma Ownership Percentage *multiplied by* (y) the present value cost to CMI and its Subsidiaries of obtaining an amendment or waiver from the lenders under the CMI Senior Credit Facility for any failure to comply with the Total Leverage Ratio for any of the periods ending on or prior to December 31, 2011, including any related fees paid to the lenders under the CMI Senior Credit Facility or increase in applicable borrowing rates thereunder and other applicable costs thereof, and calculated using a discount rate of nine percent (9%) per annum and based upon CMI s good faith projections of amounts expected to be outstanding under the CMI Senior Credit Facility through the maturity thereof (the amount resulting from this clause (A), the **Bank Amendment Amount**), *exceeds* (B) one percent (1%) of the outstanding principal balance and unpaid interest owed under the CMI Senior Credit Facility at the time of the applicable amendment or waiver from the lenders under the CMI Senior Credit Facility, then CMI shall pay the Special Indemnity Amount to the Sellers, in accordance with their respective Seller Proportionate Shares. For the

avoidance of doubt, the Special Indemnity Amount shall

be paid by CMI to each of the Sellers no later than three (3) Business Days after the Special Indemnity Share Price has been determined and notwithstanding anything herein to the contrary, no Claim by any Party shall be required to be made in order for the Sellers to be entitled to receive the Special Indemnity Amount nor shall any survival period be applicable to the payment of such Special Indemnity Amount.

(ii) The term **Pro-Forma Ownership Percentage** means the percentage obtained by dividing (A) the sum of (x) the number of shares of CMI Common Stock issuable to the Sellers in the Exchange and (y) the number of Radio Holdings Warrant Shares issuable pursuant to the Radio Holdings Warrant Agreement Amendment (even if such amendment is not obtained and such shares are not so issuable) by (B) the sum of the number of shares of CMI Common Stock outstanding immediately following the Exchange and, solely to the extent not already so included, the number of Radio Holdings Warrant Shares issuable pursuant to the Radio Holdings Warrant Agreement Amendment (even if such amendment is not obtained and such shares are not so issuable).

(iii) The term **Special Indemnity Amount** means the sum of (A) the Bank Amendment Amount, *minus* (B) (x) the excess, if any, of (I) the Special Indemnity Share Price, over (II) $3.77, *multiplied by* (y) the sum of (I) the number of shares of CMI Common Stock issuable to the Sellers in the Exchange and (II) the number of Radio Holdings Warrant Shares issuable pursuant to the Radio Holdings Warrant Agreement Amendment (even if such amendment is not obtained and such shares are not so issuable) (provided, that, for the avoidance of doubt, it is agreed and understood that the amount resulting from this clause (B) may be zero).

(iv) The term **Special Indemnity Share Price** means the volume weighted average price of a share of Class A Common Stock as reported on Nasdaq for the ten (10) consecutive trading days immediately following the date of public announcement by CMI of such waiver or amendment relating to the CMI Senior Credit Facility resulting in the payment by CMI of the Special Indemnity Amount (such announcement shall, to the extent so determined by CMI, also disclose the accompanying requirement of CMI to make an indemnification payment pursuant to this Section 9.1(d)).

9.2 *Survival*. Each of the representations and warranties in this Agreement shall survive the Closing and shall terminate at 5:00 p.m. Eastern Time on the date that is nine (9) months after the Closing Date; provided, that the Fundamental Representations shall survive indefinitely. All covenants in this Agreement required to be performed in whole prior to the Closing shall terminate at Closing. All covenants in this Agreement required to be performed in whole or in part following the Closing, shall survive for a period of ninety (90) days following the date on which the performance of such covenants is required to be completed. No Party shall be entitled to assert claims against any other for breach or inaccuracy of a representation or warranty or breach of a covenant or agreement, in each case, as set forth herein, unless the Party asserting such claim shall deliver to the applicable indemnifying party a Claim Notice in writing of such Claim within the applicable survival period as set forth in this Section 9.2. Notwithstanding the expiration of the applicable survival period in this Section 9.2, if an Indemnified Party has made a proper Claim for indemnification pursuant to Section 9.1 prior to the expiration of the applicable survival period as set forth in this Section 9.2, then such Claim for such Loss incurred (and only such Claim for such Loss incurred), if then unresolved, shall not be extinguished by the passage of the deadlines set forth in this Section 9.2.

9.3 *Limitations on Liability*.

(a) *Indemnification Cap*. Notwithstanding anything in this Agreement to the contrary, in no event shall CMI have any liability arising from or in connection with any breach or inaccuracy of any of the representations and warranties in Article 5 which would result in the issuance to Seller Indemnified Parties of shares of CMI Common Stock in excess of the Indemnification Cap (but only for the amount in excess), except in the case of liability for a breach or inaccuracy of a Fundamental Representation, which shall not be subject to the Indemnification Cap. Notwithstanding anything herein to the contrary, in no event shall CMI be subject to any liability arising from or in connection with

this Agreement or the Transactions which would result in the payment to Seller Indemnified Parties an amount of shares of CMI Common Stock in excess of the number of shares of CMI Common Stock issued to the Sellers pursuant to the Exchange at the Closing.

Notwithstanding anything in this Agreement to the contrary, in no event shall the Sellers as a group have any liability arising from or in connection with any breach or inaccuracy of any of the representations and warranties in Article 4 or Article 6 which would result in the payment to CMI Indemnified Parties an amount of shares of CMI Common Stock in excess of the Indemnification Cap (but only for the amount in excess), except in the case of liability for a breach or inaccuracy of a Fundamental Representation, which shall not be subject to the Indemnification Cap. For the avoidance of doubt, liability for breaches of covenants or agreements shall not be subject to the Indemnification Cap. Notwithstanding anything herein to the contrary, in no event shall any Seller be subject to any liability arising from or in connection with this Agreement or the Transactions which would result in the payment to CMI Indemnified Parties an amount of shares of CMI Common Stock in excess of the number of shares of CMI Common Stock such Seller received pursuant to the Exchange at the Closing.

(b) *Indemnification Threshold*. Notwithstanding anything herein to the contrary, in no event shall CMI have any liability arising from or in connection with any breach or inaccuracy of any representations and warranties in Article 5 which would result in the issuance to Seller Indemnified Parties shares of CMI Common Stock until the aggregate of all Losses for breaches or inaccuracies of the representations and warranties in Article 5 exceeds the number of shares of CMI Common Stock representing the Indemnification Threshold, after which CMI shall be liable only for Losses in excess of the Indemnification Threshold, except in the case of a breach or inaccuracy of a Fundamental Representation, which shall not be subject to the Indemnification Threshold. Notwithstanding anything herein to the contrary, in no event shall the Sellers as a group have any liability arising from or in connection with any breach or inaccuracy of any representations and warranties in Article 4 or Article 6 which would result in the payment of shares of CMI Common Stock to CMI Indemnified Parties until the aggregate of all Losses for breaches or inaccuracies of representations and warranties in Article 4 or Article 6 exceeds the number of shares of CMI Common Stock representing the Indemnification Threshold, after which the Sellers shall be liable only for Losses in excess of the Indemnification Threshold, except in the case of a breach or inaccuracy of a Fundamental Representation, which shall not be subject to the Indemnification Threshold. For the avoidance of doubt, liability for breaches of covenants or agreement shall not be subject to the Indemnification Threshold.

(c) Notwithstanding anything herein to the contrary, no Party hereto shall be liable to any other Person, either in contract or in tort, for any punitive, consequential or special damages relating to the breach or alleged breach hereof (whether or not the possibility of such damages has been disclosed to the other Party in advance or could have been reasonably foreseen by such other Party), in each such case, unless and to the extent, payable to a third party.

9.4 *Indemnification Notice*.

(a) If CMI or the Sellers Representative, on behalf of the Sellers, as the case may be (as applicable, the **Indemnified Party**) believes that it has a claim under this Agreement for Losses (a **Claim**), the Indemnified Party shall so notify the indemnifying party (**Indemnifying Party**) in writing (the **Claim Notice**), which Claim Notice shall include (i) a description of the type and basis of such Claim and (ii) a good faith estimate of the amount of Losses in connection therewith to the extent known or reasonably determinable (the **Indemnity Claim Amount**). If CMI believes it has a Claim against the Sellers (as a group) pursuant to Section 9.1(a), the Sellers Representative shall act on behalf of the Sellers (subject to Section 11.10(c)) and shall be the Indemnifying Party for purposes of this Article 9 (provided, that notwithstanding anything herein to the contrary, each Seller shall be responsible for its Seller Proportionate Shares of any applicable Loss with respect to such Claim). If CMI believes it has a Claim against one or more specific Sellers pursuant to Section 9.1(c), each such Seller shall be an Indemnifying Party for purposes of this Article 9. A Claim Notice with respect to a Claim for breach or inaccuracy of any representation and warranty, or for a breach of any covenant or agreement, must be made prior to the expiration of the applicable survival period set forth in Section 9.2. Within thirty (30) days of receipt of the Claim Notice (the **Objection Period**), the Indemnifying Party may object (a **Claim Objection**) to any matter, including the basis and amount of such Claim, set forth in such Claim Notice by delivering to the Indemnified Party written notice setting forth such objections in reasonable detail. If the

Indemnified Party does not receive a Claim

Objection within the Objection Period, then the Indemnifying Party shall be deemed to have acknowledged and agreed with the correctness of such Indemnity Claim Amount for the full amount thereof and shall thereafter be precluded from disputing such Indemnity Claim Amount. The Claim Objection shall set forth (i) in reasonable detail the reasons for the objection to the Claim, and (ii) the amount of the Indemnity Claim Amount which is disputed, to the extent known or reasonably determinable. If the Indemnifying Party delivers a timely Claim Objection to an Indemnified Party, the Indemnified Party shall not be entitled to recoupment for such Claim under Section 9.5 until such Claim is finally resolved by (x) a court of competent jurisdiction from which no appeal may be taken or (y) the written agreement of the Indemnified Party and the Indemnifying resolving such dispute (such final determination by a court of competent jurisdiction or written agreement being a **Final Determination**) setting forth the amount, if any, which the Indemnified Party is entitled to receive (such amount, the **Final Indemnity Claim Amount**).

(b) If, within the applicable survival period set forth in Section 9.2, any third party shall notify any Indemnified Party with respect to any third party claim or the commencement of any investigation by any Governmental Authority which may give rise to a Claim for indemnification against any Indemnifying Party under this Article 9, then the Indemnified Party shall notify the Indemnifying Party thereof promptly (such Claim, a **Third Party Claim**); provided, however, that no delay on the part of the Indemnified Party in notifying the Indemnifying Party shall relieve the Indemnifying Party from any liability or obligation hereunder unless (and then solely to the extent) the Indemnifying Party thereby is actually and materially prejudiced. The Indemnifying Party shall have the right, but not the obligation, to defend against and to assume the defense of any Third Party Claim and any related action, suit or proceeding, in its name or in the name of the Indemnified Party, at the Indemnifying Party s expense with counsel of the Indemnifying Party s choosing (which counsel shall be reasonably satisfactory to the Indemnified Party), if the Indemnifying Party provides written notice (in which notice, the Indemnifying Party agrees that the Indemnified Party is entitled to full indemnification hereunder from the Indemnifying Party with respect to the applicable Third Party Claim), to the Indemnified Party within fifteen (15) days after receipt of a Third Party Claim; provided, that (i) the Indemnifying Party shall be entitled to direct the defense for only so long as the Indemnifying Party conducts the defense in an active and diligent manner and (ii) the Third Party Claim is not in respect of any matter involving criminal liability. The Indemnified Party is hereby authorized (upon reasonable prior written notice to the Indemnifying Party), and at the cost and expense of the Indemnifying Party, prior to the Indemnifying Party s delivery of a written election to the Indemnified Party of its agreement to defend any Third Party Claim (pursuant to, and in accordance with, this Section 9.4(b)), to file any motion, answer or other pleading that it shall reasonably deem necessary to protect its interests or those of the Indemnifying Party. If the Indemnifying Party elects to assume the defense of a Third Party Claim pursuant to, and in accordance with, this Section 9.4(b), the Indemnified Party may participate in such defense with counsel of its own choosing, at its own expense. The Indemnifying Party shall not, as long as it actively and diligently conducts the defense of any Third Party Claim and related action, suit or proceeding on behalf of the Indemnified Party, be liable to the Indemnified Party under this Article IX for any fees of such other counsel or any other expenses with respect to the defense of such Third Party Claim and related action, suit or proceeding incurred by the Indemnified Party in connection with the defense of such Third Party Claim and related action, suit or proceeding; provided, however, that notwithstanding the foregoing, the Indemnifying Party shall pay the reasonable attorneys fees of the Indemnified Party if (x) the Indemnified Party s counsel shall have reasonably concluded that there are defenses available to such Indemnified Party that are different from or additional to those available to the Indemnifying Party or (y) the Indemnified Party s counsel shall have concluded that there is a conflict of interest that could make it inappropriate under applicable standards of professional conduct to have common counsel for the Indemnifying Party and the Indemnified Party. The Indemnified Party will not consent to any settlement or compromise with respect to the applicable Third Party Claim and related action, suit or proceeding without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld or delayed. The Indemnifying Party will not consent to the entry of any judgment with respect to the applicable Third Party Claim and related action, suit or proceeding, or enter into any settlement or compromise with respect to the applicable Third Party Claim and related action, suit or proceeding, unless (i) the Indemnifying Party obtained the prior written consent of the Indemnified Party, which shall not be unreasonably withheld or delayed or (ii) the Indemnifying Party pays all amounts in full and such judgment or

settlement includes a provision whereby the plaintiff or claimant in the matter releases the

Indemnified Party and each of its equityholders, managers, directors, officers, employees, representatives, agents and Affiliates from all liability with respect thereto (provided, that notwithstanding anything herein to the contrary, the prior written consent of the Indemnified Party shall be required for the Indemnifying Party to enter into any settlement or compromise of any Third Party Claim and related action, suit or proceeding (A) where monetary damages are in excess of the remaining amount by which the Indemnifying Party is liable pursuant to this Agreement (or would otherwise result in liability in excess of an applicable indemnification cap in Section 9.3(c)), (B) that seeks equitable remedies and/or (C) that involves criminal liability).

9.5 *Manner of Payment of Claims after Closing*.

(a) Notwithstanding anything herein to the contrary, (i) all payments required to be made to any Party pursuant to this Article 9 shall solely be made by the issuance or cancellation of shares of CMI Common Stock (unless otherwise agreed to in writing by CMI and the applicable Seller), (ii) from and after the date that is nine (9) months after the Closing Date, CMI shall not be permitted to cancel any CMI Common Stock of any of the Sellers without such Seller s prior written consent (provided, that, if a CMI Indemnified Party has made a proper Claim for indemnification pursuant to Section 9.1 prior to the expiration of such nine-month period, then such Claim for such Loss incurred (and only such Claim for such Loss incurred), if then unresolved, shall not be extinguished by the passage of such nine-month period, and CMI may be permitted to cancel shares of CMI Common Stock of the applicable Seller(s) solely with respect to a Loss set forth in such surviving Claim it is ultimately determined that such CMI Indemnified Party is entitled to indemnification for such Claim pursuant to the terms of this Agreement) and (iii) in no event shall CMI be permitted to cancel more than 10% of the shares of CMI Common Stock issued to any Seller in connection with the Exchange without either such Seller s prior written consent or final resolution of the applicable Claim in accordance with the terms of this Article 9 (and, for the avoidance of doubt, to the extent CMI s indemnifiable Loss pursuant to a valid Claim is limited by such 10% limitation, it may pursue alternative payment against the applicable Seller, subject to the terms and limitations set forth in this Article 9). After Closing, upon final resolution thereof in accordance with this Article 9, subject to the immediately preceding sentence, payment in respect of any successful Claims shall be effected in the following manner:

(i) with respect to payment to a Seller, the issuance of an additional number of shares of Class A Common Stock or Class D Common Stock determined as provided in paragraph (b) below; and

(ii) with respect to payment to CMI, cancellation of a number of shares of Class A Common Stock or Class D Common Stock held by the Seller or Sellers from whom indemnification is being provided in respect of such Claim determined as provided in paragraph (b) below.

(b) For purposes of this Section 9.5, the number of shares of CMI Common Stock issued or canceled, as applicable, shall be the quotient of (i) the Final Indemnity Claim Amount *divided by* (ii) the volume weighted average price of a share of CMI Common Stock as reported on Nasdaq for the ten (10) consecutive trading days immediately following the date of Final Determination of the applicable Claim (in accordance with this Article 9). Any issuance or cancellation of CMI Common Stock under this Agreement shall be promptly performed, but in no event shall the issuance or cancellation, as applicable, be performed later than ten (10) Business Days after the period contemplated in clause (ii) of this paragraph. CMI shall provide each Seller who (x) is entitled to receive any additional CMI Common Stock or (y) has any of its CMI Common Stock cancelled pursuant to this Agreement, written notice (with a copy contemporaneously provided to the Sellers Representative) of any such issuance of CMI Common Stock to such Seller, or cancellation of such Seller s CMI Common Stock, as the case may be, together with (A) a detailed summary outlining the total amount of CMI Common Stock so issued or cancelled, as the case may be, with respect to the applicable Claim and (B) a detailed breakdown of the CMI Common Stock issued or canceled with respect to all other Sellers and Persons who received Radio Holdings Warrant Shares with respect to such Claim.

(c) The class of shares of CMI Common Stock (*i.e.,* Class A Common Stock or Class D Common Stock) to be issued to a Seller as provided in clause (a)(i) above, or held by a Seller and cancelled as provided in clause (a)(ii) above, shall be the same as that issued to the applicable Seller pursuant to the Exchange (and, if a combination of shares of both such classes is issued to a Seller in the Exchange, in the same proportion as

in the Exchange), unless, in the case of clause (a)(ii) above, shares of the applicable class to be cancelled are no longer held by the applicable Seller, in which case shares of any class of CMI Common Stock held by the applicable Seller may be so cancelled.

9.6 *Exclusive Remedy*. After Closing, the indemnification rights provided for in this Article 9 shall be the sole and exclusive remedy available under contract, tort or other legal theories to the Parties hereto for breach, inaccuracy misrepresentation or default by any Party under or in respect of this Agreement, except (i) in the case of fraud and except for any equitable remedies that may be available to a Party and (ii) for any covenants required to be performed in whole or in part following the Closing (which covenants may be specifically enforced by the Parties hereto in accordance with Section 11.15).

Article 10

Definitions

As used herein, the terms used in this Article 10 shall have the meanings set forth therein and herein unless the context otherwise requires, and such terms shall be equally applicable to the singular and plural terms defined.

Affected Seller has the meaning set forth in Section 11.10(c) hereof.

Affiliate of any particular Person means any other Person controlling, controlled by or under common control with such particular Person, where control means the possession, directly or indirectly, of the power to direct the management and policies of a Person whether through the ownership of voting securities or otherwise.

Agreement means this Exchange Agreement, a may be amended, supplemented or modified from time to time.

Antitrust Laws has the meaning set forth in Section 7.2(a) hereof.

Audit means any audit, assessment of Taxes, other examination by any Governmental Authority responsible for the administration or imposition of any Tax or any proceeding or appeal of such proceeding relating to Taxes.

Bain Seller means any Seller designated as such on the signature pages to this Agreement.

Bank Amendment Amount has the meaning set forth in Section 9.1(d)(i).

Barter Agreements means all agreements and arrangements pursuant to which advertising is exchanged for goods and services.

Benefit Plans means (i) all employee benefit plans, as defined in section 3(3) of ERISA, whether or not subject to ERISA, and (ii) all plans, Contracts, agreements, programs, policies, funds or arrangements of any kind (whether written or oral, qualified or nonqualified, registered or unregistered, funded or unfunded (including any funding mechanism now in effect or required in the future as a result of the transaction contemplated by this Agreement), foreign or domestic, legally binding or not) providing for employment, workers compensation, supplemental unemployment benefits, severance, change in control, salary continuation, retention, fringe, collective bargaining, retirement or other savings, pension, superannuation or supplemental pension benefits, life, health, disability or accident benefits (including any voluntary employees beneficiary association as defined in section 501(c)(9) of the Code providing for the same or other benefits and any multiemployer plans within the meaning of Section 3(37) of ERISA) or for employee loans, deferred compensation, bonuses, stock options, stock appreciation rights, phantom stock, stock purchases or other forms of incentive compensation, profit sharing or post-retirement insurance,

compensation or benefits and any trust, escrow or similar agreement related thereto under which (i) any present or former employees, directors, executive officers, or stockholders of such Person or Commonly Controlled Entities has any present or future

right to benefits and which are contributed to, sponsored by, or maintained by such Person, or any of its respective Subsidiaries, or Commonly Controlled Entities, or established, maintained or contributed to by such Person or any of its Subsidiaries or (ii) with respect to which such Person or any of its Subsidiaries has had or may incur any present or future liability.

Blackstone Designee has the meaning set forth in Section 7.8(a).

Blackstone Seller means any Seller designated as such on the signature pages to this Agreement.

Board of Directors has the meaning set forth in the Recitals.

Business Day means a day other than a Saturday, a Sunday or another day on which commercial banking institutions in New York, New York are authorized or required by Law to be closed.

Charter Amendment means the amendment to the amended and restated certificate of incorporation of CMI, substantially in the form of Annex C.

Citadel Securities means Citadel Securities LLC.

Claim has the meaning set forth in Section 9.4(a) hereof.

Claim Notice has the meaning set forth in Section 9.4(a) hereof.

Claim Objection has the meaning set forth in Section 9.4(a) hereof.

Class A Common Stock has the meaning set forth in Section 1.1 hereof.

Class B Approval has the meaning set forth in the Recitals.

Class B Common Stock has the meaning set forth in the Recitals.

Class C Common Stock has the meaning set forth in Section 5.2(a) hereof.

Class D Common Stock has the meaning set forth in Section 1.1 hereof.

Closing has the meaning set forth in Section 2.1 hereof.

Closing Date has the meaning set forth in Section 2.1 hereof.

CMI has the meaning set forth in the Preamble.

CMI Benefit Plan has the meaning set forth in Section 5.14(a) hereof.

CMI Commission Authorizations has the meaning set forth in Section 5.8(b) hereof.

CMI Common Stock has the meaning set forth in Section 5.2(a) hereof.

CMI Disclosure Schedule has the meaning set forth in Article 5 hereof.

CMI Equity Awards has the meaning set forth in Section 5.2(a) hereof.

CMI Financial Statements has the meaning set forth in Section 5.5(b) hereof.

CMI Leased Real Property means all real property leased or subleased (whether as tenant or subtenant) by CMI or any of its Subsidiaries as of the date hereof.

CMI Material Contracts has the meaning set forth in Section 5.11 hereof.

CMI Owned Real Property means all real property owned by CMI or any of its Subsidiaries as of the date hereof.

CMI Senior Credit Facility means the Credit Agreement, dated as of June 7, 2006, among Cumulus Media Inc., Bank of America, N.A., as administrative agent thereunder, and the other lender parties thereto, as amended.

CMI Voting Stock means, together, the Class A Common Stock and the Class C Common Stock, par value $0.01 per share, of CMI.

CMI Warrants has the meaning set forth in Section 5.2(a) hereof.

CMP has the meaning set forth in the Recitals.

CMP Advisory Services Agreement means the Advisory Services Agreement, dated May 5, 2006, among CMP, CMP Susquehanna Holdings Corp., CMP Susquehanna Radio Holdings Corp., CMP Susquehanna Corp., and the PE Advisors (as defined therein), as amended.

CMP Amendment that certain agreement styled as Amendment , dated as of November 20, 2007, by and among CMI, CMP, Top Holdco, and the Sellers.

CMP Benefit Plans has the meaning set forth in Section 4.13(a) hereof.

CMP Capital Contribution Agreement means the Capital Contribution Agreement, dated as of October 31, 2005, by and among CMP, CMI and the Investors (as defined therein).

CMP Commission Authorizations has the meaning set forth in Section 4.7(b) hereof.

CMP Consent and Agreement means the Consent and Agreement, dated as of November 20, 2007, by and among CMI and the Sellers.

CMP Equityholders Agreement means the Equityholders Agreement, dated May 5, 2006, among CMP, CMI, CMP Susquehanna Holdings Corp. and the other parties thereto, as amended.

CMP Financial Statements has the meaning set forth in Section 4.4 hereof.

CMP Leased Real Property means all real property leased or subleased (whether as tenant or subtenant) by CMP or any of its Subsidiaries as of the date hereof.

CMP LLC Agreement means the Limited Liability Company Agreement, dated October 31, 2005, by and among CMP, CMI, Bain Capital Fund VIII, L.P., BCP Acquisition Company L.L.C., and Thomas H. Lee Equity Fund V, L.P., as amended.

CMP Management Agreement means the Management Agreement, dated as of May 3, 2006, by and between Top Holdco and CMI.

CMP Material Contracts has the meaning set forth in Section 4.10 hereof.

CMP Non-Solicitation Agreement means the Non-Solicitation Agreement, dated as of May 5, 2006, by and among CMI and the Sellers.

CMP Owned Real Property means all real property owned by CMP or any of its Subsidiaries as of the date hereof.

CMP Registration Rights Agreement means the Registration Rights Agreement, dated May 5, 2006, by and among Top Holdco, CMP, CMI and the other parties thereto, as amended.

Code means the Internal Revenue Code of 1986, as amended.

Commonly Controlled Entity means any trade or business (whether or not incorporated) (i) under common control within the meaning of section 4001(b)(1) of ERISA with CMI or any of CMI Subsidiaries or (ii) which together with CMI or any of CMI Subsidiaries is treated as a single employer under section 414 of the Code.

Communications Act means the Communications Act of 1934, as amended.

Contract means any written or oral agreement, contract, subcontract, settlement agreement, lease, sublease, instrument, note, option, bond, mortgage, indenture, trust document, loan or credit agreement, purchase order, license, sublicense, insurance policy, benefit plan or legally binding commitment or undertaking of any nature, as in effect as of the date hereof or as may hereinafter be in effect.

D&O Insurance has the meaning set forth in Section 7.11(b).

EITF means Emerging Issues Task Force.

End Date has the meaning set forth in Section 8.1(c) hereof.

Environmental Laws means all Laws relating to the protection of the environment, including the ambient air, soil, surface water or groundwater, or relating to the protection of human health from exposure to or impacts of Materials of Environmental Concern.

Environmental Permits means all Permits and other registrations under any applicable Environmental Laws.

ERISA means the Employee Retirement Income Security Act of 1974, as amended.

ERISA Affiliate means with respect to CMP or CMI, any other Person that is required to be aggregated with CMP under Section 4.13(a) and (k) or with CMI under Section 5.13(a) and (k), respectively, at any time prior to the Closing Date, prior that CMI shall not thereby be deemed to be making representations or warranties with respect to CMP or its Subsidiaries.

Exchange has the meaning set forth in Section 1.1 hereof.

Exchange Act means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

FASB means Financial Accounting Standards for Broadcasters.

FCC means the Federal Communications Commission.

Final Determination has the meaning set forth in Section 9.4(a) hereof.

Final Indemnity Claim Amount has the meaning set forth in Section 9.4(a) hereof.

Final Order shall mean an Order of the FCC which is not reversed, stayed, enjoined or set aside, and with respect to which no timely request for stay, reconsideration, review, rehearing or notice of appeal or determination to reconsider or review is pending, and as to which the time for filing any such request, petition or notice of appeal or for review by the FCC or a court with jurisdiction over such matters, and for any reconsideration, stay or setting aside by the FCC or court on its own motion or initiative, has expired.

FMV has the meaning set forth in Section 7.2(a).

Fundamental Representations means, collectively, Section 4.1 (Organization), Section 4.2 (Capitalization), Section 4.19 (Brokers or Finders), Section 5.1 (Organization), Section 5.2 (Capitalization), Section 5.3 (Authorization;

Validity of Agreement), Section 5.20 (Brokers or Finders), Section 6.1 (Title to Units), Section 6.2 (Authorization; Validity of Agreement) and Section 6.8 (Brokers or Finders).

GAAP has the meaning set forth in Section 4.4 hereof.

Governmental Authority means any foreign, domestic, federal territorial, state or local governmental authority, quasi-governmental authority, instrumentality, court, government or self-regulatory organization, commission, tribunal or organization or any regulatory, administrative or other agency, or any political or other subdivision, department or branch of any of the foregoing.

HSR Act means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Indemnification Cap means 994,572 shares of CMI Common Stock.

Indemnification Threshold means 99,457 shares of CMI Common Stock.

Indemnified Party has the meaning set forth in Section 9.4(a) hereof.

Indemnifying Party has the meaning set forth in Section 9.4(a) hereof.

Indemnity Claim Amount has the meaning set forth in Section 9.4(a) hereof.

Initial Order means the FCC s order(s) granting the Transfer of Control Applications.

Intellectual Property has the meaning set forth in Section 4.9 hereof.

Knowledge and Known to , or similar or correlative terms, of CMI or CMP means, with respect to any matter or circumstance, the actual knowledge of any of Lewis W. Dickey, Jr., John W. Dickey, Joseph P. Hannan, Jon G. Pinch or Richard S. Denning after due inquiry reasonable under the circumstances as to any such matter or circumstance.

Knowledge and Known to , or similar or correlative terms, of any Seller, means, with respect to any matter or circumstance, the actual knowledge of Ian Loring, if a Bain Seller, David Tolley, if a Blackstone Seller, and Soren Oberg of a THL Seller, after due inquiry reasonable under the circumstances as to any such matter or circumstance.

Law shall mean any applicable statute, law, ordinance, regulation, rule, code, principle of common law, arbitration award or fining, Order or other requirement of any Governmental Authority.

Liens means any and all liens, pledges, charges, mortgages, security interests, restrictions of record, easements, title defects or encumbrances.

Losses has the meaning set forth in Section 9.1(a) hereof.

Material Adverse Effect means any material adverse change in, or material adverse effect on, the business, financial condition or results of operations of a Person and its Subsidiaries (excluding, in the case of CMP, StickCo, the business, financial condition and results of operations of which shall not be taken into account in determining whether a material adverse change or material adverse effect exists or has occurred with respect to CMP), taken as a whole; provided, however, that any change or effect (alone or in combination) resulting from or arising in connection with (i) the industries in which such Person and its Subsidiaries operate, (ii) the United States or the global economic or political condition or (iii) the United States securities markets shall be excluded from the determination of Material Adverse Effect (provided, that in the case of clauses (i), (ii) and (iii), only to the extent they have not had, and would reasonably be expected not to have, a materially disproportionate effect on such Person and its Subsidiaries relative to other companies in the same industries as such Person and its Subsidiaries operate); and provided, further, however, that any change or effect (alone or in combination) resulting from or arising in connection with (A) the execution, delivery or performance of this Agreement, the announcement of this Agreement, or the pendency or consummation of the Transactions (including any cancellation of or delays in work for customers, any reductions in sales, any disruption in supplier, licensor, licensee, distributor, partner or similar relationships or any loss of employees or consultants), (B) natural disasters, acts of war, terrorism or sabotage, military actions or the escalation thereof or other force majeure events, (C) changes in GAAP or other applicable accounting rules or applicable Law (including the accounting rules and regulations of the SEC), or, in any such case, changes in the interpretation thereof, (D) any action

required by Law or contemplated by this Agreement, or (E) any action required to comply with the rules and regulations of the SEC or the SEC comment process, in each such case, shall also be excluded from the determination of Material Adverse Effect.

Materials of Environmental Concern means any hazardous, acutely hazardous, or toxic substance or waste defined as such or by any similar term or regulated under any Environmental Laws, including the

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federal Comprehensive Environmental Response, Compensation and Liability Act and the federal Resource Conservation and Recovery Act (including crude oil or any other petroleum product and asbestos), and any radiofrequency radiation.

Nasdaq means the Nasdaq Stock Market, Inc.

Objection Period has the meaning set forth in Section 9.4(a) hereof.

Orders means all orders, writs, injunctions, judgments, decisions, settlements, decrees, rulings and awards of any Governmental Authority

Organizational Documents means the certificate of incorporation, bylaws or the equivalent organizational documents (including all partnership, limited liability company or similar agreements) of an entity, in each case as amended through the date of this Agreement.

Party and Parties has the meaning set forth in the Preamble.

Permits means all licenses, permits, franchises, registrations, filings, authorizations, variances, waivers, consents and approvals of any Governmental Authority.

Permitted Liens means (i) Liens for Taxes or assessments or other governmental charges not yet due and payable and for which appropriate reserves have been established in accordance with GAAP; (ii) pledges or deposits of money securing statutory obligations under workmen s compensation, unemployment insurance, social security or public liability Laws or similar legislation; (iii) inchoate and unperfected landlords , workers , mechanics or similar Liens arising in the ordinary course of business, so long as such Liens attach only to equipment, fixtures or real property of such Person and any such Liens which may have been filed and/or perfected but which are not overdue for a period of more than thirty (30) days or that are being contested in good faith by appropriate proceedings; (iv) carriers , warehousemen s, suppliers or other similar possessory Liens arising in the ordinary course of business; or (v) zoning restrictions or recorded easements affecting the use of any real property or other minor irregularities in title (including leasehold title) affecting any real property, so long as the same do not materially impair the use of such real property as it is presently being used in the operation of the business of such Person.

Person means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust, estate or unincorporated organization.

Pro-Forma Ownership Percentage has the meaning set forth in Section 9.1(d) hereof.

Proxy Statement has the meaning set forth in Section 7.3(a) hereof.

Radio Holdings means CMP Susquehanna Radio Holdings Corp., a Delaware corporation.

Radio Holdings Registration Rights Agreement means the Registration Rights Agreement, dated as of March 26, 2009, among Radio Holdings and the initial holders of the Radio Holdings Warrants and Radio Holdings Series A Preferred Stock who have executed a joinder thereto.

Radio Holdings Warrant Agreement means the Warrant Agreement, dated as of March 26, 2009, between Radio Holdings and Computershare Trust Company, N.A., as the warrant agent thereunder, governing the rights and obligations of Radio Holdings and the holders of the Radio Holdings Warrants.

Radio Holdings Warrant Agreement Amendment has the meaning set forth in Section 7.9.

Radio Holdings Warrants means the warrants to purchase shares of common stock of Radio Holdings pursuant to the Radio Holdings Warrant Agreement.

Radio Holdings Warrant Shares has the meaning set forth in Section 7.9 hereof.

Registration Rights Agreement has the meaning set forth in Section 1.3 hereof.

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Sarbanes-Oxley Act means the Sarbanes-Oxley Act of 2002, as amended.

SEC means the United States Securities and Exchange Commission.

SEC Reports has the meaning set forth in Section 5.5(a) hereof.

Securities Act means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

Securities Exchange Rules means the rules and regulations, including listing standards, of Nasdaq or other United States national securities exchange registered under the Exchange Act on which the applicable common stock is then traded.

Seller and Sellers has the meaning set forth in the Preamble.

Seller Disclosure Schedule has the meaning set forth in Article 4 hereof.

Seller Proportionate Share means, with respect to any Seller, (A) the number of shares of CMI Common Stock issuable to such Seller in the Exchange divided by (B) the sum of (i) the number of shares of CMI Common Stock issuable to all Sellers in the Exchange plus (ii) the number of Radio Holdings Warrant Shares issuable pursuant to the Radio Holdings Warrant Agreement Amendment (even if such amendment is not obtained and such shares are not so issuable).

Sellers Representative has the meaning set forth in the Preamble.

Series A Preferred Stock has the meaning set forth in Section 5.2(a) hereof.

Series B Preferred Stock has the meaning set forth in Section 5.2(a) hereof.

Significant Subsidiary means any Company Subsidiary that qualifies as a significant subsidiary under Rule 12b-2 promulgated under the Exchange Act.

Special Indemnity Amount has the meaning set forth in Section 9.1(d).

Special Indemnity Share Price has the meaning set forth in Section 9.1(d) hereof.

Stations means, with respect to any Person, the radio stations owned and operated by such Person and its Subsidiaries, and, for the avoidance of doubt, Stations owned and operated by CMP and its Subsidiaries shall not be considered to be Stations of CMI and its Subsidiaries.

StickCo means CMP KC, LLC, a Delaware limited liability company.

Stockholder Approval has the meaning set forth in Section 5.21 hereof.

Stockholders Meeting has the meaning set forth in Section 7.3 hereof.

Stock Consideration has the meaning set forth in Section 1.1 hereof.

Subsidiaries means, as to any Person (i) of which such Person directly or indirectly owns capital stock or other equity securities representing more than fifty percent (50%) of the aggregate voting power or (ii) of which such Person

possesses more than fifty percent (50%) of the right to elect directors or Persons holding similar positions; provided, however, with respect to CMI, none of CMP or any of its Subsidiaries shall be deemed to be a Subsidiary or Affiliate of CMI for purposes of this Agreement.

Taxes or Tax means all taxes or other fiscal levies imposed by any Governmental Authority, domestic or foreign, including any net income, alternative or add-on minimum, gross income, gross receipts, sales, use, ad valorem, value added, transfer, franchise, profits, license, registration, recording, documentary, conveyancing, gains, withholding, payroll, employment, excise, severance, stamp, occupation, premium, property, or environmental tax, custom, duty or other like assessment, together with any interest, penalty, addition to tax or additional amount imposed or assessed by any Governmental Authority with respect thereto.

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Tax Matters Member has the meaning set forth in the CMP LLC Agreement.

Tax Returns means all federal, state, local or foreign returns, reports or similar statements required to be filed with respect to any Taxes, including declarations of estimated Tax, attached schedules, information returns, and any amendments to any of the foregoing.

Third Party Claim has the meaning set forth in Section 9.4(b) hereof.

THL Seller means any Seller designated as such on the signature pages to this Agreement.

Top Holdco means CMP Susquehanna Holdings Corp., a Delaware corporation.

Total Leverage Ratio has the meaning set forth in the CMI Senior Credit Facility.

Transaction Documents means all documents, agreements and instruments to be executed in connection with this Agreement; provided, that solely for purposes of Section 11.10 herein, Transaction Documents shall not include the Registration Rights Agreement.

Transactions shall mean the Exchange and the other transactions contemplated by this Agreement.

Transfer of Control Applications has the meaning set forth in Section 7.2(b) hereof.

Unit Assignments has the meaning set forth in Section 1.1 hereof.

Units has the meaning set forth in the CMP LLC Agreement.

Updated FMV has the meaning set forth in Section 7.2(a).

Wholly-Owned Subsidiary means, as to any Person, a Subsidiary of which such Person directly or indirectly owns 100% of the outstanding capital stock or equity and voting securities.

willful and material breach has the meaning set forth in Section 8.2 hereof.

Article 11

Miscellaneous

11.1 *Binding Agreement*. All of the terms and provisions of this Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective heirs, legal representatives, successors and permitted assigns.

11.2 *Assignment*. No Party may assign any of its rights, or delegate any of its obligations, under this Agreement without the prior written consent of CMI, in the case of a proposed assignment or delegation by a Seller, or the prior written consent of the Sellers Representative, in the case of a proposed assignment or delegation by CMI. Any purported assignment or delegation in violation of this Section 11.2 shall be null and void.

11.3 *Governing Law*. This Agreement shall be governed by and construed in accordance with the Laws of the State of Delaware applicable to contracts to be made and performed entirely therein without giving effect to the principles of conflicts of Law thereof or of any other jurisdiction.

11.4 *Notices*. All notices, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given (i) on the date so given, if delivered personally, (ii) on the date sent, if delivered by facsimile with telephone confirmation of receipt, (iii) on the second Business Day following the date deposited in the mail if mailed via an internationally recognized overnight courier and (iv) on the fourth

Business Day following the date deposited in the mail if mailed via registered or certified mail, return receipt requested, postage prepaid, in each case, to the other Party at the following addresses:

if to CMI, to:

Cumulus Media Inc.
3280 Peachtree Road, N.W.
Suite 2300
Atlanta, Georgia 30305
Attn: Lewis W. Dickey, Jr.
Facsimile: (404) 949-0700

with a copy (which shall not constitute notice) to:

Jones Day
1420 Peachtree Street, N.E.
Atlanta, GA 30309
Attn: John E. Zamer, Esq.
Facsimile: (404) 581-8330

if to any Seller, to the address listed on the signature pages hereto for such Seller

if to the Sellers Representative, to:

Blackstone FC Communications Partners L.P.
c/o The Blackstone Group L.P.
345 Park Avenue
New York, NY 10154
Attn: David M. Tolley
Facsimile: (212) 583-5710

with copies (which shall not constitute notice) to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
Attn: Wilson S. Neely, Esq.
Facsimile: (212) 455-2502

or to such other addresses as any such Party may designate in writing in accordance with this Section 11.4.

11.5 *Fees and Expenses*. Except as specifically provided in Article 9, CMI shall pay all of its own fees and expenses in connection with the negotiation, execution and performance of this Agreement and the Transactions. Except as specifically provided in Article 9, CMI shall cause CMP to pay all reasonable fees and expenses of the Sellers Representative actually incurred in connection with the negotiation, execution and performance of this Agreement and the Transactions (including, without limitation, the reasonable fees and expenses of Citadel Securities actually incurred), and up to, in the case of legal fees and expenses, a maximum amount provided for in Section 11.5 of the Seller Disclosure Schedule plus the reasonable fees and expenses actually incurred of one FCC counsel for the Sellers Representative; provided that in the event this Agreement is terminated pursuant to Article VIII, CMI shall reimburse

CMP for all such fees and expenses.

11.6 *Entire Agreement*. This Agreement and the Transaction Documents set forth the entire understanding of the Parties with respect to the subject matter hereof. This Agreement and the Transaction Documents supersede all prior agreements and understandings between or among the Parties with respect to such subject matter.

11.7 *Waivers; Amendments*.

(a) No provision of this Agreement may be waived except by a written instrument signed by CMI or the Sellers Representative (on behalf of itself and the Sellers), as the case may be, as the party or parties against whom the waiver is to be effective. No course of dealing between the Parties shall be deemed to modify, amend or discharge any provision or term of this Agreement. No delay by any Party to this Agreement in the exercise of any of its rights or remedies shall operate as a waiver thereof, and no single or partial exercise by any Party of any such right or remedy shall preclude any other or further exercise thereof. A waiver of any right or remedy on any one occasion shall not be construed as a bar to or waiver of any such right or remedy on any other occasion.

(b) Subject to applicable Law, this Agreement and the rights and obligations hereunder may be amended, modified or supplemented only by a writing signed by CMI and the Sellers Representative.

11.8 *Severability*. Any provision of this Agreement which is rendered invalid, void or otherwise unenforceable by a court of competent jurisdiction shall be ineffective only to the extent of such prohibition or invalidity and shall not invalidate or otherwise render ineffective any or all of the remaining provisions of this Agreement. Upon such determination that any provision of this Agreement is invalid, void or otherwise unenforceable, CMI and the Sellers Representative shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

11.9 *No Third-Party Beneficiaries*. Except as set forth in Section 7.8(c), Section 7.11, Section 9.1(a) and Section 9.1(b) nothing herein, express or implied, is intended or shall be construed to confer upon or give to any Person other than the Parties, any rights, remedies or other benefits under or by reason of this Agreement or any documents executed in connection with this Agreement.

11.10 *Appointment of the Sellers Representative*.

(a) Each Seller hereby appoints the Sellers Representative (with full power of substitution) as its agent and attorney-in-fact to act for it and in its name in connection with all matters related to this Agreement and the Transaction Documents and the transactions contemplated by this Agreement and the Transaction Documents, and each Seller gives the Sellers Representative full power and authority to deliver assignments or other transfer documents in respect of its Units, to take all action contemplated to be taken by the Sellers Representative under this Agreement and the Transaction Documents, to receive on its behalf the Stock Consideration for its Units payable pursuant to Article 1, to execute amendments, supplements or waivers to this Agreement and the Transaction Documents (subject to Section 11.7), to give and receive all notices and other communications relating to this Agreement and the Transaction Documents, and to execute any instruments and documents that the Sellers Representative may determine necessary in the exercise of its authority pursuant to this power of attorney, all without notice to any of them and with the same effect as if they had themselves taken such action; and each of the Sellers acknowledges and agrees that they shall be bound by, and CMI may rely and act upon, any action taken by the Sellers Representative on behalf of the Sellers and upon any instruments and documents signed by the Sellers Representative with the same force and effect as if the Sellers had themselves so acted. By their execution hereof, the Sellers Representative hereby accepts such appointment and agrees to act as the Sellers Representative under this Agreement and the Transaction Documents and in connection therewith.

(b) The Sellers Representative shall not be liable to the Sellers for any action taken or omitted by the Sellers Representative in good faith, and in no event shall the Sellers Representative be liable or responsible to any of the Sellers. The Sellers shall, jointly and severally, hold the Sellers Representative (acting in such capacity, but not in its capacity as a Seller) harmless from, and to indemnify and reimburse the Sellers Representative for, all costs and

expenses of the Sellers Representative pursuant to this Agreement or the Transaction Documents and all Losses arising in connection with any action, suit or claim arising under this Agreement and the Transaction Documents; provided, that the Sellers Representative shall not have acted in bad faith with respect to any of the events relating to such claims, liabilities, losses or expenses.

(c) The Sellers Representative agrees to provide each Seller with written notice of any claim made against a Seller (each, an Affected Seller) for indemnification pursuant to Article 9 within three (3) Business Days of receipt of such Claim from CMI. The Sellers Representative shall give each Affected Seller an opportunity to participate in the response to any Claim, provided, however, that the Affected Seller responds promptly to the notice.

11.11 *Submission to Jurisdiction; Waiver of Jury Trial*.

(a) Each of the Parties hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Delaware Court of Chancery (and if jurisdiction in the Delaware Court of Chancery shall be unavailable, the Federal courts of the United States of America sitting in the State of Delaware), and any appellate court from any such court, in any action or proceeding arising out of or relating to this Agreement or the Transactions or for recognition or enforcement of any judgment relating thereto, and each of the Parties hereby irrevocably and unconditionally (i) agrees not to commence any such action or proceeding except in the Delaware Court of Chancery (and if jurisdiction in the Delaware Court of Chancery shall be unavailable, the Federal court of the United States of America sitting in the State of Delaware), (ii) agrees that any claim in respect of any such action or proceeding may be heard and determined in the Delaware Court of Chancery (and if jurisdiction in the Delaware Court of Chancery shall be unavailable, the Federal courts of the United States of America sitting in the State of Delaware), and any appellate court from any thereof, (iii) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any such action or proceeding in the Delaware Court of Chancery (and if jurisdiction in the Delaware Court of Chancery shall be unavailable, the Federal courts of the United States of America sitting in the State of Delaware), and (iv) waives, to the fullest extent it may legally and effectively do so, the defense of an inconvenient forum to the maintenance of such action or proceeding in the Delaware Court of Chancery (and if jurisdiction in the Delaware Court of Chancery shall be unavailable, the Federal courts of the United States of America sitting in the State of Delaware). Each of the Parties agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law.

(b) EACH PARTY HERETO ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE IT HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. EACH PARTY CERTIFIES AND ACKNOWLEDGES THAT (I) NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE EITHER OF SUCH WAIVERS, (II) IT UNDERSTANDS AND HAS CONSIDERED THE IMPLICATIONS OF SUCH WAIVERS, (III) IT MAKES SUCH WAIVERS VOLUNTARILY, AND (IV) IT HAS BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 11.11(b).

11.12 *Counterparts*. This Agreement may be executed in any number of counterparts (including via facsimile or electronic mail in PDF format), each of which shall be deemed an original but all of which shall constitute one and the same agreement.

11.13 *Headings; Disclosure Schedule*.

(a) The Article, Section and paragraph headings contained herein are for the purposes of convenience only and are not intended to define or limit the contents of said Articles, Sections and paragraphs.

(b) Disclosures included in any section of the Seller Disclosure Schedule or the CMI Disclosure Schedule shall be considered to be made for purposes of all other sections of the Seller Disclosure Schedule or the CMI Disclosure Schedule, as the case may be, to the extent that the relevance of any such disclosure to any other

section of the Seller Disclosure Schedule or CMI Disclosure Schedule, as the case may be, is reasonably apparent on its face from the text of such disclosure.

11.14 *Use of Terms*. Whenever required by the context, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. Whenever the words include or including are used in this Agreement, they are deemed to be followed by the words without limitation . Reference to any agreement, document or instrument means such agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof. Unless otherwise indicated, reference in this Agreement to a Section or Article means a Section or Article, as applicable, of this Agreement. When used in this Agreement, words such as herein , hereinafter , hereof , hereto , and hereunder shall refer to this Agreement as a whole, unless the context clearly requires otherwise. The use of the words or, either and any shall not be exclusive. The Parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the Parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any Party by virtue of the authorship of any of the provisions of this Agreement.

11.15 *Specific Performance*. The Parties acknowledge and agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached, and that monetary damages, even if available, would not be an adequate remedy therefor and therefore fully intend for specific performance to be the principal remedy for breaches of this Agreement. It is accordingly agreed that, the Parties (and in the case of the Sellers Representative, on behalf of itself and the Sellers) shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the performance of terms and provisions of this Agreement in any court referred to in Section 11.11(a), without proof of actual damages, this being in addition to any other remedy to which they are entitled at Law or in equity. The Parties further agree not to assert that a remedy of specific enforcement is unenforceable, invalid, contrary to Law or inequitable for any reason, nor to object to a remedy of specific performance on the basis that a remedy of monetary damages would provide an adequate remedy for any such breach. Each Party further acknowledges and agrees that the agreements contained in this Section 11.15 are an integral part of the Transactions and that, without these agreements, the other Parties would not enter into this Agreement. Each Party further agrees that no other Party or any other Person shall be required to obtain, furnish or post any bond or similar instrument in connection with or as a condition to obtaining any remedy referred to in this Section 11.15, and each Party hereto irrevocably waives any right it may have to require the obtaining, furnishing or posting of any such bond or similar instrument.

[Signatures On The following Pages]

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IN WITNESS WHEREOF, the Parties have duly executed this Agreement effective as of the date first written above.

CUMULUS MEDIA INC.

By: /s/ Lewis W. Dickey, Jr.

Name: Lewis W. Dickey, Jr.

Title: Chairman, President & Chief Executive Officer

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Each of the entities on the two immediately succeeding signature pages are referred to herein collectively as the Blackstone Seller . All notices, demands and other communications hereunder to be made to any Blackstone Seller shall be made at the following address:

c/o The Blackstone Group L.P.
345 Park Avenue
New York, NY 10154
Attn: David M. Tolley
Facsimile: (212) 583-5710

with copies (which shall not constitute notice) to:

Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, NY 10017
Attn: Wilson S. Neely, Esq.
Facsimile: (212) 455-2502

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SELLERS REPRESENTATIVE:

BLACKSTONE FC COMMUNICATIONS PARTNERS L.P.

By: BCMA FCC L.L.C., its general partner

By: /s/ Stephen A. Schwarzman

Name: Stephen A. Schwarzman

Title: Founding Member

BLACKSTONE FC CAPITAL PARTNERS IV, L.P.

By: BMA IV FCC L.L.C., its general partner

By: /s/ Stephen A. Schwarzman

Name: Stephen A. Schwarzman

Title: Founding Member

BLACKSTONE FC CAPITAL PARTNERS IV-A L.P.

By: BMA IV FCC L.L.C., its general partner

By: /s/ Stephen A. Schwarzman

Name: Stephen A. Schwarzman

Title: Founding Member

BLACKSTONE FAMILY FCC L.L.C.

By: BMA IV FCC L.L.C., its managing member

By: /s/ Stephen A. Schwarzman

Name: Stephen A. Schwarzman

Title: Founding Member

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BLACKSTONE PARTICIPATION FCC L.L.C

By: BMA IV FCC L.L.C., its managing member

By: /s/ Stephen A. Schwarzman

Name: Stephen A. Schwarzman

Title: Founding Member

BLACKSTONE COMMUNICATIONS FCC L.L.C.

By: BCMA FCC L.L.C., its managing member

By: /s/ Stephen A. Schwarzman

Name: Stephen A. Schwarzman

Title: Founding Member

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Each of the entities on the two immediately succeeding signature pages are referred to herein collectively as the Bain Seller . All notices, demands and other communications hereunder to be made to any Bain Seller shall be made at the following address:

c/o Bain Capital Partners LLC
111 Huntington Avenue
Boston, MA 02199
Attn: Ian Loring
Facsimile: (617) 516-2010

with copies (which shall not constitute notice) to:

Ropes & Gray LLP
Prudential Tower
800 Boylston Street
Boston, MA 02199-3600
Attn: William M. Shields, Esq.
Facsimile: (617) 235-0509

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BAIN CAPITAL (SQ) VIII, L.P.

By: Bain Capital Partners (SQ) VIII, L.P., its general partner

By: Bain Capital Investors, LLC, its general partner

By: /s/ Ian Loring

Name: Ian Loring

Title: Managing Director

BCIP ASSOCIATES III, LLC

By: BCIP Associates III, its manager

By: Bain Capital Investors, LLC, its managing partner

By: /s/ Ian Loring

Name: Ian Loring

Title: Managing Director

BCIP ASSOCIATES III-B, LLC

By: BCIP Associates III-B, its manager

By: Bain Capital Investors, LLC, its managing partner

By: /s/ Ian Loring

Name: Ian Loring

Title: Managing Director

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BCIP T ASSOCIATES III, LLC

By: BCIP Associates III, its manager

By: Bain Capital Investors, LLC, its managing partner

By: /s/ Ian Loring

Name: Ian Loring

Title: Managing Director

BCIP T ASSOCIATES III-B, LLC

By: BCIP Associates III-B, its manager

By: Bain Capital Investors, LLC, its managing partner

By: /s/ Ian Loring

Name: Ian Loring

Title: Managing Director

BCIP ASSOCIATES-G

By: Bain Capital Investors, LLC, its managing partner

By: /s/ Ian Loring

Name: Ian Loring

Title: Managing Director

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Each of the entities on the three immediately succeeding signature pages are referred to herein collectively as the THL Seller . All notices, demands and other communications hereunder to be made to any THL Seller shall be made at the following address:

c/o Thomas H. Lee Partners, L.P.
100 Federal Street
35th Floor
Boston, MA 02110
Attn: Soren Oberg
Facsimile: (617) 227-3514

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THOMAS H. LEE EQUITY FUND V, L.P.

By: THL Equity Advisors V, LLC, its general partner

By: Thomas H. Lee Partners, L.P., its sole member

By: Thomas H. Lee Advisors, LLC, its general partner

By: /s/ Soren Oberg

Name: Soren Oberg

Title: Authorized Signatory

THOMAS H. LEE PARALLEL FUND V, L.P.

By: THL Equity Advisors V, LLC, its general partner

By: Thomas H. Lee Partners, L.P., its sole member

By: Thomas H. Lee Advisors, LLC, its general partner

By: /s/ Soren Oberg

Name: Soren Oberg

Title: Authorized Signatory

THOMAS H. LEE EQUITY (CAYMAN) FUND V, L.P.

By: THL Equity Advisors V, LLC, its general partner

By: Thomas H. Lee Partners, L.P., its sole member

By: Thomas H. Lee Advisors, LLC, its general partner

By: /s/ Soren Oberg

Name: Soren Oberg

Title: Authorized Signatory

[Exchange Agreement Signature Page]

THOMAS H. LEE INVESTORS LIMITED PARTNERSHIP

By: THL Investment Management Corp., its General Partner

By: /s/ Soren Oberg

Name: Soren Oberg

Title: Authorized Signatory

PUTNAM INVESTMENTS HOLDINGS, LLC

By: Putnam Investments, LLC, its Managing Member

By: Thomas H. Lee Advisors, LLC, attorney-in-fact

By: /s/ Soren Oberg

Name: Soren Oberg

Title: Authorized Signatory

PUTNAM INVESTMENTS EMPLOYEES SECURITIES COMPANY I, LLC

By: Putnam Investments Holdings, LLC, its Managing Member

By: Putnam Investments, LLC its Managing Member

By: Thomas H. Lee Advisors, LLC, attorney-in-fact

By: /s/ Soren Oberg

Name: Soren Oberg

Title: Authorized Signatory

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PUTNAM INVESTMENTS EMPLOYEES SECURITIES COMPANY II, LLC

By: Putnam Investments Holdings, LLC, its Managing Member

By: Putnam Investments, LLC its Managing Member

By: Thomas H. Lee Advisors, LLC, attorney-in-fact

By: /s/ Soren Oberg

Name: Soren Oberg

Title: Authorized Signatory

[Exchange Agreement Signature Page]

Appendix B

399 Park Avenue, 5th
Floor
New York, NY 10022

T: 212.883.3800
F: 212.880.4260

January 31, 2011

Board of Directors
Cumulus Media Inc.
3535 Piedmont Road
Building 14, 14th Floor
Atlanta, GA 30305

Members of the Board of Directors:

You have requested our opinion as to the fairness from a financial point of view to Cumulus Media Inc. (the Company) of the Exchange Ratio (defined below) contemplated by the Transaction (as defined below) set forth in the Exchange Agreement (the Exchange Agreement) to be entered into by and between the Company and the Sellers named therein (the Sellers). Subject to the terms and conditions of the Exchange Agreement, the Company will acquire from each of the Sellers all of the outstanding equity interests in Cumulus Media Partners, LLC, a Delaware limited liability company (CMP), that the Company does not currently hold, directly or indirectly, in exchange for shares of Class A Common Stock, par value $0.01, of the Company (Class A Common Stock), or, at the option of the applicable Seller, shares of a newly-created class of non-voting shares of common stock of the Company to be denominated as Class D Common Stock, par value $0.01 (the Class D Common Stock), with each of the three Sellers to receive 3,315,238 shares of Class A Common Stock or Class D Common Stock, as to be set forth on Annex A to the Exchange Agreement (the Exchange). In addition, the Exchange Agreement contemplates that the Company will enter into an agreement (the Radio Holdings Warrant Agreement Amendment) with holders of outstanding warrants issued by CMP Susquehanna Radio Holdings Corp., a Delaware corporation and indirect wholly owned subsidiary of the Company (Radio Holdings), which would provide that upon the closing of the Exchange, the outstanding warrants to purchase an aggregate of 3,740,893 shares of common stock of Radio Holdings (the Radio Holdings Warrants) would be converted into the right to receive 2.210159 shares of Class A Common Stock or, if applicable, Class D Common Stock per warrant share thereunder (for a total of 8,267,968 shares of the Company s common stock). The shares of common stock of the Company issuable pursuant to the Exchange Agreement and the Radio Holdings Warrant Agreement Amendment are, in certain circumstances, subject to the later issuance of additional shares, or cancellation of a portion of such shares, pursuant to certain rights and obligations of indemnification that may arise under the Exchange Agreement. The Sellers and the holders of the Radio Holdings Warrants are collectively referred to herein as the CMP Equityholders . The resulting pro forma ownership of the Company by the CMP Equityholders implied by the shares and warrants of the Company issued or issuable to the CMP Equityholders in the Transaction in exchange for all of their respective outstanding interests in CMP (including the Radio Holdings Warrants) as contemplated by the Exchange Agreement is herein referred to as the Exchange Ratio.

As compensation for our services we will receive a fee upon delivery of this opinion. In addition, the Company has agreed to indemnify us for certain liabilities arising out of our engagement. In the past, we have provided investment

banking and other services to certain of the Sellers and their affiliates and received compensation for the rendering of such services. In the ordinary course of business, we, our successors and our affiliates may trade securities of the Company and CMP for our own accounts and the accounts of our customers and, accordingly, may at any time hold a long or short position in such securities.

Our opinion does not address the Company s underlying business decision to effect the Transaction or the relative merits of the Transaction as compared to any alternative business strategies or transactions that might be available to the Company and does not constitute a recommendation to any stockholder of the Company as

to how such stockholder should vote with respect to the Transaction or any other matter. At your direction, we have not been asked to, nor do we, offer any opinion as to the material terms of the Exchange Agreement or the form of the Transaction. We express no opinion as to what the value of Company stock will be when issued pursuant to the Exchange Agreement or the prices at which it will trade in the future. In rendering this opinion, we have assumed, with your consent, that the final executed form of the Exchange Agreement and the Radio Holdings Warrant Agreement do not differ in any material respect from the drafts that we have examined, and that the Company and CMP will comply with all the material terms of such agreements.

In arriving at our opinion, we have, among other things: (i) reviewed certain internal information relating to the business, including financial forecasts, earnings, cash flow, assets and liabilities, of CMP furnished to us by the Company; (ii) reviewed certain publicly available business and financial information relating to the Company that we deemed relevant; (iii) reviewed certain internal information relating to the business, including financial forecasts, earnings, cash flow, assets and liabilities of the Company, furnished to us by the Company; (iv) conducted discussions with members of senior management and representatives of the Company who manage both the Company and CMP concerning the matters described in clauses (i) (iii) of this paragraph, as well as the respective businesses and prospects of CMP and the Company before and after giving effect to the Transaction; (v) reviewed publicly available financial and stock market data, including valuation multiples, for the Company and compared them with those of certain other companies in lines of business that we deemed relevant; (vi) compared the proposed financial terms of the Transaction with the financial terms of certain other transactions that we deemed relevant; (vii) reviewed drafts of the Exchange Agreement and the Radio Holdings Warrant Agreement; and (viii) conducted such other financial studies and analyses and took into account such other information as we deemed appropriate.

In connection with our review, we have not assumed any responsibility for independent verification of any of the information supplied to, discussed with, or reviewed by us for the purpose of this opinion and have, with your consent, relied on such information being complete and accurate in all material respects. In addition, with your consent we have not made any independent evaluation or appraisal of any of the assets or liabilities (contingent, derivative, off-balance-sheet, or otherwise) of CMP, nor have we been furnished with any such evaluation or appraisal. With respect to the forecasted financial information referred to above, we have assumed, with your direction, that they have been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of the Company as to the future performance of CMP and the Company and that such future financial results will be achieved at the times and in the amounts projected by management.

Our opinion is necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to us as of, the date hereof. We have assumed, with your consent, that all governmental, regulatory or other consents and approvals necessary for the consummation of the Transaction will be obtained without the imposition of any delay, limitation, restriction, divestiture or condition that would have an adverse effect on CMP or the Company or on the expected benefits of the Transaction.

This opinion is for the use and benefit of the Board of Directors of the Company in its evaluation of the Transaction. In addition, you have not asked us to address, and this opinion does not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of the Company.

In addition, we do not express any opinion as to the fairness of the amount or nature of any compensation to be received by any of the Company s officers, directors or employees, or any class of such persons, relative to the Exchange Ratio. This opinion was approved by a Moelis & Company LLC fairness opinion committee.

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Based upon and subject to the foregoing, it is our opinion that, as the date hereof, the Exchange Ratio is fair from a financial point of view to the Company.

Very truly yours,

/s/ Moelis & Company LLC

MOELIS & COMPANY LLC

Appendix C

Amended and Restated Certificate of Incorporation

The Amended and Restated Certificate of Incorporation, as amended, of Cumulus Media Inc. shall be amended and restated to reflect the changes marked by the blacklining in this document (and to reflect deletion of Appendix A and Appendix B thereto, setting forth the terms of the Series A Preferred Stock and Series B Preferred Stock).

~~As amended through November 21, 2008~~

AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF CUMULUS MEDIA INC.

ARTICLE I

NAME

The name of the Company is Cumulus Media Inc.

ARTICLE II

REGISTERED AGENT AND REGISTERED OFFICE

The registered agent of the Company is The Corporation Trust Company and the registered office of the Company is located at Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801.

ARTICLE III

PURPOSE

The purpose or purposes for which the Company is organized is the transaction of any or all lawful business for which corporations may be incorporated under the Delaware General Corporation Law, as amended. The Company shall have perpetual existence.

ARTICLE IV

AUTHORIZED SHARES

The aggregate number of shares which the Company is authorized to issue is~~270,262,000~~
300,000,000
, divided into ~~four~~
five
classes consisting of: (i) 200,000,000 shares designated as Class A Common Stock, $.01 par value per share (hereinafter referred to as the Class A Common Stock); (ii) 20,000,000 shares designated as Class B Common Stock, $.01 par value per share (hereinafter referred to as the Class B Common Stock); (iii) 30,000,000 shares designated as

Class C Common Stock, $ .01 par value per share (hereinafter referred to as the Class C Common Stock~~), and~~
;

(iv) ~~20,262,000~~
30,000,000 shares designated as Class D Common Stock, $.01 par value per share (hereinafter referred to as the Class D Common Stock); and (v) 20,000,000
shares of Preferred Stock, $.01 par value per share (hereinafter referred to as the Preferred Stock~~); of which 250,000 shares are designated as 133/4% Series A Cumulative Exchangeable Redeemable Preferred Stock due 2009 (the Series A Preferred Stock), having the voting powers, preferences and relative participating, optional and other special rights, and qualifications, limitations and restrictions thereon, as set forth on Appendix A attached hereto and made a part of this Amended and Restated Certificate~~

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~~of Incorporation, and of which 12,000 shares are designated as 12% Series B Cumulative Preferred Stock (the Series B Preferred Stock), having the voting powers, preferences and relative participating, optional and other spec~~ial ~~rights, and qualifications, limitations and restrictions thereon, as set forth on Appendix B attached hereto and made a part of this Amended and Restated Certificate of Incorporation~~. The Class A Common Stock, Class B Common Stock, ~~and~~ Class C Common

Stock and Class D Common
Stock shall be referred to collectively herein as the Common Stock .

ARTICLE V

TERMS OF COMMON STOCK

Except with regard to voting and conversion rights, shares of Class A Common Stock, Class B Common Stock, ~~and~~ Class C Common
Stock and Class D Common
Stock are identical in all respects. The preferences, qualifications, limitations, restrictions, and the special or relative rights in respect of the Common Stock and the various classes of Common Stock shall be as follows:

SECTION 1. VOTING RIGHTS.

(a) General Rights. The holders of shares of Class A Common Stock shall be entitled to one (1) vote for each share of Class A Common Stock held on the record date therefor on any matter submitted to a vote of the stockholders of the Company. Except as may be required by law or by Section 2 of Article VII, the holders of shares of Class B Common Stock shall not be entitled to vote on any matter submitted to a vote of the stockholders of the Company; provided, however, that this sentence is not intended to detract from or limit the consent rights of certain holders of Class B Common Stock as set forth in Section 1(c) of this Article V. The holders of shares of Class C Common Stock shall be entitled to ten (10) votes for each share of Class C Common Stock held on the record date therefor on any matter submitted to a vote of the stockholders of the Company; provided, however, that during the period of time commencing with the date of conversion of any Class B Common Stock to Class C Common Stock held by either BA Capital or SWIB and ending with the date on which BA Capital and SWIB (together with their respective Affiliates) each ceases to beneficially own at least five percent (5%) of the aggregate number of shares of all classes of Common Stock held by such entity immediately prior to the consummation of the Offering, the holders of shares of Class C Common Stock shall be entitled to one (1) vote for each share of Class C Common Stock held on the record date therefor on any matter submitted to a vote of the stockholders of the Company.
Except as may be required by law, the holders of shares of Class D Common Stock shall not be entitled to vote on any matter submitted to a vote of the stockholders of the Company.

(b) Voting in General. The holders of Class A Common Stock and the holders of Class C Common Stock shall vote together, as a single class, on all matters submitted for a vote to the stockholders of the Company.

(c) Consent to Fundamental Action. The express written consent of Consent Right Holders holding a majority of that number of shares of Class B Common Stock held in the aggregate by all Consent Right Holders shall be required for the taking of any Fundamental Action. Such consent is in addition to the approval required by Section 1(b) of this Article V. The term Consent Right Holder, at any given time, means a Person who owns at least one (1) share of Class B Common Stock at such time, and who held at least one (1) share of Class B Common Stock immediately prior to the consummation of the Offering, and who (together with such Person s Affiliates) beneficially owns at such time a number of shares of the Common Stock of the Company equal to or greater than fifty percent (50%) of the number of shares of Common Stock held by such Person immediately prior to the consummation of the Offering.

SECTION 2. DIVIDENDS.

After payment of the preferential amounts to which the holders of any shares ranking prior to the Common Stock shall be entitled, the holders of Common Stock shall be entitled to receive when, as and if declared by the Board of Directors of the Company, from funds lawfully available therefor, such dividends as may be declared by the Board of Directors of the Company from time to time. When and as dividends are declared on Common Stock, the holders of shares of each class of Common Stock will be entitled to share ratably in such dividend according to the number of shares of Common Stock held by them; provided, however, that in the case of dividends or other distributions payable on Common Stock in shares of Common Stock, including distributions pursuant to share splits or dividends, only Class A Common Stock will be distributed with respect to Class A Common Stock, only Class B Common Stock will be distributed with respect to Class B Common Stock ~~and~~

,

only Class C Common Stock will be distributed with respect to Class C Common

Stock, and only Class D Common Stock will be distributed with respect to Class D Common

Stock. In the event any class of Common Stock is split, divided or combined, each other class of Common Stock simultaneously shall be proportionately split, divided or combined.

SECTION 3. LIQUIDATION, DISSOLUTION OR WINDING-UP.

In the event of any liquidation, dissolution or winding up of the Company, whether voluntarily or involuntarily, after payment or provision for payment of the debts and other liabilities of the Company and the preferential amounts to which the holders of any shares ranking prior to the Common Stock in the distribution of assets shall be entitled upon liquidation, the holders of shares of the Class A Common Stock, the Class B Common Stock ~~and~~

,

the Class C

Common Stock and the Class D

Common Stock shall be entitled to share pro rata in the remaining assets of the Company in proportion to the respective number of shares of Common Stock held by each holder compared to the aggregate number of shares of Common Stock outstanding.

SECTION 4. MERGER OR CONSOLIDATION.

In the event of a merger or consolidation of the Company, shares of Class A Common Stock, Class B Common Stock, ~~and~~ Class C

Common Stock and Class D

Common Stock shall be treated identically, except with respect to voting and conversion rights as specifically described in this Article V.

SECTION 5. CONVERTIBILITY AND TRANSFER.

(a) Conversion of Class B Common Stock. Each holder of Class B Common Stock is entitled to convert at any time or times all or any part of such holder s shares of Class B Common Stock into an equal number of shares of Class A Common Stock or an equal number of shares of Class C Common Stock; provided, however, that the prior consent of any governmental authority required under any applicable law, rule, regulation or other governmental requirement to make such conversion lawful shall have first been obtained and provided further, that such holder is not at the time of such conversion a Disqualified Person.

(b) Conversion of Class C Common Stock. Each holder of Class C Common Stock is entitled to convert at any time or times all or any part of such holder s shares of Class C Common Stock into an equal number of shares of Class A

Common Stock; provided, however, that the prior consent of any governmental authority required under any applicable law, rule, regulation or other governmental requirement to make such conversion lawful shall have first been obtained; and provided further, that such holder is not at the time of such conversion a Disqualified Person. In the event of the death of any Principal or the Disability of any Principal which results in termination of such Principal s employment with the Company, ~~the shares~~
each share
of Class C Common Stock held by such deceased or disabled Principal or any Related Party or Affiliate of such deceased or disabled Principal shall automatically be converted into one (1) share of Class A Common Stock. The holder of such converted shares shall have no further rights as a holder of Class C Common Stock with respect to such converted shares, but shall be deemed to have become the holder of the number of shares of Class A Common Stock into which such shares of Class C Common Stock have converted pursuant to this

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Section 5(b). Such holder shall exchange the certificates representing such converted Class C Common Stock for certificates representing Class A Common Stock.

(a)

Conversion of Class D Common Stock. Each holder of Class D Common Stock is entitled to convert at any time or times all or any part of such holder s shares of Class D Common Stock into an equal number of shares of Class A Common Stock; provided, however, that the prior consent of any governmental authority required under any applicable law, rule, regulation or other governmental requirement to make such conversion lawful shall have first been obtained; and provided further, that such holder is not at the time of such conversion a Disqualified Person.

(a)
~~(c)~~ Transfer of Certain Shares.

A record or beneficial owner of shares of Class B Common Stock, ~~or~~ of Class C Common Stock that at any time was converted from Class B Common Stock
, or of Class D Common Stock
, may transfer such shares (whether by sale, assignment, gift, bequest, appointment or otherwise) to any transferee; provided, however that (i) the prior consent of any governmental authority required under applicable law, rule, regulation or other governmental requirement to make such transfer lawful shall have first been obtained, and (ii) the transferee is not a Disqualified Person. Concurrently with any such transfer, each such transferred share of Class B Common Stock ~~or~~
,
Class C
Common Stock or Class D
Common Stock shall automatically be converted into one (1) share of Class A Common Stock. The holder of such converted shares shall have no further rights as a holder of Class B Common Stock ~~or~~
,
Class C
Common Stock or Class D
Common Stock with respect to such converted shares but shall be deemed to have become the holder of the number of shares of Class A Common Stock into which such shares of Class B Common Stock ~~or~~
,
Class C
Common Stock or Class D
Common Stock have converted pursuant to this Section 5(~~c~~
d
)(i). Such holder shall exchange the certificates representing such converted
shares of
Class B Common Stock ~~or~~
,
Class C Common
Stock or Class D Common
Stock for certificates representing Class A Common Stock.

A record or beneficial owner of shares of Class C Common Stock may transfer such shares (whether by sale, assignment, gift, bequest, appointment or otherwise) to any transferee; provided, however, that (i) the prior consent of any governmental authority required under applicable law, rule, regulation or other governmental requirement to make

such transfer lawful shall have first been obtained, and (ii) the transferee is not a Disqualified Person and provided further, that if the transferee is not an Affiliate or a Related Party of a Principal, then, concurrently with any such transfer, each such transferred share of Class C Common Stock shall automatically be converted into one (1) share of Class A Common Stock. The holder of such converted shares shall have no further rights as a holder of Class C Common Stock with respect to such converted shares but shall be deemed to have become the holder of the number of shares of Class A Common Stock into which such shares of Class C Common Stock have converted pursuant to this Section 5(~~c~~
d
)(ii). Such holder shall exchange the certificates representing such converted Class C Common Stock for certificates representing Class A Common Stock.

(a)
~~(d)~~ Condition Precedent to Transfer or Conversion. As a condition precedent to any transfer or conversion of any shares of Class B Common Stock ~~or~~

,
Class C
Common Stock or Class D
Common Stock, the transferor shall give the Company not less than five (5) business days

prior written notice of any intended transfer or conversion and the intended transferee or the Person who will hold the converted shares, as applicable,
and
shall promptly provide the Company with any information reasonably requested by the Company to enable the Company to determine whether such intended transferee or holder of converted shares is a Disqualified Person.

(a) ~~(e)~~ Conversion.

Effective Time of Conversion. The conversion of shares of Class B Common Stock ~~or~~

,
Class C Common
Stock or Class D Common
Stock, as the case may be, will be deemed to have been effected as of the close of business on the date on which occurs the last to occur of the following events:

The certificate or certificates representing the shares of Class B Common Stock~~or~~

,
Class C Common
Stock or Class D Common
Stock to be converted have been surrendered to the principal office of the Company with duly executed conversion instructions and, if applicable, transfer instructions;

All information requested by the Company, for the purpose of making the determination contemplated by Section 5(~~d~~

e

) of this Article V, has been provided to the Company and the Company has determined that the intended transferee is not a Disqualified Person; and

All consents contemplated by Section 5(~~e~~

d

)(i) of this Article V have been obtained and evidence thereof satisfactory to the Company has been provided to the Company.

At such time as such conversion has been effected, the rights of the holder of such shares will cease and the Person or Persons in whose name or names any certificate or certificates for shares of Class C Common Stock or Class A Common Stock are to be issued upon such conversion will be deemed to have become the holder or holders of record of the shares of the Class C Common Stock or the Class A Common Stock so issuable by reason of the conversion.

Deliveries Upon Conversion. As soon as possible after a conversion has been effected (but in any event within three (3) business days), the Company will deliver to the converting holder:

a certificate or certificates representing the number of shares of Class A Common Stock or Class C Common Stock issuable by reason of such conversion in such name or names and such denominations as the converting holder has specified; and

a certificate representing any shares of Class B Common Stock ~~or~~

,

Class C Common

Stock or Class D Common

Stock which were represented by the certificate or certificates delivered to the Company in connection with such conversion but which were not converted.

No Charges. The issuance of certificates for shares of Class A Common Stock or Class C Common Stock upon conversion of Class B Common Stock~~or~~

,

Class C Common

Stock or Class D Common

Stock will be made without charge to the holders of such Common Stock for any issuance tax in respect of such issuance or other costs incurred by the Company in connection with such conversion and the related issuance of shares of Class A Common Stock or Class C Common Stock, except for any transfer taxes that may be payable if certificates are to be issued in a name other than that in which the surrendered certificate is registered. Upon conversion of a share of Class B Common Stock~~or~~

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Class C

Common Stock or Class D

Common Stock, the Company will take all such actions as are necessary in order to ensure that the Class A Common Stock or Class C Common Stock issued or issuable with respect to such conversion will be validly issued, fully paid and nonassessable.

No Adverse Action. The Company will not close its books against the transfer of Class A Common Stock or Class C Common Stock issued or issuable upon conversion of Class B Common Stock ~~or~~

,
Class C
Common Stock or Class D
Common Stock in any manner which interferes with the timely conversion of Class B Common Stock ~~or~~
,
Class C Common Stock
or Class D Common Stock
.

Sufficient Shares. The Company shall at all times have authorized, reserved and set aside a sufficient number of shares of Class A Common Stock and Class C Common Stock for the conversion of all shares of Class B Common Stock then outstanding. The Company shall at all times have authorized, reserved and set aside a sufficient number of shares of Class A Common Stock for the conversion of all shares of Class C Common Stock then outstanding. **The Company shall at all times have authorized, reserved and set aside a sufficient number of shares of Class A Common Stock for the conversion of all shares of Class D Common Stock then outstanding.**

SECTION 6. DISQUALIFIED PERSON.

In event that a Person is or becomes a Disqualified Person, such Person shall promptly take any and all actions necessary or required by the FCC to cause such Person to cease being a Disqualified Person, including, without limitation, (i) divesting all or a portion of such Person s interest in the Company, (ii) making an application to or requesting a ruling from and/or cooperating with the Company in any application to or request for a ruling from the FCC seeking a waiver for or an approval of such ownership, (iii) divesting itself of any ownership interest in any entity which together with such Person s interest in the Company makes such

Person a Disqualified Person, (iv) entering into a voting trust whereby such Person s interest in the Company will not make such Person a Disqualified Person, or (v) subject to any Board of Directors

vote,
and/or vote of Class B Common Stock holders required
for the issuance of additional Class B Common Stock
under Article VII hereof, exchanging such Person s shares of Common Stock for Class B Common Stock
, or (vi) exchanging such Person s shares of Common Stock for Class D Common Stock
.

SECTION 7. LEGEND.

Each Certificate representing shares of Common Stock shall bear a legend setting forth the restrictions on transfer and ownership which apply to the shares represented by such Certificate.

SECTION 8. DEFINITIONS.

For the purposes of this Certificate of Incorporation, the following capitalized terms shall have the meanings set forth below:

Affiliate shall be defined as set forth in Rule 144 promulgated under the Securities Act.

Applicable Period shall be defined as set forth in Article VII, Section 1.

BA Capital shall mean (i) BA Capital Company, L.P., a Delaware limited partnership and successor in interest to NationsBanc Capital Corp. (NBCC), and any entity that is a successor to BA Capital Company, L.P., and (ii) NBCC prior to the time that BA Capital Company, L.P. succeeded to NBCC s interests.

~~Change of Control means the occurrence of any of the following: (i) the sale, lease, transfer, conveyance or other disposition (other than by way of merger or consolidation), in one transaction or a series of related transactions, of all or substantially all of the assets of the Company and its subsidiaries taken as a whole to any Person or group of related Persons (a Group) (as such terms are used in Section 13(d)(3) of the Exchange Act) other than a Principal or a Related Party of a Principal, (ii) the consummation of any transaction (including, without limitation, any purchase, sale, acquisition, disposition, merger or consolidation) the result of which is that any Person or Group other than a Principal or Related Party of a Principal becomes the beneficial owner (as such term is defined in Rule 13d-3 and 13d-5 under the Exchange Act) of more than fifty percent (50%) of the aggregate voting power of all classes of capital stock of the Company having the right to elect directors under ordinary circumstances, or (iii) the first day on which a majority of the members of the Board of Directors of the Company are not Continuing Directors.~~

Class A Common Stock shall be defined as set forth in Article IV.

Class B Common Stock shall be defined as set forth in Article IV.

Class C Common Stock shall be defined as set forth in Article IV.

Class D
Common Stock shall be defined as set forth in Article IV.

Common Stock shall be defined as set forth in Article IV.

Communications Act shall mean ~~theTelecommunicati~~ons
Communications
Act of ~~1996~~
1934
, as amended.

Company shall mean Cumulus Media Inc., a Delaware corporation.

Consent Right Holder shall be defined as set forth in Section 1(c) of this Article V.

~~Continuing Directors means, as of any date of determination, any member of the Board of Directors of the Compa~~ny ~~who (i) was a member of such Board of Directors on the date of consummation of the Offering, or (ii) was nominated for election or elected to such Board of Directors with the approval of (x) two-thirds (2/~~

~~3) of the Continuing Directors who were members of such Board at the time of such nomination or election, or (y) two-thirds (2/3) of those Directors who were previously approved by Continuing Directors.~~

Director shall mean a member of the Board of Directors of the Company.

Disability shall mean the inability of the Principal to perform his duties to the Company on account of physical or mental illness or incapacity for a period of four and one-half (41/2) consecutive months, or for a period of one hundred thirty-five (135) calendar days, whether or not consecutive, during any three hundred sixty-five (365) day period, as a result of a condition that is treated as a total or permanent disability under the long-term disability insurance policy of the Company that covers the Principal.

A Person shall be deemed to be a Disqualified Person if (and with respect to any proposed conversion or transfer, after giving effect to such proposed conversion or transfer), the Board of Directors of the Company in good faith determines such Person is (or would be after giving effect to such conversion or transfer), or such Person becomes aware that he or she is (or would be after giving effect to such conversion or transfer), or the FCC determines by a final order that such Person is (or would be after giving effect to such conversion or transfer), a Person who, directly or indirectly, as a result of ownership of Common Stock or other capital stock of the Company or otherwise (i) causes (or would cause) the Company or any of its subsidiaries to violate the multiple, cross-ownership, cross-interest or other rules, regulations, policies or orders of the FCC, (ii) would result in disqualification of the Company or any of its subsidiaries as a licensee of the FCC, or (iii) would cause the Company to violate the provisions with respect to foreign ownership or voting of the Company or any of its subsidiaries as set forth in Section 310(b)(3) or (4) of the Communications Act, as applicable. Notwithstanding the foregoing, if a Person objects in good faith to such determination by written notice to the Company, within ten (10) days of notice by the Company that the Board of Directors of the Company has determined that such Person is a Disqualified Person, the Company and/or such Person shall, when appropriate, apply for a determination by the FCC with respect thereto within ten (10) days of receipt by the Company of notice of such objection. If no determination is made by the FCC within ninety (90) days from the date of such application or if the Company and the Person determine that it is inappropriate to make any application to the FCC, the Company and such Person agree that such determination shall be made by an arbitrator, mutually agreed upon by the Company and such Person. Notwithstanding the foregoing, until a determination is made by the FCC (and such determination becomes a final order) or by the arbitrator, such Person will not be deemed a Disqualified Person.

Exchange Act shall mean the Securities Exchange Act of 1934, as amended.

FCC shall mean the Federal Communications Commission.

Fundamental Action shall mean: (i) any proposed amendment to the Company s Certificate of Incorporation or By-Laws (other than an amendment required by Section 1 of Article VII hereof);
or
(ii) any ~~proposed merger, consolidation or other business combination involving the Company, or sale, transfer or other disposition of all or substantially all of the assets of the Company; (iii) any~~ proposed voluntary liquidation, dissolution or termination of the Company~~; or (iv) any proposed transaction resulting in a Change of Control~~.

Offering shall mean the underwritten public offering of shares of Class A Common Stock by the Company s predecessor entity, Cumulus Media Inc., an Illinois corporation, which was consummated on July 1, 1998.

Person shall include any individual, entity, or group within the meaning of Section 13(d)(2) of the Exchange Act.

Preferred Stock shall be defined as set forth in Article IV.

Principal means each of Richard W. Weening and Lewis W. Dickey, Jr.

Related Party with respect to any Principal means (a) any spouse or immediate family member of such Principal, or (b) any trust, corporation, partnership or other entity, the beneficiaries, stockholders, partners,

owners or Persons beneficially holding an eighty percent (80%) or more controlling interest of which consist of such Principal and/or other Persons referred to in the immediately preceding clause (a).

Restricted Actions shall be defined as any of the following actions by the Company:

(a) Entering into any transaction with any Affiliate of the Company or amending or otherwise modifying any existing agreement with any Affiliate of the Company, other than a transaction with an Affiliate which is on terms no less favorable to the Company than the Company would obtain in a comparable arm s-length transaction with a Person not an Affiliate of the Company and which is approved, after disclosure of the terms thereof, by a vote of the majority of the Board of Directors of the Company (provided, that any Director who is an interested party or an Affiliate of an interested party to such transaction shall not be entitled to participate in such vote and shall not be counted for the purpose of determining whether a majority of the Board of Directors of the Company has approved such transaction);

(b) Issuing any shares of Class B Common Stock, or any shares of Class C Common Stock other than in a conversion pursuant to Section 5(a) of Article V hereof;
or

~~(c) Acquiring (by purchase or otherwise) or selling, transferring or otherwise disposing of assets having, at the time of disposition, a fair market value in excess of ten percent (10%) of the Company s Stockholders Equity as of the last~~ day ~~of the preceding fiscal quarter for which financial statements are available; or~~

(a) ~~(d)~~ amending, terminating or otherwise modifying any of the foregoing subparagraphs (a)~~through~~
and
(~~e~~
b
) or this subparagraph (~~d~~
c
) or any provision of this Article V governing the voting or conversion rights of the Class B Common Stock or the Class C Common Stock.

Securities Act shall mean the Securities Act of 1933, as amended.

~~Stockholders Equity, as of any date, shall mean the Company s assets minus its liabilities, as determined in accor~~dance ~~with generally accepted accounting principles and as reflected on the Company s consolidated balance sheet as of suc~~h ~~date.~~

SWIB shall mean the State of Wisconsin Investment Board.

ARTICLE VI

TERMS OF PREFERRED STOCK

The Board of Directors is hereby authorized to issue shares of undesignated Preferred Stock in such series and to fix from time to time before issuance the number of shares to be included in any series and the designation, relative powers, preferences and rights and qualifications, limitations or restrictions of all shares of such series. The authority of the Board of Directors with respect to each series shall include, without limiting the generality of the foregoing, the determination of any or all of the following:

(a) the number of shares of any series and the designation to distinguish the shares of such series from the shares of all other series;

(b) the voting powers, if any, and whether such voting powers are full or limited in such series;

(c) the redemption provisions, if any, applicable to such series, including the redemption price or prices to be paid;

(d) whether dividends, if any, shall be cumulative or noncumulative, the dividend rate of such series, and the dates and preferences of dividends on such series;

(e) the rights of such series upon the voluntary or involuntary dissolution of, or upon any distribution of the assets of, the Company;

(f) the provisions, if any, pursuant to which the shares of such series are convertible into, or exchangeable for, shares of any other class or classes or of any other series of the same or any other class or classes of stock of the Company or any other corporation, and the price or prices or the rates of exchange applicable thereto;

(g) the right, if any, to subscribe for or to purchase any securities of the Company or any other corporation;

(h) the provisions, if any, of a sinking fund applicable to such series; and

(i) any other relative, participating, optional or other special powers, preferences, rights, qualifications, limitations or restrictions thereof;

all as shall be determined from time to time by the Board of Directors in the resolution or resolutions providing for the issuance of such Preferred Stock and set forth in a certificate of designations.

ARTICLE VII

CERTAIN RIGHTS AND OBLIGATIONS
APPLICABLE ONLY DURING BA CAPITAL S OWNERSHIP

SECTION 1. RESTRICTED ACTIONS.

Upon the day of issuance (Order Date), at any time following the consummation of the Offering, of a final order of the FCC that the granting of a right to BA Capital to designate a Director of the Company pursuant to a stockholders agreement with the holders of Class C Common Stock will not result in BA Capital s interest being attributable under applicable FCC rules, and for so long thereafter (Applicable Period) as BA Capital (together with its Affiliates) continues to own not less than fifty percent (50%) of the number of shares of Common Stock held by BA Capital immediately prior to the Offering:

(a) the holders of Class C Common Stock shall have the right, voting as a class, to elect one (1) Director (the Class C Director); and

(b) the Company shall not take any Restricted Action without the unanimous vote of the Board of Directors of the Company.

The right of the holders of the Class C Common Stock to elect the Class C Director may be exercised initially either at a special meeting of the holders of Class C Common Stock called as hereafter provided or at any annual meeting of stockholders held for the purposes of electing directors and thereafter at such annual meeting or by the written consent of the holders of Class C Common Stock, until the expiration of the Applicable Period. Effective on the Order Date, the number of Directors constituting the Board of Directors of the Company shall be increased by one (1) without the necessity of any further action by the stockholders or the Board of Directors of the Company, and the By-Laws shall be deemed amended so as to increase the number of members of the Board of Directors effective on the Order Date. Upon the termination of the Applicable Period, the term of office of the Class C Director shall terminate immediately and the number of Directors constituting the Board of Directors of the Company shall be reduced by one (1) without the necessity of any further action by the stockholders or the Board of Directors of the Company, and the By-Laws shall be deemed amended so to decrease the number of members of the Board of Directors effective as of the date of termination of the Applicable Period.

At any time after the Order Date, if such rights to elect a Class C Director shall not already have been initially exercised, a proper officer of the Company shall, upon the written request of holders of record of ten percent (10%) or

more of the shares of Class C Common Stock then outstanding, addressed to the Secretary of the Company, call a special meeting of holders of Class C Common Stock. Such meeting shall be held at the earliest practicable date based upon the number of days of notice required for annual meetings of

stockholders at the place designated for holding annual meetings of stockholders of the Company or, if none, at a place designated by the Secretary of the Company. If such meeting shall not be called by the officers of the Company within thirty (30) days after the personal service of such written request upon the Secretary of the Company, or within thirty (30) days after mailing the same within the United States, by registered mail, addressed to the Secretary of the Company at its principal office (such mailing to be evidenced by the registry receipt issued by the postal authorities), then the holders of record of ten percent (10%) or more of the shares of Class C Common Stock then outstanding may designate in writing any holder of Class C Common Stock to call such meeting at the expense of the Company, and such meeting may be called by such person so designated upon the number of days of notice required for annual meetings of stockholders and shall be held at the place designated for holding annual meetings of the stockholders of the Company or, if none, at a place designated by such holder. Any holder of Class C Common Stock that would be entitled to vote at such meeting shall have access to the stock books of the Company for the purpose of causing a meeting of holders of Class C Common Stock to be called pursuant to the provisions of this Section 1. Notwithstanding the provisions of this section, however, no such special meeting shall be called if any such request is received less than seventy (70) days before the date fixed for the next ensuing annual or special meeting of stockholders. Any action required hereunder to elect a Class C Director may be taken without a meeting if a consent in writing, setting forth the name of the director to be elected, shall be signed by all of the holders of Class C Common Stock outstanding and entitled to vote on the election of the Class C Director. Such consent shall have the same force and effect as the unanimous vote of the holders of the Class C Common Stock.

In case of any vacancy occurring with respect to the Class C Director, such vacancy may be filled only by the affirmative vote of the holders of a majority of the then outstanding shares of Class C Common Stock at a special meeting called as provided above or pursuant to a written consent as provided above.

SECTION 2. VOTE OF CLASS B COMMON STOCK HOLDERS.

So long as BA Capital (together with its Affiliates) continues to own not less than fifty percent (50%) of the number of shares of Common Stock held by BA Capital immediately prior to the consummation of the Offering, the Company may not take any Restricted Action unless either (a) the membership of the Board of Directors includes a Class C Director and the Class C Director voted in favor of the Restricted Action, or (b) the membership of the Board of Directors does not at the time of approval of the Restricted Action by the Board include a Class C Director and the Restricted Action has been approved by the affirmative vote or consent of the holders of a majority of the outstanding shares of Class B Common Stock, voting separately as a class.

SECTION 3. EXPIRATION OF RESTRICTIONS.

The restrictions set forth in Section 1 and 2 of this Article VII shall terminate upon expiration of the Applicable Period.

ARTICLE VIII

NO CUMULATIVE VOTING

No holder of any shares of any class of stock of the Company shall be entitled to cumulative voting rights in any circumstances.

ARTICLE IX

NO PRE-EMPTIVE RIGHTS

No stockholders shall have any pre-emptive rights to acquire unissued shares of the Company or securities of the Company convertible into or carrying a right to subscribe to or acquire shares.

ARTICLE X

ELECTION BY WRITTEN BALLOT NOT REQUIRED

Elections of Directors need not be by written ballot except and to the extent provided in the by-laws of the Company.

ARTICLE XI

OFFERS FROM THIRD PARTIES

The Board of Directors of the Company shall consider in good faith any bona fide offer from any third party to acquire any shares of stock or assets of the Company, and shall pursue diligently any transaction determined by the Board of Directors of the Company in good faith to be in the best interests of the Company s stockholders.

ARTICLE XII

LIMITATION OF LIABILITY OF DIRECTORS

No Director of the Company shall be liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a Director, provided, however, that this Article XI shall not eliminate or limit the liability of a Director (i) for any breach of the Director s duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the DGCL, (iv) for any transaction from which the Director derived an improper personal benefit, or (v) for any act or omission occurring before the effective date of this Amended and Restated Certificate of Incorporation.

ARTICLE XIII

BOARD OF DIRECTORS

At the 2009 annual meeting of stockholders, the Directors whose terms expire at that meeting (or such directors successors) shall be elected to hold office for a one-year term expiring at the 2010 annual meeting of stockholders. At the 2010 annual meeting of stockholders, the directors whose terms expire at that meeting (or such directors successors) shall be elected to hold office for a one-year term expiring at the 2011 annual meeting of stockholders. At the 2011 annual meeting of stockholders, and each annual meeting of stockholders thereafter, all directors shall be elected to hold office for a one-year term expiring at the next annual meeting of stockholders. Directors may be re-elected any number of times. Each Director shall hold office until the election and qualification of his or her successor.

ARTICLE XIV

AMENDMENT OF BY-LAWS

In furtherance and not in limitation of the rights, powers, privileges, and discretionary authority granted or conferred by the DGCL or other statutes or laws of the State of Delaware, the Board of Directors is expressly authorized to make, alter, amend or repeal the by-laws of the Company, without any action on the part of the stockholders, but the stockholders may make additional by-laws and may alter, amend or repeal any by-law whether adopted by them or otherwise. The Company may in its by-laws confer powers upon the Board of Directors in addition to the foregoing and in addition to the powers and authorities expressly conferred upon the Board of Directors by applicable law.

FORM OF PROXY CARD
CUMULUS MEDIA INC. 2011 ANNUAL MEETING OF STOCKHOLDERS
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

The undersigned appoints Lewis W. Dickey, Jr., Joseph P. Hannan and Richard S. Denning (the Proxies), and each of them, with the power of substitution to vote, as set forth below, all of the shares of stock of Cumulus Media Inc. (the Company) held of record by the undersigned on June 17, 2011, at the Annual Meeting of Stockholders of the Company to be held on July 29, 2011, and at any and all adjournments or postponements thereof, with all powers the undersigned would possess, as if the undersigned was present personally at such Annual Meeting or any adjournments or postponements thereof. The Board of Directors of the Company recommends a vote **FOR** Proposals 1, 2, 3 and 4.

This proxy, when properly executed, will be voted in the manner directed herein by the undersigned stockholder. If no direction is made, this proxy will be voted FOR Proposals 1, 2, 3 and 4. The Proxies are hereby authorized to vote in accordance with their best judgment on any other matter that may properly come before the Annual Meeting and all adjournments or postponements thereof.

CUMULUS MEDIA INC. 2011 ANNUAL MEETING

1. Proposal to approve an amendment and restatement of the Company s Amended and Restated Certificate of Incorporation, as described in the Company s proxy statement.

   o For o Against o Abstain

2. Proposal to approve the issuance of shares of the Company s common stock pursuant to, and as contemplated by, the Exchange Agreement (as defined in the Proxy Statement) relating to Cumulus Media Partners, LLC (CMP), and the transactions contemplated thereby.

   o For o Against o Abstain

3. Election of Directors:

Lewis W. Dickey Jr.	o For	o Withhold
Ralph B. Everett	o For	o Withhold
Eric P. Robison	o For	o Withhold
David M. Tolley	o For	o Withhold

4. Proposal to ratify the appointment of PricewaterhouseCoopers LLP as the Company s independent registered public accounting firm for 2011.

   o For o Against o Abstain

5. In their discretion, the proxies are authorized to vote upon such other business as may properly come before the meeting or any adjournments or postponements of the meeting.

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Authorized Signatures This Section Must be Completed for Your Vote to be Counted Date and Sign Below
Please sign exactly as name appears hereon. When shares are held by joint tenants, both should sign. When signing in a fiduciary or representative capacity, give full title as such.

Signature:
Date:

Check appropriate box
Address change? o Name change? o
Indicate any changes below: