CUMULUS MEDIA INC
Form 10-K
March 16, 2009

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

Form 10-K

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

For the fiscal year ended December 31, 2008

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

For the transition period from to

Commission file number 00-24525

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

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

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

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

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

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

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

Indicate by check mark 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.

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

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

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

The aggregate market value of the registrant s outstanding voting and non-voting common stock held by non-affiliates of the registrant as of June 30, 2008, the last business day of the registrant s most recently completed second fiscal quarter, was approximately $172.6 million, based on 43,805,696 shares outstanding and a last reported per share price of Class A Common Stock on the NASDAQ Global Select Market of $3.94 on that date. As of February 28, 2009, the registrant had outstanding 41,296,205 shares of common stock consisting of (i) 34,842,143 shares of Class A Common Stock; (ii) 5,809,191 shares of Class B Common Stock; and (iii) 644,871 shares of Class C Common Stock.

CUMULUS MEDIA INC.

ANNUAL REPORT ON FORM 10-K
For the fiscal Year Ended December 31, 2008

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PART I

Item 1. *Business*

Certain Definitions

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

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

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

Unless otherwise indicated:

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

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

we derived all audience share data and audience rankings, including ranking by population, except where otherwise stated to the contrary, from surveys of people ages 12 and over (Adults 12+), listening Monday through Sunday, 6 a.m. to 12 midnight, and based on the 2008 Arbitron Market Report referred to as Arbitron s Market Report, pertaining to each market; and

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

The term Station Operating Income, is used in various places in this document. Station Operating income consists of operating income before depreciation and amortization, LMA fees, corporate general and administrative expenses, (including non-cash stock compensation), impairment of goodwill and intangible assets, and costs associated with the terminated transaction. Station operating income is not a measure of performance calculated in accordance with accounting principles generally accepted in the United States (GAAP). Station Operating Income isolates the amount of income generated solely by our stations and assists management in evaluating the earnings potential of our station portfolio. In deriving this measure, we exclude depreciation and amortization due to the insignificant investment in tangible assets required to operate our stations and the relatively insignificant amount of intangible assets subject to

amortization. We exclude LMA fees from this measure, even though it requires a cash commitment, due to the insignificance and temporary nature of such fees. Corporate expenses, despite representing an additional significant cash commitment, are excluded in an effort to present the operating performance of our stations exclusive of the corporate resources employed. We exclude terminated transaction costs due to the temporary nature of fees. We believe this is important to our investors because it highlights the gross margin generated by our station portfolio. Finally, we exclude non-cash stock compensation and impairment of goodwill and intangible assets from the measure as they do not represent cash payments for activities related to the operation of the stations.

We believe that Station Operating Income is the most frequently used financial measure in determining the market value of a radio station or group of stations. Our management has observed that Station Operating Income is

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

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

Company Overview

We own and operate FM and AM radio station clusters serving mid-sized markets throughout the United States. Through our investment in Cumulus Media Partners, LLC (CMP), described below, we also operate radio station clusters serving large-sized markets throughout the United States. We are the second largest radio broadcasting company in the United States based on the number of stations owned or operated. According to Arbitron s Market Report and data published by Miller Kaplan, we have assembled market-leading groups or clusters of radio stations that rank first or second in terms of revenue share or audience share in substantially all of our markets. As of December 31, 2008, we owned and operated 315 radio stations (including LMAs) in 59 mid-sized U.S. media markets and operated the 32 radio stations in 9 markets, including San Francisco, Dallas, Houston and Atlanta that are owned by CMP. Under an LMA, we currently provide sales and marketing services for one radio station in the U.S. in exchange for a management or consulting fee. In summary, we own and operate, directly or through our investment in CMP, a total of 347 stations in 68 U.S. markets.

Our Mid-Market Focus . . .

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

- a greater use of radio advertising as evidenced by the greater percentage of total media revenues captured by radio than the national average;
- rising advertising revenues, as the larger national and regional retailers expand into these markets;

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

lower overall susceptibility to economic downturns.

We believe the attractive operating characteristics of mid-sized markets, together with the relaxation of radio station ownership limits under the Telecommunications Act of 1996 (the Telecom Act) and FCC rules, have created significant opportunities for growth from the formation of groups of radio stations within these markets. We have capitalized on these opportunities to acquire attractive properties at favorable purchase prices, taking

advantage of the size and fragmented nature of ownership in these markets and to the greater attention historically given to the larger markets by radio station acquirers. According to the FCC s records, as of December 31, 2008 there were 9,467 FM and 4,786 AM stations in the United States.

. . . and Our Large-Market Opportunities

Although our historical focus has been on mid-sized radio markets in the United States, we recognize that the large-sized radio markets currently provide an attractive combination of scale, stability and opportunity for future growth. According to BIA, these markets typically have per capita and household income, and expected household after-tax effective buying income growth in excess of the national average, which we believe makes radio broadcasters in these markets attractive to a broad base of radio advertisers, and allows a radio broadcaster to reduce its dependence on any one economic sector or specific advertiser. In recognition of this, in October 2005, we announced the formation of CMP, a private partnership created by Cumulus and affiliates of Bain Capital Partners LLC, The Blackstone Group and Thomas H. Lee Partners, L.P., and in May 2006 acquired the radio broadcasting business of Susquehanna Pfaltzgraff Co. (Susquehanna) for approximately $1.2 billion. Prior to its acquisition by CMP, Susquehanna was the largest privately owned radio broadcasting company in the United States and the 11th largest radio station operator in terms of revenue. The group of stations CMP acquired consists of 33 radio stations in 8 markets: San Francisco, Dallas, Houston, Atlanta, Cincinnati, Kansas City, Indianapolis and York, Pennsylvania.

Highlights during 2008

Economic Developments

The advertising environment for 2008 lagged behind 2007. The RAB has reported that trends in radio advertising revenue mirrored fluctuations in the current economic environment yielding mixed results over the last three years. In 2008, advertising revenues decreased 9.0% after decreasing 2% in 2007 and increasing only 1.0% in 2006. Additionally our political revenues increased by $5.1 million compared to 2007 due to 2008 being a presidential election year.

As the capital and credit market crisis worsened during the fourth quarter of 2008 and into early 2009, and in conjunction with the development of our 2009 business plan, we continue to assess the impact of recent market developments on a variety of areas, including our forecasted advertising revenues and liquidity. For example, in November 2008, Moody s credit rating agency downgraded our debt rating from B2 to Caa. In response to these conditions, we further refined our 2009 business plan to incorporate a further reduction in our forecasted 2009 revenues and additional cost reductions to mitigate the impact of our anticipated decline in 2009 revenue.

While preparing our 2009 business plan, we assessed future covenant compliance under our credit agreement, including consideration of market uncertainties, as well as the incremental cost that would be required to potentially amend the terms of our credit agreement. We believe we will continue to be in compliance with all of our debt covenants through at least December 31, 2009 based upon actions we have already taken, as well as through additional paydowns of debt we will be required to make during 2009 from existing cash balances and cash flow generated from operations. Further discussion of our debt covenant compliance considerations is included in Management s Discussion and Analysis of Financial Condition and Results of Operations.

We review the recorded values of our FCC licenses and goodwill for impairment on an annual basis. We recorded total impairment charges of $498.9 million in order to reduce the carrying value of certain broadcast licenses and goodwill. The impairment loss in connection with our review of broadcasting licenses and goodwill during the fourth quarter of 2008 (see Note 7 in the accompanying notes to the financial statements), was primarily due to: (1) an

increase in the discount rate used; (2) a decrease in station transaction multiples; and (3) a decrease in advertising revenue growth projections for the broadcasting industry.

Termination of Merger Agreement

On May 11, 2008, the Company, Cloud Acquisition Corporation, a Delaware corporation (Parent), and Cloud Merger Corporation, a Delaware corporation and wholly owned subsidiary of Parent (Merger Sub), entered into a Termination Agreement and Release (the Termination Agreement) to terminate the Agreement and Plan of

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Merger, dated July 23, 2007, among the Company, Parent and Merger Sub (the Merger Agreement), pursuant to which Merger Sub would have been merged with and into the Company, and as a result the Company would have continued as the surviving corporation and a wholly owned subsidiary of Parent.

Parent is owned by an investor group consisting of Lewis W. Dickey, Jr., the Company s Chairman, President and Chief Executive Officer, his brother John W. Dickey, the Company s Executive Vice President and Co-Chief Operating Officer, other members of their family, and a now defunct private equity fund. The members of the investor group informed the Company that, after exploring possible alternatives, they were unable to agree on terms on which they could proceed with the transaction.

As a result of the termination of the Merger Agreement, and in accordance with its terms, in May 2008 the Company received a termination fee in the amount of $15.0 million in cash from the investor group, and the terms of the previously announced amendment to the Company s existing credit agreement did not take effect. Under the terms of the Termination Agreement, the parties also acknowledged and agreed that all related equity and debt financing commitments, equity rollover commitments and voting agreements shall be terminated, and further agreed to release any and all claims they may have against each other and their respective affiliates.

* * *

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

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

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

Strategy

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

Operating Strategy

Our operating strategy has the following principal components:

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

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

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

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

Acquisition Strategy

Our acquisition strategy has the following principal components:

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

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

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

Acquisitions and Dispositions

Completed Acquisitions

We did not complete any acquisitions during 2008.

Pending Acquisitions

As of December 31, 2008, we had pending a swap transaction pursuant to which we would exchange one of our Fort Walton Beach, Florida radio stations, WYZB-FM, for another owned by Star Broadcasting, Inc., WTKE-FM. Specifically, the purchase agreement provided for the exchange of WYZB-FM plus $1.5 million in cash for WTKE-FM. Following the filing of the assignment applications with the FCC, the applications were challenged by Qantum Communications, who has some radio stations in the market and complained to the FCC that the swap would give us an unfair competitive advantage (because the station we would acquire reaches more people than the station we would be giving up). Qantum also initiated litigation in the United States District Court for the Southern District of Florida against the current owner of WTKE-FM, and secured a court decision that would require the sale of the station to Qantum instead of us. That decision was affirmed on appeal of the United States Court of Appeals for the Eleventh Circuit. Qantum has not yet closed on the transaction, but there appears to be no likelihood that we will be able to consummate the exchange we had proposed with the seller.

In addition at December 31, 2008, we had pending a swap transaction pursuant to which we would exchange our Canton, Ohio Station, WRQK-FM, for eight stations owned by Clear Channel Communications, Inc. (Clear Channel) in Ann Arbor, Michigan (WTKA-AM, WLBY-AM, WWWW-FM, WQKL-FM) and Battle Creek, Michigan (WBFN-AM, WBCK-FM, WBCK-AM and WBXX-FM). We will dispose of two of the AM stations in Battle Creek, WBCK-AM and WBFN-AM, simultaneously with the closing of the swap transaction to comply with the FCC s broadcast ownership limits; WBCK-AM will be placed in a trust for the sale of the station to an unrelated third party and WBFN-AM will be transferred to Family Life Broadcasting System.

As of December 31, 2008, we were a party to an Asset Exchange Agreement with subsidiaries of Clear Channel that would result in Clear Channel s acquisition of five Cumulus stations in the Green Bay, Wisconsin, Market (WOGB(FM) in Kaukauna, Wisconsin, WDUZ-FM in Brillion, Wisconsin, WQLJ(FM) in Green Bay, Wisconsin, WDUZ(AM) in Green Bay Wisconsin, and WPCK(FM) in Denmark, Wisconsin) in exchange for our acquisition of two Clear Channel stations in Cincinnati, Ohio (WNNF(FM) and WOFX-FM). The transaction also contemplates that we would enter into a long-term LMA to operate the Green Bay stations after they are acquired by Clear Channel. LMAs are deemed to be attributable ownership interests under FCC rules and, to comply with ownership limitations under FCC rules, we will place two stations (WZNN(FM) in Allouez, Wisconsin, and WWWX(FM) in Oshkosh, Wisconsin) in a trust that will be obligated to sell the stations pursuant to parameters established in the trust agreement with us. The transaction documents also include a Put Agreement that entitles

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Clear Channel to require us to purchase the Green Bay stations in 2013 (assuming that acquisition would comply with FCC ownership rules). The requisite assignment applications have been filed with the FCC, and the transaction could close in the first or second quarter of 2009.

As of December 31, 2008, we had pending a swap transaction pursuant to which we would exchange WZBN-FM, Camilla, GA, for W250BC, a translator licensed for use in Atlanta, Georgia, owned by Extreme Media Group. The requisite assignment applications have been approved by initial grant by the FCC, and the transaction is expected to close in the first or second quarter of 2009.

Completed Dispositions

We did not complete any dispositions during 2008.

Acquisition Shelf Registration Statement

We have registered an aggregate of 20,000,000 shares of our Class A Common Stock, pursuant to registration statements on Form S-4, for issuance from time to time in connection with our acquisition of other businesses, properties or securities in business combination transactions utilizing a shelf registration process. As of February 28, 2009, we had issued 5,666,553 of the 20,000,000 shares registered in connection with various acquisitions.

Industry Overview

The primary source of revenues for radio stations is the sale of advertising time to local, regional and national spot advertisers and national network advertisers. National spot advertisers assist advertisers in placing their advertisements in a specific market. National network advertisers place advertisements on a national network show and such advertisements will air in each market where the network has an affiliate. During the past decade, local advertising revenue as a percentage of total radio advertising revenue in a given market has ranged from approximately 72% to 87% according to the RAB. The trends in radio advertising revenue mirrored fluctuations in the current economic environment, yielding mixed results over the last three years. In 2008, advertising revenues decreased 9.0%, after decreasing 2% in 2007 and increasing 1% in 2006.

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

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

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

Our stations compete for advertising revenue with other terrestrial-based radio stations in the market (including low power FM radio stations that are required to operate on a noncommercial basis) as well as other media, including newspapers, broadcast television, cable television, magazines, direct mail, coupons and outdoor advertising. In addition, the radio broadcasting industry is subject to competition from services that use new media technologies that are being developed or have already been introduced, such as the Internet and satellite-based digital radio services. Such services reach nationwide and regional audiences with multi-channel, multi-format,

digital radio services that have a sound quality equivalent to that of compact discs. Competition among terrestrial-based radio stations has also been heightened by the introduction of terrestrial digital audio broadcasting (which is digital audio broadcasting delivered through earth-based equipment rather than satellites). The FCC currently allows terrestrial radio stations like ours to commence the use of digital technology through a hybrid antenna that carries both the pre-existing analog signal and the new digital signal. The FCC is conducting a proceeding that could result in a radio station s use of two antennae: one for the analog signal and one for the digital signal.

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

Advertising Sales

Virtually all of our revenue is generated from the sale of local, regional and national advertising for broadcast on our radio stations. In 2008, 2007, and 2006 approximately 90% of our net broadcasting revenue was generated from the sale of local and regional advertising. Additional broadcasting revenue is generated from the sale of national advertising. The major categories of our advertisers include:

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

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

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

The number of advertisements that can be broadcast without jeopardizing listening levels and the resulting ratings are limited in part by the format of a particular station. The optimal number of advertisements available for sale depends on the programming format of a particular station. Each of our stations has a general target level of on-air inventory

available for advertising. This target level of inventory for sale may vary at different times of the day but tends to remain stable over time. Our stations strive to maximize revenue by managing their on-air inventory of advertising time and adjusting prices up or down based on supply and demand. We seek to broaden our base of advertisers in each of our markets by providing a wide array of audience demographic segments across our cluster of stations, thereby providing each of our potential advertisers with an effective means of reaching a targeted demographic group. Our selling and pricing activity is based on demand for our radio stations on-air inventory and,

in general, we respond to this demand by varying prices rather than by varying our target inventory level for a particular station. Most changes in revenue are explained by some combination of demand-driven pricing changes and changes in inventory utilization rather than by changes in the available inventory. Advertising rates charged by radio stations, which are generally highest during morning and afternoon commuting hours, are based primarily on:

- a station s share of audiences and on the demographic groups targeted by advertisers (as measured by ratings surveys);
- the supply and demand for radio advertising time and for time targeted at particular demographic groups; and
- certain additional qualitative factors.

A station s listenership is reflected in ratings surveys that estimate the number of listeners tuned into the station, and the time they spend listening. Each station s ratings are used by its advertisers and advertising representatives to consider advertising with the station and are used by Cumulus to chart audience growth, set advertising rates and adjust programming. Currently, we utilize two station ratings services, Arbitron and Nielsen. While Arbitron has traditionally been our primary source of ratings information for its radio markets, we entered into an agreement with Nielsen on November 7, 2008 pursuant to which Nielsen would rate certain of our radio markets as coverages for such markets under the Arbitron agreement expire. Specifically, Nielsen began efforts to roll out its rating service for 50 of our radio markets in January 2009.

Competition

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

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

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

In 1996, changes in federal law and FCC rules dramatically increased the number of radio stations a single party can own and operate in a local market. Our management continues to believe that companies that elect to take advantage of those changes by forming groups of commonly owned stations or joint arrangements such as LMAs in a particular market may, in certain circumstances, have lower operating costs and may be able to offer advertisers in those markets more attractive rates and services. Although we currently operate multiple stations in each of our markets and intend to pursue the creation of additional multiple station groups in particular markets, our

competitors in certain markets include other parties who own and operate as many or more stations than we do. We may also compete with those other parties or broadcast groups for the purchase of additional stations in those markets or new markets. Some of those other parties and groups are owned or operated by companies that have substantially greater financial or other resources than we do.

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

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

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

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

Employees

At December 31, 2008, we employed approximately 2,700 people. None of our employees are covered by collective bargaining agreements, and we consider our relations with our employees to be satisfactory.

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

We generally employ one market manager for each radio market in which we own or operate stations. Each market manager is responsible for all employees of the market and for managing all aspects of the radio operations. On occasion, we enter into employment agreements with market managers to protect our interests in those relationships that we believe to be valuable. The loss of a market manager could result in a short-term loss of performance in a market, but we do not believe that any such loss would have a material adverse effect on our financial condition or results of operations, taken as a whole.

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Federal Regulation of Radio Broadcasting

General. The ownership, operation and sale of radio broadcast stations, including those licensed to us, are subject to the jurisdiction of the FCC, which acts under authority derived from the Communications Act of 1934, as amended (the Communications Act). The Telecom Act amended the Communications Act and directed the FCC to change certain of its broadcast rules. Among its other regulatory responsibilities, the FCC issues permits and licenses to construct and operate radio stations; assigns broadcast frequencies; determines whether to approve changes in ownership or control of station licenses; regulates transmission equipment, operating power, and other technical parameters of stations; adopts and implements regulations and policies that directly or indirectly affect the ownership, operation and employment practices of stations; regulates the content of some forms of radio broadcast programming; and has the authority under the Communications Act to impose penalties for violations of its rules.

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

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

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

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

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The following table sets forth the market, call letters, FCC license classification, antenna elevation above average terrain (for FM stations only), power and frequency of all owned and/or operated stations as of February 29, 2008, all pending station acquisitions operated under an LMA as of February 28, 2009, and all other announced pending station acquisitions as of February 28, 2009:

Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Power (in Kilowatts) Night
Abilene, TX	KBCY FM	Tye, TX	99.7	August 1, 2013	C1	745	100.0	100.0
	KCDD FM	Hamlin, TX	103.7	August 1, 2013	C	984	100.0	100.0
	KHXS FM	Merkel, TX	102.7	August 1, 2013	C1	745	99.2	99.2
	KTLT FM	Anson, TX	98.1	August 1, 2013	C2	305	50	50
Albany, GA	WALG AM	Albany, GA	1590	April 1, 2012	B	N/A	5	1
	WEGC FM	Sasser, GA	107.7	April 1, 2012	C3	312	11.5	11.5
	WGPC AM	Albany, GA	1450	April 1, 2012	C	N/A	1	1
	WJAD FM	Leesburg, GA	103.5	April 1, 2012	C3	463	12.5	12.5
	WKAK FM	Albany, GA	104.5	April 1, 2012	C1	981	100	100
	WNUQ FM	Sylvester, GA	102.1	April 1, 2012	A	259	6	6
	WQVE FM	Albany, GA	101.7	April 1, 2012	A	299	6	6
	WZBN FM	Camilla, GA	105.5	April 1, 2012	A	276	6	6
Amarillo, TX	KARX FM	Claude, TX	95.7	August 1, 2013	C1	390	100	100
	KPUR AM	Amarillo, TX	1440	August 1, 2013	B	N/A	5	1
	KPUR FM	Canyon, TX	107.1	August 1, 2013	A	315	6	6
	KQIZ FM	Amarillo, TX	93.1	August 1, 2013	C1	699	100	100
	KZRK AM	Canyon, TX	1550	August 1, 2013	B	N/A	1	0.2
	KZRK FM	Canyon, TX	107.9	August 1, 2013	C1	476	100	100
Ann Arbor, MI	WLBY AM	Saline, MI	1290	October 1, 2012	D	N/A	0.5	0.0
	WQKL FM	Ann Arbor, MI	107.1	October 1, 2012	A	289	3.0	3.0
	WTKA AM	Ann Arbor, MI	1050	October 1, 2012	B	N/A	10.0	0.5
	WWWW FM	Ann Arbor, MI	102.9	October 1, 2012	B	499	49.0	42.0
Appleton, WI	WNAM AM	Neenah Menasha, WI	1280	December 1, 2012	B	N/A	5	5
	WOSH AM	Oshkosh, WI	1490	December 1, 2012	C	N/A	1	1
	WPKR FM	Omro, WI	99.5	December 1, 2012	C2	495	25	25
	WVBO FM	Winneconne, WI	103.9	December 1, 2012	C3	328	25	25
	WWWX FM	Oshkosh, WI	96.9	December 1, 2012	A	328	6	6
Bangor, ME	WBZN FM	Old Town, ME	107.3	April 1, 2014	C2	436	50	50
	WDEA AM	Ellsworth, ME	1370	April 1, 2014	B	N/A	5	5
	WEZQ FM	Bangor, ME	92.9	April 1, 2014	B	787	20	20
	WQCB FM	Brewer, ME	106.5	April 1, 2014	C	1079	100	100
	WWMJ FM	Ellsworth, ME	95.7	April 1, 2014	B	1030	11.5	11.5
Battle Creek, MI	WBCK FM	Battle Creek, MI	95.3	October 1, 2012	A	269	3.0	3.0
	WBXX FM	Marshall, MI	104.9	October 1, 2012	A	328	6.0	6.0
Beaumont, TX	KAYD FM	Silsbee, TX	101.7	August 1, 2013	C3	503	10.5	10.5

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

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Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Night
Blacksburg, VA	WBRW FM	Blacksburg, VA	105.3	October 1, 2011	C3	479	12	12
	WFNR AM	Blacksburg, VA	710	October 1, 2011	D	N/A	10	0
	WFNR FM	Christiansburg, VA	100.7	October 1, 2011	A	886	0.8	0.8
	WPSK FM	Pulaski, VA	107.1	October 1, 2011	C3	1207	1.8	1.8
	WRAD AM	Radford, VA	1460	October 1, 2011	B	N/A	5	0.5
	WWBU FM	Radford, VA	101.7	October 1, 2011	A	66	5.8	5.8
Bridgeport, CT	WEBE FM	Westport, CT	107.9	April 1, 2014	B	384	50	50
	WICC AM	Bridgeport, CT	600	N/A	B	N/A	1	0.5
Canton, OH	WRQK FM	Canton, OH	106.9	October 1, 2012	B	341	27.5	27.5
Cedar Rapids, IA	KDAT FM	Cedar Rapids, IA	104.5	February 1, 2013	C1	551	100	100
	KHAK FM	Cedar Rapids, IA	98.1	February 1, 2013	C1	459	100	100
	KRNA FM	Iowa City, IA	94.1	February 1, 2013	C1	981	100	100
	KRQN FM	Vinton, IA	107.1	February 1, 2013	A	371	4.7	4.7
Cincinnati, OH	WNNF FM	Cincinnati, OH	94.1	October 1, 2012	B	866	16.0	16.0
	WOFX FM	Cincinnati, OH	92.5	October 1, 2012	B	866	16.0	16.0
Columbia, MO	KBBM FM	Jefferson City, MO	100.1	February 1, 2013	C2	600	33	33
	KBXR FM	Columbia, MO	102.3	February 1, 2013	C3	856	3.5	3.5
	KFRU AM	Columbia, MO	1400	February 1, 2013	C	N/A	1	1
	KJMO FM	Linn, Mo	97.5	February 1, 2013	A	328	6	6
	KLIK AM	Jefferson City, MO	1240	February 1, 2013	C	N/A	1	1
	KOQL FM	Ashland, MO	106.1	February 1, 2013	C1	958	69	69
	KPLA FM	Columbia, MO	101.5	February 1, 2013	C1	1062	41	41
	KZJF FM	Jefferson City, MO	104.1	April 1, 2013	A	348	5.3	5.3
Columbus-Starkville, MS	WJWF AM	Columbus, MS	1400	June 1, 2012	C	N/A	1	1
	WKOR AM	Starkville, MS	980	June 1, 2012	D	N/A	1	0.1
	WKOR FM	Columbus, MS	94.9	June 1, 2012	C2	492	50	50
	WMXU FM	Starkville, MS	106.1	June 1, 2012	C2	502	40	40
	WNMQ FM	Columbus, MS	103.1	June 1, 2012	C2	755	22	22
	WSMS FM	Artesia, MS	99.9	June 1, 2012	C2	505	47	47
	WSSO AM	Starkville, MS	1230	June 1, 2012	C	N/A	1	1
Danbury, CT	WDBY FM	Patterson, NY	105.5	June 1, 2014	A	610	0.9	0.9
	WINE AM	Brookfield, CT	940	April 1, 2014	D	N/A	0.7	0
	WPUT AM	Brewster, NY	1510	June 1, 2014	D	N/A	1	0
	WRKI FM	Brookfield, CT	95.1	April 1, 2014	B	636	29.5	29.5
Dubuque, IA	KLYV FM	Dubuque, IA	105.3	February 1, 2013	C2	331	50	50
	KXGE FM	Dubuque, IA	102.3	February 1, 2013	A	308	2	2
	WDBQ AM	Dubuque, IA	1490	February 1, 2013	C	N/A	1	1
	WDBQ FM	Galena, IL	107.5	December 1, 2012	A	328	6	6
	WJOD FM	Asbury, IA	103.3	February 1, 2013	C3	643	6.6	6.6
Eugene, OR	KEHK FM	Brownsville, OR	102.3	February 1, 2014	C1	919	100	43
	KNRQ FM	Eugene, OR	97.9	February 1, 2014	C	1010	100	75

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

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Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Night
Fayetteville, AR	KAMO FM	Rogers, AR	94.3	June 1, 2012	C2	692	25	25
	KFAY AM	Farmington, AR	1030	June 1, 2012	B	N/A	10	1
	KKEG FM	Fayetteville, AR	92.1	June 1, 2012	C3	531	7.6	7.6
	KMCK FM	Siloam Springs, AR	105.7	June 1, 2012	C1	476	100	100
	KQSM FM	Bentonville, AR	98.3	June 1, 2012	C1	617	100	100
	KYNF FM	Prairie Grove, AR	94.9	June 1, 2012	C2	761	21	21
	KYNG AM	Springdale, AR	1590	June 1, 2012	D	N/A	2.5	0.1
Fayetteville, NC	WFNC AM	Fayetteville, NC	640	December 1, 2011	B	N/A	10	1
	WFNC FM	Lumberton, NC	102.3	December 1, 2011	A	269	6	6
	WFVL FM	Southern Pines, NC	106.9	December 1, 2011	C2	492	50	50
	WQSM FM	Fayetteville, NC	98.1	December 1, 2011	C1	830	100	100
	WRCQ FM	Dunn, NC	103.5	December 1, 2011	C2	502	48	48
Flint, MI	WDZZ FM	Flint, MI	92.7	October 1, 2012	A	256	3	3
	WRSR FM	Owosso, MI	103.9	October 1, 2012	A	482	2.9	2.9
	WWCK AM	Flint, MI	1570	October 1, 2012	D	N/A	1	0.1
	WWCK FM	Flint, MI	105.5	October 1, 2012	B1	328	25	25
Florence, SC	WBZF FM	Hartsville, SC	98.5	December 1, 2011	A	328	6	6
	WCMG FM	Latta, SC	94.3	December 1, 2011	C3	502	10.5	10.5
	WHLZ FM	Marion, SC	100.5	December 1, 2011	C3	328	21.5	21.5
	WHSC AM	Hartsville, SC	1450	December 1, 2011	C	N/A	1	1
	WMXT FM	Pamplico, SC	102.1	December 1, 2011	C2	479	50	50
	WWFN FM	Lake City, SC	100.1	December 1, 2011	A	433	3.3	3.3
	WYMB AM	Manning, SC	920	December 1, 2011	B	N/A	2.3	1
	WYNN AM	Florence, SC	540	December 1, 2011	D	N/A	0.3	0.2
	WYNN FM	Florence, SC	106.3	December 1, 2011	A	328	6	6
Fort Smith, AR	KBBQ FM	Van Buren, AR	102.7	June 1, 2012	C2	574	17	17
	KLSZ FM	Fort Smith, AR	100.7	June 1, 2012	C2	459	50	50
	KOAI AM	Van Buren, AR	1060	June 1, 2012	D	N/A	0.5	0
	KOMS FM	Poteau, OK	107.3	June 1, 2013	C	1811	100	100
Fort Walton Beach, FL	WFTW AM	Ft Walton Beach, FL	1260	February 1, 2012	D	N/A	2.5	0.1
	WKSM FM	Ft Walton Beach, FL	99.5	February 1, 2012	C2	438	50	50
	WNCV FM	Niceville, FL	100.3	April 1, 2012	A	440	3.5	3.5
	WYZB FM	Mary Esther, FL	105.5	February 1, 2012	C3	305	25	25
	WZNS FM	Ft Walton Beach, FL	96.5	February 1, 2012	C1	438	100	100
Grand Junction, CO	KBKL FM	Grand Junction, CO	107.9	April 1, 2013	C	1460	100	100
	KEKB FM	Fruita, CO	99.9	April 1, 2013	C	1542	79	79
	KENG FM	Parachute, CO	101.1	April 1, 2014	A	1397	0.2	0.2
	KEXO AM	Grand Junction, CO	1230	April 1, 2013	C	N/A	1	1
	KKNN FM	Delta, CO	95.1	April 1, 2013	C	1424	100	100
	KMXY FM	Grand Junction, CO	104.3	April 1, 2013	C	1460	100	100

Green Bay, WI	WDUZ AM	Green Bay, WI	1400	December 1, 2012	C	N/A	1	1
	WDUZ FM	Brillion, WI	107.5	December 1, 2012	C3	879	3.6	3.6
	WOGB FM	Kaukauna, WI	103.1	December 1, 2012	C3	879	3.6	3.6
	WPCK FM	Denmark, WI	104.9	December 1, 2012	C3	515	10	10
	WQLH FM	Green Bay, WI	98.5	December 1, 2012	C1	499	100	100
	WZNN FM	Allouez, WI	106.7	December 1, 2012	C3	328	25	25
Harrisburg, PA	WHGB AM	Harrisburg, PA	1400	August 1, 2014	C	N/A	1	1
	WNNK FM	Harrisburg, PA	104.1	August 1, 2014	B	699	20.5	20.5
	WTPA FM	Mechanicsburg, PA	93.5	August 1, 2014	A	719	1.3	1.3
	WWKL FM	Palmyra, PA	92.1	August 1, 2014	A	601	1.5	1.5

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Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Power (in Kilowatts) Night
Huntsville, AL	WHRP FM	Gurley, AL	94.1	April 1, 2011	A	945	0.7	0.7
	WUMP AM	Madison, AL	730	April 1, 2012	D	N/A	1	0.1
	WVNN AM	Athens, AL	770	April 1, 2012	B	N/A	7	0.3
	WVNN FM	Trinity, AL	92.5	April 1, 2012	A	423	3.1	3.1
	WWFF FM	New Market, AL	93.3	April 1, 2012	C2	914	14.5	14.5
	WZYP FM	Athens, AL	104.3	April 1, 2012	C	1,115	100	100
Kalamazoo, MI	WKFR FM	Battle Creek, MI	103.3	October 1, 2012	B	482	50	50
	WKMI AM	Kalamazoo, MI	1360	October 1, 2012	B	N/A	5	1
	WRKR FM	Portage, MI	107.7	October 1, 2012	B	486	50	50
Killeen-Temple, TX	KLTD FM	Temple, TX	101.7	August 1, 2013	C3	410	16.5	16.5
	KOOC FM	Belton, TX	106.3	August 1, 2013	C3	489	11.5	11.5
	KSSM FM	Copperas Cove, TX	103.1	August 1, 2012	C3	558	8.6	8.6
	KTEM AM	Temple, TX	1400	August 1, 2013	C	N/A	1	1
	KUSJ FM	Harker Heights, TX	105.5	August 1, 2013	C2	600	33	33
Lake Charles, LA	KAOK AM	Lake Charles, LA	1400	June, 1 2012	C	N/A	1	1
	KBIU FM	Lake Charles, LA	103.3	June 1, 2012	C2	479	35	35
	KKGB FM	Sulphur, LA	101.3	June 1, 2012	C3	479	12	12
	KQLK FM	DeRidder, LA	97.9	June 1, 2012	C2	492	50	50
	KXZZ AM	Lake Charles, LA	1580	June 1, 2012	B	N/A	1	1
	KYKZ FM	Lake Charles, LA	96.1	June 1, 2012	C1	479	100	100
Lexington, KY	WCYN-FM	Cynthiana, KY	102.3	August 1, 2012	A	400	3.4	3.4
	WLTO FM	Nicholasville, KY	102.5	August 1, 2012	A	373	4.6	4.6
	WLXX FM	Lexington, KY	92.9	August 1, 2012	C1	850	100	100
	WVLK AM	Lexington, KY	590	August 1, 2012	B	N/A	5	1
	WVLK FM	Richmond, KY	101.5	August 1, 2012	C3	541	9	9
	WXZZ FM	Georgetown, KY	103.3	August 1, 2012	A	328	6	6
Macon, GA	WAYS AM	Macon, GA	1500	April 1, 2012	D	N/A	1	0
	WDDO AM	Macon, GA	1240	April 1, 2012	C	N/A	1	1
	WDEN FM	Macon, GA	99.1	April 1, 2012	C1	581	100	100
	WIFN FM	Macon, GA	105.5	April 1, 2012	C3	659	6.1	6.1
	WLZN FM	Macon, GA	92.3	April 1, 2012	A	328	3	3
	WMAC AM	Macon, GA	940	April 1, 2012	B	N/A	50	10
	WMGB FM	Montezuma, GA	95.1	April 1, 2012	C2	390	46	46
	WPEZ FM	Jeffersonville, GA	93.7	April 1, 2012	C1	679	100	100
Melbourne, FL	WAOA FM	Melbourne, FL	107.1	February 1, 2012	C1	486	100	100
	WHKR FM	Rockledge, FL	102.7	February 1, 2012	C2	433	50	50
	WINT AM	Melbourne, FL	1560	February 1, 2012	D	N/A	5	0
	WSJZ FM	Sebastian, FL	95.9	February 1, 2012	C3	289	25	25
Mobile, AL	WBLX FM	Mobile, AL	92.9	April 1, 2012	C	1708	100	100
	WDLT FM	Chickasaw, AL	98.3	April 1, 2012	C2	548	40	40
	WGOK AM	Mobile, AL	900	April 1, 2012	B	N/A	1	0.4

	WXQW AM	Fairhope, AL	660	April 1, 2012	B	N/A	10	0.9
	WYOK FM	Atmore, AL	104.1	April 1, 2012	C	1708	100	100
Monroe, MI	WTWR FM	Luna Pier, MI	98.3	October 1, 2012	A	443	3.4	3.4

Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Night
Montgomery, AL	WHHY FM	Montgomery, AL	101.9	April 1, 2012	C0	1096	100	100
	WLWI AM	Montgomery, AL	1440	April 1, 2012	B	N/A	5	1
	WLWI FM	Montgomery, AL	92.3	April 1, 2012	C	1096	100	100
	WMSP AM	Montgomery, AL	740	April 1, 2012	B	N/A	10	0.2
	WMXS FM	Montgomery, AL	103.3	April 1, 2012	C	1096	100	100
	WNZZ AM	Montgomery, AL	950	April 1, 2012	D	N/A	1	0
	WXFX FM	Prattville, AL	95.1	April 1, 2012	C2	476	50	50
Myrtle Beach, SC	WDAI FM	Pawley s Island, SC	98.5	December 1, 2011	C3	666	6.1	6.1
	WIQB AM	Conway, SC	1050	December 1, 2011	B	N/A	5	0.5
	WJXY FM	Conway, SC	93.9	December 1, 2011	A	420	3.7	3.7
	WLFF FM	Georgetown, SC	106.5	December 1, 2011	C2	492	50.0	50.0
	WSEA FM	Atlantic Beach, SC	100.3	December 1, 2011	C3	476	12	12
	WSYN FM	Surfside Beach, SC	103.1	December 1, 2011	C3	528	8.0	8.0
	WXJY FM	Georgetown, SC	93.7	December 1, 2011	A	315	6	6
Nashville, TN	WNFN FM	Belle Meade, TN	106.7	August 1, 2012	A	774	1.1	1.1
	WQQK FM	Hendersonville, TN	92.1	August 1, 2012	A	463	3	3
	WRQQ FM	Goodlettsville, TN	97.1	August 1, 2012	C2	518	45	45
	WSM FM	Nashville, TN	95.5	August 1, 2012	C	1280	100	100
	WWTN FM	Manchester, TN	99.7	August 1, 2012	C0	1,296	100	100
Odessa-Midland, TX	KBAT FM	Monahans, TX	99.9	August 1, 2013	C1	574	100	100
	KGEE FM	Pecos, TX	97.3	August 1, 2014	A	70	0.3	0.3
	KMND AM	Midland, TX	1510	August 1, 2013	D	N/A	2.4	0
	KNFM FM	Midland, TX	92.3	August 1, 2013	C	984	100	100
	KODM FM	Odessa, TX	97.9	August 1, 2013	C1	361	100	100
	KRIL AM	Odessa, TX	1410	August 1, 2013	B	N/A	1	0.2
	KZBT FM	Midland, TX	93.3	August 1, 2013	C1	440	100	100
Oxnard-Ventura, CA	KBBY FM	Ventura, CA	95.1	December 1, 2013	B	876	12.5	12.5
	KHAY FM	Ventura, CA	100.7	December 1, 2013	B	1211	39	39
	KVEN AM	Ventura, CA	1450	December 1, 2013	C	N/A	1	1
	KVYB FM	Ventura, CA	103.3	December 1, 2013	B	2969	105	105
Pensacola, FL	WCOA AM	Pensacola, FL	1370	February 1, 2012	B	N/A	5	5
	WJLQ FM	Pensacola, FL	100.7	February 1, 2012	C	1708	100	100
	WRRX FM	Gulf Breeze, FL	106.1	February 1, 2012	A	407	3.9	3.9
Poughkeepsie, NY	WALL AM	Middleton, NY	1340	June 1, 2014	C	N/A	1	1
	WCZX FM	Hyde Park, NY	97.7	June 1, 2014	A	1030	0.3	0.3
	WEOK AM	Poughkeepsie, NY	1390	June 1, 2014	D	N/A	5	0.1
	WKNY AM	Kingston, NY	1490	June 1, 2014	C	N/A	1	1
	WKXP FM	Kingston, NY	94.3	June 1, 2014	A	545	2.3	2.3
	WPDA FM	Jeffersonville, NY	106.1	June 1, 2014	A	627	1.6	1.6
	WPDH FM	Poughkeepsie, NY	101.5	June 1, 2014	B	1539	4.4	4.4
	WRRB FM	Arlington, NY	96.9	June 1, 2014	A	1007	0.3	0.3

	WRRV FM	Middleton, NY	92.7	June 1, 2014	A	269	6	6
	WZAD FM	Wurtsboro, NY	97.3	June 1, 2014	A	719	0.6	0.6
Quad Cities, IA	KBEA FM	Muscatine, IA	99.7	February 1, 2013	C1	869	100	100
	KBOB FM	DeWitt, IA	104.9	December 1, 2012	C3	469	12.5	12.5
	KJOC AM	Davenport, IA	1170	February 1, 2013	B	N/A	1	1
	KQCS FM	Bettendorf, IA	93.5	February 1, 2013	A	318	6	6
	WXLP FM	Moline, IL	96.9	December 1, 2012	B	499	50	50

Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Night
Rochester, MN	KFIL AM	Preston, MN	1060	April 1, 2013	D	N/A	1	0
	KFIL FM	Preston, MN	103.1	April 1, 2013	C3	528	3.5	3.5
	KLCX FM	Saint Charles, MN	107.7	April 1, 2013	A	571	2	2
	KOLM AM	Rochester, MN	1520	April 1, 2013	D	N/A	10	0.8
	KROC AM	Rochester, MN	1340	April 1, 2013	C	N/A	1	1
	KROC FM	Rochester, MN	106.9	April 1, 2013	C0	1109	100	100
	KVGO FM	Spring Valley, MN	104.3	April 1, 2013	C3	512	10	10
	KWWK FM	Rochester, MN	96.5	April 1, 2013	C2	528	43	43
	KYBA FM	Stewartville, MN	105.3	April 1, 2013	C2	492	50	50
Rockford, IL	WKGL FM	Loves Park, IL	96.7	December 1, 2012	A	551	2.2	2.2
	WROK AM	Rockford, IL	1440	December 1, 2012	B	N/A	5	0.3
	WXXQ FM	Freeport, IL	98.5	December 1, 2012	B1	492	11	11
	WZOK FM	Rockford, IL	97.5	December 1, 2012	B	430	50	50
Santa Barbara, CA	KMGQ FM	Goleta, CA	106.3	December 1, 2013	A	827	0.1	0.1
	KRUZ FM	Santa Barbara, CA	97.5	December 1, 2013	B	2920	17.5	17.5
Savannah, GA	WBMQ AM	Savannah, GA	630	April 1, 2012	D	N/A	4.8	0
	WEAS FM	Springfield, GA	93.1	April 1, 2012	C1	981	100	100
	WIXV FM	Savannah, GA	95.5	April 1, 2012	C1	988	98	98
	WJCL FM	Savannah, GA	96.5	April 1, 2012	C	1161	100	100
	WJLG AM	Savannah, GA	900	April 1, 2012	D	N/A	4.4	0.2
	WTYB FM	Tybee Island, GA	103.9	April 1, 2012	C2	344	50	50
	WZAT FM	Savannah, GA	102.1	April 1, 2012	C	1496	100	100
Shreveport, LA	KMJJ FM	Shreveport, LA	99.7	June 1, 2012	C2	463	50	50
	KQHN FM	Magnolia, AR	107.9	June 1, 2012	C1	351	100	100
	KRMD AM	Shreveport, LA	1340	June 1, 2012	C	N/A	1	1
	KRMD FM	Oil City, LA	101.1	June 1, 2012	C0	1134	100	100
	KVMA FM	Shreveport, LA	102.9	June 1, 2012	C2	535	42	42
Sioux Falls, SD	KDEZ FM	Brandon, SD	100.1	April 1, 2013	A	170.2	2.2	2.2
	KIKN FM	Salem, SD	100.5	April 1, 2013	C1	942	100	100
	KKLS FM	Sioux Falls, SD	104.7	April 1, 2013	C1	981	100	100
	KMXC FM	Sioux Falls, SD	97.3	April 1, 2013	C1	840	100	100
	KSOO AM	Sioux Falls, SD	1140	April 1, 2013	B	N/A	10	5
	KSOO FM	Lennox, SD	99.1	April 1, 2013	N/A	N/A	N/A	N/A
	KXRB AM	Sioux Falls, SD	1000	April 1, 2013	D	N/A	10	0.1
	KYBB FM	Canton, SD	102.7	April 1, 2013	C2	486	50	50
Tallahassee, FL	WBZE FM	Tallahassee, FL	98.9	February 1, 2012	C1	604	100	100
	WGLF FM	Tallahassee, FL	104.1	February 1, 2012	C	1394	100	100
	WHBT AM	Tallahassee, FL	1410	February 1, 2012	D	N/A	5	0
	WHBX FM	Tallahassee, FL	96.1	February 1, 2012	C2	479	37	37
	WWLD FM	Cairo, GA	102.3	April 1, 2013	C2	604	27	27
Toledo, OH	WKKO FM	Toledo, OH	99.9	October 1, 2012	B	500	50	50

WLQR AM	Toledo, OH	1470	October 1, 2012	B	N/A	1	1
WRQN FM	Bowling Green, OH	93.5	October 1, 2012	B1	397	7	7
WRWK FM	Delta, OH	106.5	October 1, 2012	A	367	4.8	4.8
WTOD AM	Toledo, OH	1560	October 1, 2012	D	N/A	5	0
WWWM FM	Sylvania, OH	105.5	October 1, 2012	A	390	4.3	4.3
WXKR FM	Port Clinton, OH	94.5	October 1, 2012	B	630	30	30

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Market	Stations	City of License	Frequency	Expiration Date of License	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts) Day	Night
Topeka, KS	KDVB-FM	Effingham, KS	96.9	June 1, 2013	N/A	227	0.1	0.1
	KDVV FM	Topeka, KS	100.3	June 1, 2013	C	984	100	100
	KMAJ AM	Topeka, KS	1440	June 1, 2013	B	N/A	5	1
	KMAJ FM	Topeka, KS	107.7	June 1, 2013	C	1214	100	100
	KQTP FM	St. Marys, KS	102.9	June 1, 2013	C2	598	30	30
	KRWP FM	Stockton, MO	107.7	February 1, 2013	C3	479	11.7	11.7
	KTOP AM	Topeka, KS	1490	June 1, 2013	C	N/A	1	1
	KWIC FM	Topeka, KS	99.3	June 1, 2013	C3	538	6.8	6.8
Waterloo, IA	KCRR FM	Grundy Center, IA	97.7	February 1, 2013	C3	407	16	16
	KKHQ FM	Oelwein, IA	92.3	February 1, 2013	C	991	100	100
	KOEL AM	Oelwein, IA	950	February 1, 2013	B	N/A	5	0.5
	KOEL FM	Cedar Falls, IA	98.5	February 1, 2013	C3	423	15	15
Westchester, NY	WFAF FM	Mount Kisco, NY	106.3	June 1, 2014	A	443	1	1
	WFAS AM	White Plains, NY	1230	June 1, 2014	C	N/A	1	1
	WFAS FM	White Plains, NY	103.9	June 1, 2014	A	669	0.6	0.6
Wichita Falls, TX	KLUR FM	Wichita Falls, TX	99.9	August 1, 2013	C1	808	100	100
	KOLI FM	Electra, TX	94.9	August 1, 2013	C2	492	50	50
	KQXC FM	Wichita Falls, TX	103.9	August 1, 2013	A	807	19	19
	KYYI FM	Burkburnett, TX	104.7	August 1, 2013	C1	285	0.7	0.7
Wilmington, NC	WAAV AM	Leland, NC	980	December 1, 2011	B	N/A	5	5
	WGNI FM	Wilmington, NC	102.7	December 1, 2011	C1	981	100	100
	WKXS FM	Leland, NC	94.5	December 1, 2011	A	416	3.8	3.8
	WMNX FM	Wilmington, NC	97.3	December 1, 2011	C1	883	100	100
	WWQQ FM	Wilmington, NC	101.3	December 1, 2011	C2	545	40	40
Youngstown, OH	WBBW AM	Youngstown, OH	1240	October 1, 2012	C	N/A	1	1
	WHOT FM	Youngstown, OH	101.1	October 1, 2012	B	705	24.5	24.5
	WLLF FM	Mercer, PA	96.7	August 1, 2014	A	486	1.4	1.4
	WPIC AM	Sharon, PA	790	August 1, 2014	D	N/A	1	0.1
	WQXK FM	Salem, OH	105.1	October 1, 2012	B	446	88	88
	WSOM AM	Salem, OH	600	October 1, 2012	D	N/A	1	0
	WWIZ FM	Mercer, PA	103.9	August 1, 2014	A	295	6	6
	WYFM FM	Sharon, PA	102.9	August 1, 2014	B	604	33	33

Regulatory Approvals. The Communications Laws prohibit the assignment or transfer of control of a broadcast license without the prior approval of the FCC. In determining whether to grant an application for assignment or transfer of control of a broadcast license, the Communications Act requires the FCC to find that the assignment or transfer would serve the public interest. The FCC considers a number of factors in making this determination, including (1) compliance with various rules limiting common ownership of media properties, (2) the financial and character qualifications of the assignee or transferee (including those parties holding an attributable interest in the assignee or transferee), (3) compliance with the Communications Act s foreign ownership restrictions, and (4) compliance with other Communications Laws, including those related to programming and filing requirements.

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As discussed in greater detail below, the FCC may also review the effect of proposed assignments and transfers of broadcast licenses on economic competition and diversity. See Antitrust and Market Concentration Considerations.

We had two assignment applications, approved by the FCC, that currently are the subject of an application for review filed with the FCC by Qantum Communications. The applications involve the exchange of two of our FM stations in the Fort Walton Beach, Florida market for two other stations in that market. Qantum Communications has some radio stations in the market and has complained to the FCC that the swaps would give us an unfair competitive advantage (because the stations we would acquire reach more people than the station we would be giving up). Despite the pendency of Qantum s objection, we closed on one of the acquisitions (WPGG-FM). However Qantum initiated litigation in the United States District Court for the Southern District of Florida against the Seller with respect to the other station (WTKE-FM) and secured a court decision that would require the sale of the station to Qantum instead of us. That decision has been upheld on appeal to the United States Court of Appeals for the Eleventh Circuit, and, as a result, it is unlikely that the Company will be able to consummate the exchange it had proposed for WTKE(FM). We do not believe that our inability to make the exchange for WTKE(FM) will have a material adverse impact on our overall operations taken as a whole.

Qantum also filed an opposition to the proposal of the former licensee of WPGG-FM to relocate that station from Evergreen, Alabama, to Shalimar, Florida, which is in the Fort Walton Beach, Florida market (where Qantum also has stations). The FCC staff granted the proposal and rejected Qantum s reconsideration petition (which was filed before the Company acquired WPGG-FM). Qantum filed an appeal asking the full Commission to reverse the FCC staff s decision. After Qantum filed that appeal, Cumulus acquired WPGG-FM and changed the call sign to WNCV(FM). As the new license of the station, Cumulus filed an opposition to Qantum s appeal challenging the relocation of the station to Shalimar, Florida. The matter is still pending before the FCC, and we cannot predict the outcome. Final resolution of the case could take years. It is possible that the FCC could ultimately require that the station be relocated back to Evergreen, Alabama. We do not believe that any such decision would have a material adverse impact on our overall operations taken as a whole.

Ownership Matters. The Communications Act restricts us from having more than one-fourth of our capital stock owned or voted by non-U.S. persons, foreign governments or non-U.S. corporations. We are required to take appropriate steps to monitor the citizenship of our stockholders, such as through representative samplings on a periodic basis, to provide a reasonable basis for certifying compliance with the foreign ownership restrictions of the Communications Act.

The Communications Laws also generally restrict (1) the number of radio stations one person or entity may own, operate or control in a local market, (2) the common ownership, operation or control of radio broadcast stations and television broadcast stations serving the same local market, and (3) except in the 20 largest Nielsen designated market areas (DMAs), the common ownership, operation or control of a radio broadcast station and a daily newspaper serving the same local market.

None of these multiple and cross ownership rules requires any change in our current ownership of radio broadcast stations or precludes consummation of our pending acquisitions. The Communications Laws will limit the number of additional stations that we may acquire in the future in our existing markets as well as new markets.

Because of these multiple and cross ownership rules, a purchaser of our voting stock who acquires an attributable interest in us (as discussed below) may violate the Communications Laws if such purchaser also has an attributable interest in other radio or television stations, or in daily newspapers, depending on the number and location of those radio or television stations or daily newspapers. Such a purchaser also may be restricted in the companies in which it may invest to the extent that those investments give rise to an attributable interest. If one of our attributable stockholders violates any of these ownership rules, we may be unable to obtain from the FCC one or more

authorizations needed to conduct our radio station business and may be unable to obtain FCC consents for certain future acquisitions.

The FCC generally applies its television/radio/newspaper cross-ownership rules and its broadcast multiple ownership rules by considering the attributable or cognizable, interests held by a person or entity. With some exceptions, a person or entity will be deemed to hold an attributable interest in a radio station, television station or

daily newspaper if the person or entity serves as an officer, director, partner, stockholder, member, or, in certain cases, a debt holder of a company that owns that station or newspaper. Whether that interest is attributable and thus subject to the FCC s multiple ownership rules, is determined by the FCC s attribution rules. If an interest is attributable, the FCC treats the person or entity who holds that interest as the owner of the radio station, television station or daily newspaper in question, and that interest thus counts against the person in determining compliance with the FCC s ownership rules.

With respect to a corporation, officers, directors and persons or entities that directly or indirectly hold 5% or more of the corporation s voting stock (20% or more of such stock in the case of insurance companies, investment companies, bank trust departments and certain other passive investors that hold such stock for investment purposes only) generally are attributed with ownership of the radio stations, television stations and daily newspapers owned by the corporation. As discussed below, participation in an LMA or a JSA also may result in an attributable interest. See Local Marketing Agreements and Joint Sales Agreements.

With respect to a partnership (or limited liability company), the interest of a general partner is attributable, as is the interest of any limited partner (or limited liability company member) who is materially involved in the media-related activities of the partnership (or limited liability company). The following interests generally are not attributable: (1) debt instruments, non-voting stock, options and warrants for voting stock, partnership interests, or membership interests that have not yet been exercised; (2) limited partnership or limited liability company interests where (a) the limited partner or member is not materially involved in the media-related activities of the partnership or limited liability company, and (b) the limited partnership agreement or limited liability company agreement expressly insulates the limited partner or member from such material involvement by inclusion of provisions specified by the FCC; and (3) holders of less than 5% of an entity s voting stock. Non-voting equity and debt interests which, in the aggregate, constitute more than 33% of a station s enterprise value, which consists of the total equity and debt capitalization, are considered attributable in certain circumstances.

On June 2, 2003, the FCC adopted new rules and policies (the New Rules) which would modify the ownership rules and policies then in effect (the Current Rules). Among other changes, the New Rules would (1) change the methodology to determine the boundaries of radio markets, (2) require that JSAs involving radio stations (but not television stations) be deemed to be an attributable ownership interest under certain circumstances, (3) authorize the common ownership of radio stations and daily newspapers under certain specified circumstances, and (4) eliminate the procedural policy of flagging assignment or transfer of control applications that raised potential anticompetitive concerns (namely, those applications that would permit the buyer to control 50% or more of the radio advertising dollars in the market, or would permit two entities (including the buyer), collectively, to control 70% or more of the radio advertising dollars in the market). Certain private parties challenged the New Rules in court, and the court issued an order which prevented the New Rules from going into effect until the court issued a decision on the challenges. On June 24, 2004, the court issued a decision which upheld some of the FCC s New Rules (for the most part, those that relate to radio) and concluded that other New Rules (for the most part, those that relate to television and newspapers) required further explanation or modification. The court left in place, however, the order which precluded all of the New Rules from going into effect. On September 3, 2004, the court issued a further order which granted the FCC s request to allow certain New Rules relating to radio to go into effect. The New Rules that became effective (1) changed the definition of the radio market for those markets that are rated by Arbitron, (2) modified the Current Rules method for defining a radio market in those markets that are not rated by Arbitron, and (3) made JSAs an attributable ownership interest under certain circumstances.

On February 4, 2008, the FCC issued *a Report and Order on Reconsideration* which changed Commission rules to allow common ownership of a radio station or a television station and a daily newspaper in the top 20 DMAs and to consider waivers to allow cross-ownership of a radio or television station with a daily newspaper in other DMAs. The FCC retained all other rules related to radio ownership without change.

Programming and Operation. The Communications Act requires broadcasters to serve the public interest. Broadcasters are required to present programming that is responsive to community problems, needs and interests and to maintain certain records demonstrating such responsiveness. Complaints from listeners concerning a station s programming may be filed at any time and will be considered by the FCC both at the time they are filed and in connection with a licensee s renewal application. Stations also must follow various FCC rules that regulate,

among other things, political advertising, the broadcast of obscene or indecent programming, sponsorship identification, the broadcast of contests and lotteries, and technical operations (including limits on radio frequency radiation). Failure to observe these or other rules and policies can result in the imposition of various sanctions, including monetary forfeitures, the grant of a short-term license renewal or, for particularly egregious violations, the denial of a license renewal application or the revocation of a station license.

On January 24, 2008, the FCC proposed the adoption of certain rules and other measures to enhance the ability of radio and television stations to provide programming responsive to the needs and interests of their respective communities. The measures proposed include the creation of community advisory boards, requiring a broadcaster to maintain a main studio in the community of license of each station it owns, and the establishment of processing guidelines in FCC rules to evaluate the nature and quantity of non-entertainment programming provided by the broadcaster. Those proposals are subject to public comment. We cannot predict at this time to what extent, if any, the FCC s proposals will be adopted or the impact which adoption of any one or more of those proposals will have on our Company.

Local Marketing Agreements. A number of radio stations, including certain of our stations, have entered into LMAs. In a typical LMA, the licensee of a station makes available, for a fee, airtime on its station to a party which supplies programming to be broadcast during that airtime, and collects revenues from advertising aired during such programming. LMAs are subject to compliance with the antitrust laws and the Communications Laws, including the requirement that the licensee must maintain independent control over the station and, in particular, its personnel, programming, and finances. The FCC has held that such agreements do not violate the Communications Laws as long as the licensee of the station receiving programming from another station maintains ultimate responsibility for, and control over, station operations and otherwise ensures compliance with the Communications Laws.

A station that brokers more than 15% of the weekly programming hours on another station in its market will be considered to have an attributable ownership interest in the brokered station for purposes of the FCC s ownership rules. As a result, a radio station may not enter into an LMA that allows it to program more than 15% of the weekly programming hours of another station in the same market that it could not own under the FCC s multiple ownership rules.

Joint Sales Agreements. From time to time, radio stations, including one of our stations, enter into JSAs. A typical JSA authorizes one station to sell another station s advertising time and retain the revenue from the sale of that airtime. A JSA typically includes a periodic payment to the station whose airtime is being sold (which may include a share of the revenue being collected from the sale of airtime). Like LMAs, JSAs are subject to compliance with antitrust laws and the Communications Laws, including the requirement that the licensee must maintain independent control over the station and, in particular, its personnel, programming, and finances. The FCC has held that such agreements do not violate the Communications Laws as long as the licensee of the station whose time is being sold by another station maintains ultimate responsibility for, and control over, station operations and otherwise ensures compliance with the Communications Laws.

Under the FCC s New Rules, a radio station that sells more than 15% of the weekly advertising time of another radio station in the same market will be attributed with the ownership of that other station. In that situation, a radio station cannot have a JSA with another radio station in the same market if the FCC s ownership rules would otherwise prohibit that common ownership.

New Services. In 1997, the FCC awarded two licenses to separate entities (XM Satellite Radio Holding Inc. and Sirius Satellite Radio Inc.) that authorized the licensees to provide satellite-delivered digital audio radio services. XM and Sirius launched their respective satellite-delivered digital radio services shortly thereafter and subsequently filed an application in 2007 with the FCC proposing to merge their two operations into a single company. On August 5, 2008,

the FCC released an order granting that application. Private parties filed appeals with the United States Court of Appeals, but the two companies nonetheless consummated their merger in the summer of 2008.

Digital technology also may be used by terrestrial radio broadcast stations on their existing frequencies. In October 2002, the FCC released a Report and Order in which it selected in-band, on channel (IBOC) as the technology that will permit terrestrial radio stations to introduce digital operations. The FCC now will permit

operating radio stations to commence digital operation immediately on an interim basis using the IBOC systems developed by iBiquity Digital Corporation (iBiquity), called HD Radio™ In March 2004, the FCC (1) approved an FM radio station s use of two separate antennas (as opposed to a single hybrid antenna) to provide both analog and digital signals of the FM owner secured Special Temporary Authorization (STA) from the FCC and (2) released a Public Notice seeking comment on a proposal by the National Association of Broadcasters to allow all AM stations with nighttime service to provide digital service at night. In April 2004, the FCC inaugurated a rule making proceeding to establish technical, service, and licensing rules for digital broadcasting. On May 31, 2007, the FCC released *a Second Report and Order* which authorized AM stations to use an IBOC system at night, authorized FM radio stations to use separate antennas without the need for an STA, and established certain technical and service rules for digital service. The FCC also released another rulemaking notice to address other related issues. The inauguration of digital broadcasts by FM and perhaps AM stations requires us to make additional expenditures. On December 21, 2004, we entered into an agreement with iBiquity pursuant to which we committed to implement HD Radio™ systems on 240 of our stations by June, 2012. In exchange for reduced license fees and other consideration, we, along with other broadcasters, purchased perpetual licenses to utilize iBiquity s HD Radio™ technology. On March 5, 2009, we entered into an amendment to our agreement with iBiquity to reduce the number of planned conversion, extend the build-out schedule, and increase the license fees to be paid for each converted station. At this juncture, we cannot predict how successful our implementation of HD Radio™ technology within our platform will be, or how that implementation will affect our competitive position.

In January 2000, the FCC released a Report and Order adopting rules for a new low power FM radio service consisting of two classes of stations, one with a maximum power of 100 watts and the other with a maximum power of 10 watts. On December 11, 2007, the FCC released *a Report and Order* which made changes in the rules and provided further protection for low power FM radio stations and, in certain circumstances, required full power stations (like the ones owned by the Company) to provide assistance to low power FM stations in the event they are subject to interference or required to relocate their facilities to accommodate the inauguration of new or modified service by a full power radio station. The FCC has limited ownership and operation of low power FM stations to persons and entities which do not currently have an attributable interest in any FM station and has required that low power FM stations be operated on a non-commercial educational basis. The FCC has granted numerous construction permits for low power FM stations. We cannot predict what impact low power FM radio will have on our operations. Adverse effects of the new low power FM service on our operations could include interference with our stations and competition by low power stations for listeners and revenues.

In addition, from time to time Congress and the FCC have considered, and may in the future consider and adopt, new laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect the operation, ownership and profitability of our radio stations, result in the loss of audience share and advertising revenues for our radio stations, and affect the ability of Cumulus to acquire additional radio stations or finance such acquisitions.

Antitrust and Market Concentration Considerations. Potential future acquisitions, to the extent they meet specified size thresholds, will be subject to applicable waiting periods and possible review under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act), by the Department of Justice or the Federal Trade Commission, either of whom can be required to evaluate a transaction to determine whether that transaction should be challenged under the federal antitrust laws. Transactions are subject to the HSR Act only if the acquisition price or fair market value of the stations to be acquired is $65.2 million or more. Most of our acquisitions have not met this threshold. Acquisitions that are not required to be reported under the HSR Act may still be investigated by the Department of Justice or the Federal Trade Commission under the antitrust laws before or after consummation. At any time before or after the consummation of a proposed acquisition, the Department of Justice or the Federal Trade Commission could take such action under the antitrust laws as it deems necessary, including seeking to enjoin the acquisition or seeking divestiture of the business acquired or certain of our other assets. The Department of Justice has

reviewed numerous radio station acquisitions where an operator proposes to acquire additional stations in its existing markets or multiple stations in new markets, and has challenged a number of such transactions. Some of these challenges have resulted in consent decrees requiring the sale of certain stations, the termination of LMAs or other relief. In general, the Department of Justice has more closely scrutinized radio mergers and acquisitions resulting in local market shares in excess of 35% of local radio advertising revenues, depending on format, signal strength and

other factors. There is no precise numerical rule, however, and certain transactions resulting in more than 35% revenue shares have not been challenged, while certain other transactions may be challenged based on other criteria such as audience shares in one or more demographic groups as well as the percentage of revenue share. We estimate that we have more than a 35% share of radio advertising revenues in many of our markets.

We are aware that the Department of Justice commenced, and subsequently discontinued, investigations of several of our prior acquisitions. The Department of Justice can be expected to continue to enforce the antitrust laws in this manner, and there can be no assurance that one or more of our pending or future acquisitions are not or will not be the subject of an investigation or enforcement action by the Department of Justice or the Federal Trade Commission. Similarly, there can be no assurance that the Department of Justice, the Federal Trade Commission or the FCC will not prohibit such acquisitions, require that they be restructured, or in appropriate cases, require that we divest stations we already own in a particular market. In addition, private parties may under certain circumstances bring legal action to challenge an acquisition under the antitrust laws.

As part of its review of certain radio station acquisitions, the Department of Justice has stated publicly that it believes that commencement of operations under LMAs, JSAs and other similar agreements customarily entered into in connection with radio station ownership assignments and transfers prior to the expiration of the waiting period under the HSR Act could violate the HSR Act. In connection with acquisitions subject to the waiting period under the HSR Act, we will not commence operation of any affected station to be acquired under an LMA, a JSA, or similar agreement until the waiting period has expired or been terminated.

Executive Officers of the Company

The following table sets forth certain information with respect to our executive officers as of February 29, 2009:

Name	Age	Position(s)
Lewis W. Dickey, Jr.	47	Chairman, President, and Chief Executive Officer
Martin R. Gausvik	52	Executive Vice President, Chief Financial Officer, and Treasurer
John G. Pinch	60	Executive Vice President and Co-Chief Operating Officer
John W. Dickey	42	Executive Vice President and Co-Chief Operating Officer

Lewis W. Dickey, Jr. 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. He holds Bachelor of Arts and Master of Arts degrees from Stanford University and a Master of Business Administration degree from Harvard University. Mr. L. Dickey is the brother of John W. Dickey.

Martin R. Gausvik is our Executive Vice President, Treasurer and Chief Financial Officer. Mr. Gausvik has served as Executive Vice President, Chief Financial Officer and Treasurer since May 2000 and is a 20-year veteran of the radio industry, having served as Vice President Finance for Jacor Communications from 1996 until the merger of Jacor s 250 radio station group with Clear Channel Communications in May 1999. More recently, he was Executive Vice President and Chief Financial Officer of Latin Communications Group, the operator of 17 radio stations serving major markets in the western United States. Prior to joining Jacor, from 1984 to 1996, Mr. Gausvik held various

accounting and financial positions with Taft Broadcasting, including Controller of Taft s successor company, Citicasters.

John G. Pinch is our Executive Vice President and Co-Chief Operating Officer. Mr. Pinch has served as Executive Vice President and Co-Chief Operating Officer since May 2007, and prior to that served as our Chief Operating Officer since December 2000, after serving as the President of Clear Channel International Radio (CCU International). At CCU International, Mr. Pinch was responsible for the management of all CCU radio operations

outside of the United States, which included over 300 properties in 9 countries. Mr. Pinch is a 30-year broadcast veteran and has previously served as Owner/President of WTVK-TV Ft. Myers-Naples, Florida, General Manager of WMTX-FM/WHBO-AM Tampa, Florida, General Manager/Owner of WKLH-FM Milwaukee, and General Manager of WXJY Milwaukee.

John W. Dickey is our Executive Vice President and Co-Chief Operating Officer. Mr. J. Dickey has served as Executive Vice President since January 2000 and as Co-Chief Operating Officer since May 2007. Mr. J. Dickey joined Cumulus in 1998 and, prior to that, served as the Director of Programming for Midwestern Broadcasting from 1990 to March 1998. Mr. J. Dickey holds a Bachelor of Arts degree from Stanford University. Mr. J. Dickey is the brother of Lewis W. Dickey, Jr.

Available Information

Our Internet site address is *www.cumulus.com.* On our site, we have made available, free of charge, our most recent annual report on Form 10-K and our proxy statement. We also provide a link to an independent third-party Internet site, which makes available, free of charge, our other filings with the SEC, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC.

Item 1A. *Risk Factors*

Many statements contained in this report are forward-looking in nature. These statements are based on our current plans, intentions or expectations, and actual results could differ materially as we cannot guarantee that we will achieve these plans, intentions or expectations. See Cautionary Statement Regarding Forward-Looking Statements. Forward-looking statements are subject to numerous risks and uncertainties, including those specifically identified below.

Risks Related to Our Business

Our results of operations have been, and could continue to be, adversely affected by the downturn in the U.S. economy and in the local economies of the markets in which we operate.

Revenue generated by our radio stations depends primarily upon the sale of advertising. Advertising expenditures, which we believe to be largely a discretionary business expense, generally tend to decline during an economic recession or downturn. Furthermore, because a substantial portion of our revenue is derived from local advertisers, our ability to generate advertising revenue in specific markets is directly affected by local or regional economic conditions. Consequently, the current recession in the national economy and the economies of several individual geographic markets in which we own or operate stations will likely continue to adversely affect our advertising revenue and, therefore, our results of operations.

Even with a recovery from the current recession in the economy, an individual business sector that tends to spend more on advertising than other sectors might be forced to reduce its advertising expenditures if that sector fails to recover on pace with the overall economy. If that sector s spending represents a significant portion of our advertising revenues, any reduction in its expenditures may affect our revenue.

We operate in a very competitive business environment.

The radio broadcasting industry is very competitive. Our stations compete for listeners and advertising revenues directly with other radio stations within their respective markets, and some of the owners of those competing stations may have greater financial resources than we do. Our stations also compete with other media, such as newspapers,

magazines, cable and broadcast television, outdoor advertising, satellite radio, the Internet and direct mail. In addition, many of our stations compete with groups of two or more radio stations operated by a single operator in the same market.

Audience ratings and market shares fluctuate, and any adverse change in a particular market could have a material adverse effect on the revenue of stations located in that market. While we already compete with other stations with comparable programming formats in many of our markets, any one of our stations could suffer a

reduction in ratings or revenue and could require increased promotion and other expenses, and, consequently, could have a lower Station Operating Income, if:

- another radio station in the market was to convert its programming format to a format similar to our station or launch aggressive promotional campaigns;

- a new station were to adopt a competitive format; or

- an existing competitor was to strengthen its operations.

The Telecom Act allows for the consolidation of ownership of radio broadcasting stations in the markets in which we operate or may operate in the future. Some competing consolidated owners may be larger and have substantially more financial and other resources than we do. In addition, increased consolidation in our target markets may result in greater competition for acquisition properties and a corresponding increase in purchase prices we pay for these properties.

A decrease in our market ratings or market share can adversely affect our revenues.

The success of each of our radio stations, or station clusters, is primarily dependent upon its share of the overall advertising revenue within its market. Although we believe that each of our stations or clusters can compete effectively in its market, we cannot be sure that any of our stations can maintain or increase its current audience ratings or market share. In addition to competition from other radio stations and other media, shifts in population, demographics, audience tastes and other factors beyond our control could cause us to lose our audience ratings or market share. Our advertising revenue may suffer if any of our stations cannot maintain its audience ratings or market share.

We must respond to the rapid changes in technology, services and standards that characterize our industry in order to remain competitive.

The radio broadcasting industry is subject to technological change, evolving industry standards and the emergence of new media technologies and services. In some cases, our ability to compete will be dependent on our acquisition of new technologies and our provision of new services, and we cannot assure you that we will have the resources to acquire those new technologies or provide those new services; in other cases, the introduction of new technologies and services could increase competition and have an adverse effect on our revenue. Recent new media technologies and services include the following:

- audio programming by cable television systems, direct broadcast satellite systems, Internet content providers (both landline and wireless), Internet-based audio radio services, satellite delivered digital audio radio service and other digital audio broadcast formats;

- HD Radio^{tm} digital radio, which could provide multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM radio services; and

- low power FM radio, which could result in additional FM radio broadcast stations in markets where we have stations.

We also cannot assure you that we will continue to have the resources to acquire other new technologies or to introduce new services that could compete with other new technologies. We cannot predict the effect, if any, that competition arising from new technologies may have on the radio broadcasting industry or on our business.

We face many unpredictable business risks that could have a material adverse effect on our future operations.

Our operations are subject to many business risks, including certain risks that specifically influence the radio broadcasting industry. These include:

- changing economic conditions, both generally and relative to the radio broadcasting industry in particular;
- shifts in population, listenership, demographics or audience tastes;

the level of competition from existing or future technologies for advertising revenues, including, but not limited to, other radio stations, satellite radio, television stations, newspapers, the Internet, and other entertainment and communications media; and

changes in laws as well as changes in governmental regulations and policies and actions of federal regulatory bodies, including the U.S. Department of Justice, the Federal Trade Commission and the FCC.

Given the inherent unpredictability of these variables, we cannot with any degree of certainty predict what effect, if any, these risks will have on our future operations. Any one or more of these variables may have a material adverse effect on our future operations.

There are risks associated with our acquisition strategy.

We intend to continue to grow through internal expansion and by acquiring radio station clusters and individual radio stations primarily in mid-size markets. We cannot predict whether we will be successful in pursuing these acquisitions or what the consequences of these acquisitions will be. Consummation of our pending acquisitions and any acquisitions in the future are subject to various conditions, such as compliance with FCC and antitrust regulatory requirements. The FCC requirements include:

approval of license assignments and transfers;

limits on the number of stations a broadcaster may own in a given local market; and

other rules or policies, such as the ownership attribution rules, that could limit our ability to acquire stations in certain markets where one or more of our stockholders has other media interests.

The antitrust regulatory requirements include:

filing with the U.S. Department of Justice and the Federal Trade Commission under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, referred to as the HSR Act, where applicable;

expiration or termination of the waiting period under the HSR Act; and

possible review by the U.S. Department of Justice or the Federal Trade Commission of antitrust issues under the HSR Act or otherwise.

We cannot be certain that any of these conditions will be satisfied. In addition, the FCC has asserted the authority to review levels of local radio market concentration as part of its acquisition approval process, even where proposed assignments would comply with the numerical limits on local radio station ownership in the FCC s rules and the Communications Act of 1934, referred to as the Communications Act.

Our acquisition strategy involves numerous other risks, including risks associated with:

identifying acquisition candidates and negotiating definitive purchase agreements on satisfactory terms;

integrating operations and systems and managing a large and geographically diverse group of stations;

diverting our management s attention from other business concerns;

potentially losing key employees at acquired stations; and

diminishing number of properties available for sale in mid-size markets.

We cannot be certain that we will be able to successfully integrate our acquisitions or manage the resulting business effectively, or that any acquisition will achieve the benefits that we anticipate. In addition, we are not certain that we will be able to acquire properties at valuations as favorable as those of previous acquisitions. Depending upon the nature, size and timing of potential future acquisitions, we may be required to raise additional financing in order to consummate additional acquisitions. We cannot assure you that our debt agreements will permit the necessary additional financing or that additional financing will be available to us or, if available, that financing would be on terms acceptable to our management.

We may be restricted in pursuing certain strategic acquisitions because of our agreement with CMP.

Under an agreement that we entered into with CMP and the other investors in CMP in connection with the formation of CMP, we have agreed to allow CMP the right to pursue first any business opportunity primarily involving the top-50 radio markets in the United States. We are allowed to pursue such business opportunities only after CMP has declined to pursue them. As a result, we may be limited in our ability to pursue strategic acquisitions or alternatives primarily involving large-sized markets (including opportunities that primarily involve large-sized markets but also involve mid-sized markets) that may present attractive opportunities for us in the future.

We have written off, and could in the future be required to write off, a significant portion of the fair market value of our FCC broadcast licenses and goodwill, which may adversely affect our financial condition and results of operations.

As of December 31, 2008, our FCC licenses and goodwill comprised 70.7% of our assets. Each year, we are required by SFAS No. 142, *Goodwill and Other Intangible Assets,* to assess the fair market value of our FCC broadcast licenses and goodwill to determine whether the carrying value of those assets is impaired. In the fourth quarter 2008, 2007, and 2006 we recorded impairment charges of approximately $498.9 million, 230.6 million, and 63.4 million, respectively, in order to reduce the carrying value of certain broadcast licenses and goodwill to their respective fair market values. Our future impairment reviews could result in additional impairment charges. Such additional impairment charges would reduce our reported earnings for the periods in which they are recorded.

Disruptions in capital markets could restrict our ability to access further financing.

We rely in significant part on the capital markets to meet our financial commitments and short-term liquidity needs if internal funds are not available from operations. Disruptions in the capital and credit markets, as have been experienced during 2008, could adversely affect our ability to draw on our credit facilities. Access to funds under those credit facilities is dependent on the ability of our lenders to meet their funding commitments. Those lenders may not be able to meet their funding commitments if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from their borrowers within a short period of time. The disruptions in capital and credit markets have also resulted in increased costs associated with bank credit facilities. Continuation of these disruptions would increase our interest expense and adversely affect our results of operations.

Longer term disruptions in the capital and credit markets as a result of uncertainty, changing or increased regulation, reduced alternatives or failures of significant financial institutions, could adversely affect our access to financing. Any such disruption could require us to take measures to conserve cash until the markets stabilize or until alternative credit arrangements or other funding can be arranged. Such measures could include deferring capital expenditures and reducing or eliminating future uses of cash.

We are exposed to credit risk on our accounts receivable. This risk is heightened during periods when economic conditions worsen.

Our outstanding trade receivables are not covered by collateral or credit insurance. While we have procedures to monitor and limit exposure to credit risk on our trade receivables, there can be no assurance such procedures will effectively limit our credit risk and avoid losses, which could have a material adverse effect on our financial condition and operating results.

We are exposed to risk of counterparty performance to derivative transactions.

We evaluate the credit quality of potential counterparties to derivative transactions and only enter into agreements with those deemed to have minimal credit risk at the time the agreements are executed. We carefully monitor the amount of exposure we have with any given bank. We also periodically monitor changes to counterparty credit quality as well as its concentration of credit exposure to individual counterparties. We do not hold or issue derivative financial instruments for trading or speculative purposes.

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We are dependent on key personnel.

Our business is managed by a small number of key management and operating personnel, and our loss of one or more of these individuals could have a material adverse effect on our business. We believe that our future success will depend in large part on our ability to attract and retain highly skilled and qualified personnel and to expand, train and manage our employee base. We have entered into employment agreements with some of our key management personnel that include provisions restricting their ability to compete with us under specified circumstances.

We also employ several on-air personalities with large loyal audiences in their individual markets. On occasion, we enter into employment agreements with these personalities to protect our interests in those relationships that we believe to be valuable. The loss of one or more of these personalities could result in a short-term loss of audience share in that particular market.

The broadcasting industry is subject to extensive and changing Federal regulation.

The radio broadcasting industry is subject to extensive regulation by the FCC under the Communications Act. We are required to obtain licenses from the FCC to operate our stations. Licenses are normally granted for a term of eight years and are renewable. Although the vast majority of FCC radio station licenses are routinely renewed, we cannot assure you that the FCC will grant our existing or future renewal applications or that the renewals will not include conditions out of the ordinary course. The non-renewal or renewal with conditions, of one or more of our licenses could have a material adverse effect on us.

We must also comply with the extensive FCC regulations and policies in the ownership and operation of our radio stations. FCC regulations limit the number of radio stations that a licensee can own in a market, which could restrict our ability to acquire radio stations that would be material to our financial performance in a particular market or overall.

The FCC also requires radio stations to comply with certain technical requirements to limit interference between two or more radio stations. Despite those limitations, a dispute could arise whether another station is improperly interfering with the operation of one of our stations or another radio licensee could complain to the FCC that one our stations is improperly interfering with that licensee s station. There can be no assurance as to how the FCC might resolve that dispute. These FCC regulations and others may change over time, and we cannot assure you that those changes would not have a material adverse effect on us.

In recent years, the FCC has engaged in more vigorous enforcement of its indecency rules against the broadcast industry, which could have a material adverse effect on our business.

FCC regulations prohibit the broadcast of obscene material at any time, and indecent material between the hours of 6:00 a.m. and 10:00 p.m. The FCC has recently increased its enforcement efforts with respect to these regulations. FCC regulatory oversight was augmented by recent legislation that substantially increased the penalties for broadcasting indecent programming (up to $325,000 for each incident), and subjected broadcasters to license revocation, renewal or qualification proceedings under certain circumstances in the event that they broadcast indecent or obscene material. We may in the future become subject to inquiries or proceedings related to our stations broadcast of allegedly indecent or obscene material. To the extent that such an inquiry or proceeding results in the imposition of fines, a settlement with the FCC, revocation of any of our station licenses or denials of license renewal applications, our results of operation and business could be materially adversely affected.

We are required to obtain prior FCC approval for each radio station acquisition.

The acquisition of a radio station requires the prior approval of the FCC. To obtain that approval, we would have to file a transfer of control or assignment application with the FCC. The Communications Act and FCC rules allow members of the public and other interested parties to file petitions to deny or other objections to the FCC grant of any transfer or assignment application. The FCC could rely on those objections or its own initiative to deny a transfer or assignment application or to require changes in the transaction as a condition to having the application granted. The FCC could also change its existing rules and policies to reduce the number of stations that we would be

permitted to acquire in some markets. For these and other reasons, there can be no assurance that the FCC will approve potential future acquisitions that we deem material to our business.

Risks Related to Our Indebtedness

We have a substantial amount of indebtedness, which may adversely affect our cash flow and our ability to operate our business, remain in compliance with debt covenants and make payments on our indebtedness.

As of December 31, 2008, our long-term debt, including the current portion, was $696.0 million, representing approximately 280.3% of our stockholders equity. Our credit facilities have interest and principal repayment obligations that are substantial in amount.

Our substantial indebtedness could have important consequences, including:

- requiring a substantial portion of cash flow from operations to be dedicated to the payment of principal and interest on our indebtedness, therefore reducing our ability to use our cash flow to fund our operations, capital expenditures and future business opportunities;
- exposing us to the risk of increased interest rates as certain of our borrowings are at variable rates of interest;
- increasing our vulnerability to general economic downturns and adverse industry conditions;
- limiting our ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- limiting our ability to adjust to changing market conditions and placing us at a disadvantage compared to our competitors who have less debt: and
- restricting us from making strategic acquisitions or causing us to make non-strategic divestitures.

We and our restricted subsidiaries may be able to incur substantial additional indebtedness in the future, subject to the restrictions contained in our credit facilities. If new indebtedness is added to our current debt levels, the related risks that we now face could intensify.

The credit agreement governing our credit facility imposes significant restrictions on us.

Our credit agreement limits or restricts, among other things, our ability to:

- incur additional indebtedness or grant additional liens or security interests in our assets;
- pay dividends, make payments on certain types of indebtedness or make other restricted payments;
- make particular types of investments or enter into speculative hedging agreements;
- enter into some types of transactions with affiliates;
- merge or consolidate with any other person or make changes to our organizational documents or other material agreement to which we are a party;

- sell, assign, transfer, lease, convey or otherwise dispose of our assets (except within certain limits) or enter into sale-leaseback transactions; or
- make capital expenditures.

Our credit agreement also requires us to maintain specified financial ratios and to satisfy certain financial condition tests. Our ability to meet those financial ratios and financial condition tests can be affected by events beyond our control, and we cannot be sure that we will maintain those ratios or meet those tests. A breach of any of these restrictions could result in a default under our debt agreements. Our lenders have taken security interests in substantially all of our consolidated assets, and we have pledged the stock of our subsidiaries to secure the debt under our credit facility. If an event of default under our credit agreement occurs, our lenders could declare all amounts outstanding, including accrued interest, immediately due and payable. If we could not repay those

amounts, those lenders could proceed against the collateral pledged to them to secure that indebtedness. If our credit facility indebtedness were accelerated, our assets may not be sufficient to repay in full that indebtedness. Our ability to comply with the covenants in our credit agreement will depend upon our future performance and various other factors, such as business, competitive, technological, legislative and regulatory factors, some of which are beyond our control. If we fail to comply with the covenants in our credit agreement, our lenders could declare all amounts owed to them immediately due and payable.

Risks Related to Our Class A Common Stock

The public market for our Class A Common Stock may be volatile.

We cannot assure you that the market price of our Class A Common Stock will not decline, and the market price could be subject to wide fluctuations in response to such factors as:

- conditions and trends in the radio broadcasting industry;
- actual or anticipated variations in our quarterly operating results, including audience share ratings and financial results;
- changes in financial estimates by securities analysts;
- technological innovations;
- competitive developments;
- adoption of new accounting standards affecting companies in general or affecting companies in the radio broadcasting industry in particular; and
- general market conditions and other factors.

Further, the stock markets, and in particular the NASDAQ Global Select Market, on which our Class A Common Stock is listed, from time to time have experienced extreme price and volume fluctuations that were not necessarily related or proportionate to the operating performance of the affected companies. In addition, general economic, political and market conditions such as recessions, interest rate movements or international currency fluctuations, may adversely affect the market price of our Class A Common Stock.

Certain stockholders control or have the ability to exert significant influence over the voting power of our capital stock.

As of February 28, 2009, and after giving effect to the exercise of all of their options exercisable within 60 days of that date, Lewis W. Dickey, Jr., our Chairman, President, Chief Executive Officer and a director, his brother, John W. Dickey, our Executive Vice President, and their father, Lewis W. Dickey, Sr., collectively beneficially own 11,765,146 shares, or approximately 33.8%, of our outstanding Class A Common Stock, and 1,144,871 shares, or 100%, of our outstanding Class C Common Stock, which collectively represents approximately 50% of the outstanding voting power of our common stock. Consequently, they have the ability to exert significant influence over our policies and management, subject to a voting agreement between these stockholders and the Company. The interests of these stockholders may differ from the interests of our other stockholders.

As of February 28, 2009, BA Capital Company, L.P., referred to as BA Capital, and its affiliate, Banc of America SBIC, L.P., referred to as BACI, together own 1,681,410 shares, or approximately 4.9%, of our Class A Common Stock and 5,809,191 shares, or 100%, of our Class B Common Stock, which is convertible into shares of Class A Common Stock. BA Capital also holds options exercisable within 60 days of February 28, 2009 to purchase 10,000 shares of our Class A Common Stock. Assuming that those options were exercised for shares of our Class A Common Stock, and giving effect to the conversion into shares of our Class A Common Stock of all shares of Class B Common Stock held by BA Capital and BACI, BA Capital and BACI would hold approximately 18.4% of the total voting power of our common stock. BA Capital and BACI are both affiliates of Bank of America Corporation. BA Capital has the right to designate one member of our Board and Mr. Sheridan currently serves on our Board as BA Capital s designee. As a result, BA Capital, BACI and Mr. Sheridan have the ability to exert

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significant influence over our policies and management, and their interests may differ from the interests of our other stockholders.

Cautionary Statement Regarding Forward-Looking Statements

In various places in this annual report on Form 10-K, we use statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to our future plans, objectives, expectations and intentions. Although we believe that, in making any of these statements, our expectations are based on reasonable assumptions, these statements may be influenced by factors that could cause actual outcomes and results to be materially different from these projected. When used in this document, words such as anticipates, believes, expects, intends, and similar expressions, as they relate to us or our management, are intend to identify these forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including those referred above to under Risk Factors and as otherwise described in our periodic filings with the SEC from time to time.

Important facts that could cause actual results to differ materially from those in forward-looking statements, certain of which are beyond our control, include:

- the impact of general economic conditions in the United States or in specific markets in which we currently do business;
- industry conditions, including existing competition and future competitive technologies;
- the popularity of radio as a broadcasting and advertising medium;
- cancellations, disruptions or postponements of advertising schedules in response to national or world events;
- our capital expenditure requirements;
- legislative or regulatory requirements;
- risks and uncertainties relating to our leverage;
- interest rates;
- our continued ability to identify suitable acquisition targets;
- consummation and integration of pending or future acquisitions;
- access to capital markets; and
- fluctuations in exchange rates and currency values.

Our actual results, performance or achievements could differ materially from those expressed in, or implied by, the forward-looking statements. Accordingly, we cannot be certain that any of the events anticipated by the forward-looking statements will occur or, if any of them do occur, what impact they will have on us. We assume no obligation to update any forward-looking statements as a result of new information or future events or developments, except as required under federal securities laws. We caution you not to place undue reliance on any forward-looking statements, which speak only as of the date of this annual report on Form 10-K.

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

Not applicable.

Item 2. ***Properties***

The types of properties required to support each of our radio stations include offices, studios, transmitter sites and antenna sites. A station s studios are generally housed with its offices in business districts of the station s community of license or largest nearby community. The transmitter sites and antenna sites are generally located so as to provide maximum market coverage.

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At December 31, 2008, we owned studio facilities in 9 of our 59 markets and we owned transmitter and antenna sites in 52 of our 59 markets. We lease additional studio and office facilities in 50 markets and additional transmitter and antenna sites in 42 markets. In addition, we lease corporate office space in Atlanta, Georgia. We do not anticipate any difficulties in renewing any facility leases or in leasing alternative or additional space, if required. We own or lease substantially all of our other equipment, consisting principally of transmitting antennae, transmitters, studio equipment and general office equipment.

No single property is material to our operations. We believe that our properties are generally in good condition and suitable for our operations; however, we continually look for opportunities to upgrade our properties and intend to upgrade studios, office space and transmission facilities in certain markets.

Item 3. *Legal Proceedings*

We from time to time are involved in various legal proceedings that are handled and defended in the ordinary course of business. While we are unable to predict the outcome of these matters, our management does not believe, based upon currently available facts, that the ultimate resolution of any of such proceedings would have a material adverse effect on our overall financial condition or results of operations.

In 2005, we were subpoenaed by the Office of the Attorney General of the State of New York, as were other radio broadcasting companies, in connection with the New York Attorney General s investigation of promotional practices related to record companies dealings with radio stations broadcasting in New York. We cooperated with the Attorney General in this investigation. The investigation is still pending.

We are aware of three purported class action lawsuits related to the merger proposed acquisition of us that was announced in July 2007 but terminated in May 2008 (See Note 15 to the accompanying financial statements): Jeff Michelson, on behalf of himself and all others similarly situated v. Cumulus Media Inc., et al. (Case No. 2007CV137612, filed July 27, 2007) was filed in the Superior Court of Fulton County, Georgia against us, Lew Dickey, the other directors and the sponsor; Patricia D. Merna, on behalf of herself and all others similarly situated v. Cumulus Media Inc., et al. (Case No. 3151, filed August 8, 2007) was filed in the Chancery Court for the State of Delaware, New Castle County, against us, Lew Dickey, our directors, the sponsor, Parent and Merger Sub; and Paul Cowles v. Cumulus Media Inc., et al. (Case No. 2007-CV-139323, filed August 31, 2007) was filed in the Superior Court of Fulton County, Georgia against us, Lew Dickey, our directors and the sponsor.

On December 18, 2008, the Delaware lawsuit was dismissed without prejudice pursuant to a stipulation by the parties. With respect to the two Georgia lawsuits, defendants removed them to the U.S. District Court for the Northern District of Georgia on July 17, 2008 and filed motions to dismiss both cases on July 24, 2008. On February 6, 2009, the U.S. District Court remanded both actions as well as the pending motion to dismiss, to the Superior Court of Fulton County, Georgia.

Item 4. *Submission of Matters To a Vote of Security Holders*

Our 2008 annual meeting of stockholders was held on November 19, 2008. Lewis W. Dickey, Jr. was re-elected as Class III director of the Company by holders of our Class A Common Stock and Class C Common Stock, voting together as a single class.

The results of voting on the proposals submitted for approval were as follows:

Proposal No. 1 (Election of Class III director)

Nominee	Class	For	Abstain/Withheld
Lewis W. Dickey, Jr.	Class III	35,660,656	5,135,888

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Proposal No. 2 (Approve Amendment of the Certificate of Incorporation to Provide for the Annual Election of All Members of the Board of Directors)

For	Against	Broker Non-Votes	Abstain/Withheld
40,690,885	102,575		3,084

Proposal No. 3 (Approve 2008 Equity Incentive Plan)

For	Against	Broker Non-Votes	Abstain/Withheld
29,609,751	8,055,133	3,116,544	15,116

Proposal No. 4 (Approve the appointment of PricewaterhouseCoopers LLP as Independent Registered Public Accounting Firm for the Year Ending December 31, 2008)

For	Against	Broker Non-Votes	Abstain/Withheld
40,707,474	69,843		19,227

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PART II

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

Market Information For Common Stock

Shares of our Class A Common Stock, par value $.01 per share have been quoted on the NASDAQ Global Select Market (or its predecessor, the NASDAQ National Market) under the symbol CMLS since the consummation of the initial public offering of our Class A Common Stock on July 1, 1998. There is no established public trading market for our Class B Common Stock or our Class C Common Stock. The following table sets forth, for the calendar quarters indicated, the high and low closing sales prices of the Class A Common Stock on the NASDAQ Global Select Market, as reported in published financial sources.

Year	High	Low
2007		
First Quarter	$ 10.66	$ 9.05
Second Quarter	$ 10.40	$ 9.03
Third Quarter	$ 11.74	$ 8.36
Fourth Quarter	$ 10.59	$ 7.09
2008		
First Quarter	$ 7.82	$ 4.90
Second Quarter	$ 6.76	$ 3.93
Third Quarter	$ 4.85	$ 2.00
Fourth Quarter	$ 4.24	$ 0.33
2009		
First Quarter (through February 28, 2009)	$ 2.99	$ 1.50

Holders

As of February 28, 2009, there were approximately 1,207 holders of record of our Class A Common Stock, two holders of record of our Class B Common Stock and one holder of record of our Class C Common Stock. The figure for our Class A Common Stock does not include an estimate of the number of beneficial holders whose shares may be held of record by brokerage firms or clearing agencies.

Dividends

We have not declared or paid any cash dividends on our common stock since our inception and do not currently anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain future earnings for use in our business. We are currently subject to restrictions under the terms of the credit agreement governing our credit facility that limit the amount of cash dividends that we may pay on our Class A Common Stock. We may pay cash dividends on our Class A Common Stock in the future only if we meet certain financial tests set forth in the credit agreement.

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Securities Authorized For Issuance Under Equity Incentive Plans

The following table sets forth, as of December 31, 2008, the number of securities outstanding under our equity compensation plans, the weighted average exercise price of such securities and the number of securities available for grant under these plans:

Plan Category	(a) to be Issued Upon Exercise of Outstanding Options Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options Warrants and Rights	(a)(c) Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Column)(c)
Equity Compensation Plans Approved by Stockholders	1,971,980	$ 12.48	12,491,086(1)(2)
Equity Compensation Plans Not Approved by Stockholders	81,345	$ 17.15	1,890,904
Total	2,053,325		14,381,990

(1) The Company has previously stated in public filings that it intends to issue future equity compensation only under the 2008 Equity Incentive Plan, pursuant to which 2,753,448 shares remained for issuance as of December 31, 2008.

(2) These shares remain available for future issuance as stock options, SARs, restricted stock, RSUs, performance shares and units, and other stock-based awards.

The only existing equity compensation plan not approved by our stockholders is the 2002 Stock Incentive Plan. Our Board adopted the 2002 Stock Incentive Plan on March 1, 2002, and stockholder approval of that plan was not required. For a description of all equity compensation plans, please refer to Note 11 in the accompanying notes to the consolidated financial statements.

Option Exchange Offer

On December 30, 2008, we consummated an exchange offer to our employees and non-employee directors (or a designated affiliate of one of the foregoing) to exchange their outstanding options to purchase our Class A Common Stock that were granted on or after October 2, 2000 (eligible options) for a combination of restricted shares of our Class A Common Stock (restricted shares) and replacement options to purchase Class A Common Stock (new options). Options to purchase 5,647,650 shares of Class A Common Stock, or approximately 95.1% of all eligible options, were tendered for exchange and, in accordance with the terms of the Offer, 289,683 restricted shares and new options to purchase 956,869 shares of Class A Common Stock were issued.

The restricted shares and new options were issued under the Company s 2008 Equity Incentive Plan and have a grant date of December 30, 2008. The exercise prices for the new options were based upon the closing price of the Class A Common Stock on the grant date, which was $2.54. As a result, in general, the first one-third of the new options is exercisable at $2.54 per share, the second one-third at $2.92 per share, and the final one-third at $3.30 per share. In accordance with federal tax law with respect to incentive stock options, the exercise price for the first one-third of the new options granted to Lewis W. Dickey and John W. Dickey was set at $2.79. In accordance with the terms of the Offer, assuming the participants continue to meet the requirements for vesting specified in the award certificates governing the restricted shares and new options, the restricted shares and new options will vest at the rate of (1) 50% on the second anniversary of the date of grant and (2) 25% on each of the two succeeding anniversaries thereafter.

Repurchases of Equity Securities

In June 2006, as part of a $200.0 million Board-approved recapitalization, we completed a modified Dutch Auction tender offer and purchased 11.5 million shares of our outstanding Class A Common Stock at a price per share of $11.50, or approximately $132.3 million. The shares purchased represented approximately 24.1% our outstanding Class A Common Stock at the time. We also purchased 5.0 million shares of Class B Common Stock at

a purchase price of $11.50 per share or approximately $57.5 million. The shares purchased represented approximately 43.0% of our outstanding Class B Common Stock. These Class B Common shares were subsequently retired. During the three months ended September 30, 2006, we purchased an additional 749,500 shares of our outstanding Class A Common Stock at an average price per share of $9.25, or approximately $6.9 million. Under these programs, we have cumulatively repurchased 14,261,000 shares, at an average price per share of $11.56, which are being held in treasury.

During the three months ended December 31, 2006 we purchased 500,000 Class A restricted shares from Lewis Dickey, Jr. per his amended employment agreement dated December 20, 2006. See footnote 11 to financial statements for further discussion.

On May 21, 2008, our Board of Directors terminated all their repurchase programs and authorized the purchase, from time to time, of up to $75.0 million of our Class A Common Stock, subject to the terms of the Credit Agreement and compliance with other applicable legal requirements. During the fiscal year ended December 31, 2008 and consistent with the Board-approved repurchase plan, we repurchased approximately 3.0 million shares of our Class A Common Stock for cash in the open market at an average repurchase price per share of $2.20.

	Total Number of Shares Purchased	**Average Price Per Share**	**Total Number of Shares Purchased as Part of Publicly Announced Program**	**Minimum Dollar Value of Shares that may Yet be Shares Purchased under the Program**
				$ 75,000,000
June 1, 2008 June 30, 2008	281,928	$ 4.325	281,928	73,780,532
July 1, 2008 July 31, 2008	795,700	2.809	795,700	71,545,471
August 1, 2008 August 31, 2008	515,182	3.043	515,182	69,978,015
September 1, 2008 September 30, 2008				69,978,015
October 1, 2008 October 31, 2008				69,978,015
November 1, 2008 November 30, 2008	392,708	0.726	392,708	69,692,343
December 1, 2008 December 31, 2008	982,431	$ 1.277	982,431	$ 68,477,544
Total	2,967,949		2,967,949	

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Performance Graph

The following graph compares the total stockholder return on our Class A Common Stock for the year ended December 31, 2008 with that of (1) the Standard & Poors 500 Stock Index (S&P 500): (2) the Nasdaq Stock Market Index the (Nasdaq Composite): and (3) an index comprised of radio broadcast and media companies. See note (1) below. The total return calculation set forth below assume $100 invested on December 31, 2004 with reinvestment or dividends into additional shares of the same class of securities at the frequency with which dividends were paid on such securities through December 31, 2008. The stock price performance shown in the graph below should be considered indicative of future stock price performance.

CUMULATIVE TOTAL RETURN

	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008
Cumulus	100.00%	82.29%	68.90%	53.32%	16.51%
S & P 500	100.00%	103.00%	117.03%	121.16%	73.41%
NASDAQ	100.00%	101.37%	111.03%	121.92%	72.49%
Radio Index(1)	100.00%	84.24%	75.81%	52.49%	34.27%

(1) The Radio Index includes the stockholder returns for the following companies: Saga Communications Inc, Radio One, Inc. Entercom Communications Corp., Emmis Communications Corp., Cox Radio Inc. and Clear Channel Communications.

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

The selected consolidated historical financial data presented below has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2008, 2007, 2006, 2005, and 2004. Our consolidated historical financial data are not comparable from year to year because of our acquisition and disposition of various radio stations during the periods covered. This data should be read in conjunction with our audited consolidated financial statements and the related notes thereto, as set forth in Part II, Item 8 and with Management s Discussion and Analysis of Financial Conditions and Results of Operations set forth in Part II, Item 7 herein (dollars in thousands, except per share data).

	Year Ended December 31,				
	2008	**2007**	**2006(2)**	**2005(3)**	**2004**
Net revenues	$ 311,538	$ 328,327	$ 334,321	$ 327,402	$ 320,132
Station operating expenses excluding depreciation, amortization, and LMA fees	203,222	210,640	214,089	227,413	202,441
Depreciation and amortization	12,512	14,567	17,420	21,223	21,168
Gain on assets contributed to affiliate		(5,862)	(2,548)		
LMA fees	631	755	963	981	3,002
Corporate general and administrative expenses (including non-cash stock compensation)	19,325	26,057	41,012	19,189	15,260
Restructuring (credits)				(215)	(108)
Impairment charge(1)	498,897	230,609	63,424	264,099	
Costs associated with terminated transaction	2,041	2,639			
Operating (loss) income	(425,090)	(151,078)	(39)	(205,288)	(78,369)
Net interest expense	(47,262)	(60,425)	(42,360)	(22,715)	(19,197)
Terminated transaction fee	15,000				
Losses on early extinguishment of debt		(986)	(2,284)	(1,192)	(2,557)
Other income (expense), net	(10)	117	(98)	(239)	(699)
Income tax benefit (expense)	117,945	38,000	5,800	17,100	(25,547)
Equity losses in affiliate	(22,252)	(49,432)	(5,200)		
Net (loss) income	(361,669)	(223,804)	(44,181)	(212,334)	30,369
Preferred stock dividends, deemed dividends, accreation of discount and redemption premium					
Net (loss) income attributable to common stockholders	$ (361,669)	$ (223,804)	$ (44,181)	$ (212,334)	$ 30,369
Basic and diluted (loss) income per common share:					
Basic and diluted (loss) income per common share	$ (8.55)	$ (5.18)	$ (0.87)	$ (3.17)	$ 0.44
OTHER FINANCIAL DATA:					

Station Operating Income(2)	$ 108,316	$ 117,687	$ 120,232	$ 99,989	$ 117,691
Net cash provided by operating activities	76,634	46,057	65,322	78,396	75,013
Net cash used in investing activities	(6,754)	(29)	(19,217)	(92,763)	(28,757)
Net cash used in by financing activities	(49,183)	(16,134)	(48,834)	(12,472)	(21,016)
BALANCE SHEET DATA:					
Total assets	$ 543,519	$ 1,060,542	$ 1,333,147	$ 1,405,600	$ 1,616,397
Long-term debt (including current portion)	696,000	736,300	751,250	569,000	482,102
Preferred stock subject to mandatory redemption					
Total stockholders equity	$ (248,147)	$ 119,278	$ 337,007	$ 587,043	$ 884,964

(1) Impairment charge recorded in connection with our annual impairment testing under SFAS 142. See Footnote 4 for further discussion.

(2) See Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations for a quantitative reconcilation of Station Operating Income to its most directly comparable financial measure calculated and presented in accordance with GAAP.

(3) We recorded certain immaterial adjustments to the 2006 and 2005 consolidated financial data. See Note 1 to our 2008 Consolidated Financial Statements appearing elsewhere in the document.

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

The following Management s Discussion and Analysis is intended to provide the reader with an overall understanding of our financial condition, changes in financial condition, results of operations, cash flows, sources

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and uses of cash, contractual obligations and financial position. This section also includes general information about our business and a discussion of our management s analysis of certain trends, risks and opportunities in our industry. We also provide a discussion of accounting policies that require critical judgments and estimates as well as a description of certain risks and uncertainties that could cause our actual results to differ materially from our historical results. You should read the following information in conjunction with our consolidated financial statements and notes to our consolidated financial statements beginning on page F-1 in this Annual Report on Form 10-K as well as the information set forth in Item 1A. Risk Factors.

Highlights during 2008 and Overview

On May 11, 2008, the Company, Parent and Merger Sub, entered into the Termination Agreement to terminate the Merger Agreement, pursuant to which Merger Sub would have been merged with and into the Company, and as a result the Company would have continued as the surviving corporation and a wholly owned subsidiary of Parent.

The advertising environment for 2008 lagged behind 2007. The RAB has reported that trends in radio advertising revenue mirrored fluctuations in the current economic environment yielding mixed results over the last three years. In 2008, advertising revenues decreased 9.0%, after decreasing 2% in 2007 and increasing only 1.0% in 2006. Our political revenues increased by $5.1 million compared to 2007 due to 2008 being a presidential election year.

We recorded total impairment charges of $498.9 million in order to reduce the carrying value of certain broadcast licenses and goodwill. The impairment loss in connection with our review of broadcasting licenses and goodwill during the fourth quarter of 2008 (see Note 7 in the accompanying notes to the financial statements), was primarily due to: (1) an increase in the discount rate used; (2) a decrease in station transaction multiples; and (3) a decrease in advertising revenue growth projections for the broadcasting industry.

Our management team remains focused on our strategy of pursuing growth through acquisition. However, acquisitions are closely evaluated to ensure that they will generate stockholder value and our management is committed to completing only those acquisitions that we believe will increase our share price. The compression of publicly traded radio broadcast company multiples since 2005, combined with a market for privately held radio stations that did not see a corresponding multiples compression, translated to minimal acquisition activity for us in 2008.

In furtherance of this strategy, in 2008, our Board terminated the 2004 and 2005 repurchase programs and authorized a new program to purchase from time to time, up to $75 million of our Class A Common Stock, subject to the terms of our credit agreement and compliance with other applicable legal requirements. Through December 31, 2008 we have purchased 3.0 million shares of our Class A Common Stock in the open market for cash at an average repurchase price per share of $2.20.

In June 2007, the Company entered into an amendment to its existing credit agreement, dated June 7, 2006, by and among the Company, Bank of America, N.A., as administrative agent, and the lenders party thereto. The credit agreement, as amended, is referred to herein as the Amended Credit Agreement. The Amended Credit Agreement provides for a replacement term loan facility in the aggregate principal amount of $750.0 million, which replaces the prior term loan facility that had an outstanding balance of approximately $713.9 million at the time of refinancing, and maintains the pre-existing $100.0 million revolving credit facility.

As of December 31, 2008, the effective interest rate on the borrowings pursuant to the credit facility was approximately 3.810%. As of December 31, 2008, our average cost of debt, including the effects of our derivative positions, was 4.885%. We remain committed to maintaining manageable debt levels, which will continue to improve our ability to generate cash flow from operations.

Our Business

We engage in the acquisition, operation, and development of commercial radio stations in mid-size radio markets in the United States. In addition, we, along with three private equity firms, formed Cumulus Media Partners, LLC (CMP), which acquired the radio broadcasting business of Susquehanna Pfaltzgraff Co. (Susquehanna) in May 2006. The acquisition included 33 radio stations in 8 markets. As a result of our investment in

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CMP and the acquisition of Susquehanna s radio operations, we are the second largest radio broadcasting company in the United States based on number of stations and believe we are the third largest radio broadcasting company based on net revenues. As of December 31, 2008, directly and through our investment in CMP, we owned or operated 347 stations in 68 U.S. markets and provided sales and marketing services under local marketing, management and consulting agreements (pending FCC approval of acquisition) to one additional station. The following discussion of our financial condition and results of operations includes the results of acquisitions and local marketing, management and consulting agreements

Advertising Revenue and Station Operating Income

Our primary source of revenues is the sale of advertising time on our radio stations. Our sales of advertising time are primarily affected by the demand for advertising time from local, regional and national advertisers and the advertising rates charged by our radio stations. Advertising demand and rates are based primarily on a station s ability to attract audiences in the demographic groups targeted by its advertisers, as measured principally by Arbitron on a periodic basis, generally two or four times per year. Because audience ratings in local markets are crucial to a station s financial success, we endeavor to develop strong listener loyalty. We believe that the diversification of formats on our stations helps to insulate them from the effects of changes in the musical tastes of the public with respect to any particular format.

The number of advertisements that can be broadcast without jeopardizing listening levels and the resulting ratings is limited in part by the format of a particular station. Our stations strive to maximize revenue by managing their on-air inventory of advertising time and adjusting prices based upon local market conditions. In the broadcasting industry, radio stations sometimes utilize trade or barter agreements that exchange advertising time for goods or services such as travel or lodging, instead of for cash. Trade revenue totaled $14.8 million in 2008, $17.9 million in 2007, and $19.0 in 2006. Our advertising contracts are generally short-term. We generate most of our revenue from local and regional advertising, which is sold primarily by a station s sales staff. Local advertising represented approximately 90% of our total revenues in 2008 and 88% of our total revenues in 2007 and 2006.

Our revenues vary throughout the year. As is typical in the radio broadcasting industry, we expect our first calendar quarter will produce the lowest revenues for the year, and the second and fourth calendar quarters will generally produce the highest revenues for the year, with the exception of certain of our stations, such as those in Myrtle Beach, South Carolina, where the stations generally earn higher revenues in the second and third quarters of the year because of the higher seasonal population in those communities. Our operating results in any period may be affected by the incurrence of advertising and promotion expenses that typically do not have an effect on revenue generation until future periods, if at all.

Our most significant station operating expenses are employee salaries and commissions, programming expenses, advertising and promotional expenditures, technical expenses, and general and administrative expenses. We strive to control these expenses by working closely with local market management. The performance of radio station groups, such as ours, is customarily measured by the ability to generate Station Operating Income. See the quantitative reconciliation of Station Operating Income to the most directly comparable financial measure calculated and presented in accordance with GAAP, that follows in this section.

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Results of Operations:

Analysis of Consolidated Statements of Operations. The following analysis of selected data from our consolidated statements of operations should be referred to while reading the results of operations discussion that follows:

	Year Ended December 31,			Percent Change	
	2008	2007	2006(1)	2008 vs. 2007	2007 vs. 2006
Net revenues	$ 311,538	$ 328,327	$ 334,321	(5.1)%	(1.8)%
Station operating expenses excluding depreciation, amortization, and LMA fees	203,222	210,640	214,089	(3.5)%	(1.6)%
Depreciation and amortization	12,512	14,567	17,420	(14.1)%	(16.4)%
Gain on assets contributed to affiliate		(5,862)	(2,548)	(100.0)%	130.1%
LMA fees	631	755	963	(16.5)%	(21.6)%
Corporate general and administrative expenses (includes non-cash stock compensation)	19,325	26,057	41,012	(25.8)%	(36.5)%
Impairment charge	498,897	230,609	63,424	116.3%	263.6%
Costs associated with terminated transaction	2,041	2,639		(22.7)%	
Operating loss	(425,090)	(151,078)	(39)	181.4%	**
Net interest expense	(47,262)	(60,425)	(42,360)	(21.8)%	42.6%
Terminated transaction fee	15,000			**	**
Losses on early extinguishment of debt		(986)	(2,284)	(100.0)%	(56.8)%
Other income (expense), net	(10)	117	(98)	(108.5)%	(219.4)%
Total nonoperating expense, net	(32,272)	(61,294)	(44,742)	(47.3)%	37.0%
Income tax benefit (expense)	117,945	38,000	5,800	210.4%	555.2%
Equity loss in affiliate	(22,252)	(49,432)	(5,200)	(55.0)%	850.6%
Net loss	(361,669)	(223,804)	(44,181)	61.6%	406.6%
Net loss attributable to common stockholders	$ (361,669)	$ (223,804)	$ (44,181)	61.6%	406.6%

** Calculation is not meaningful.

(1) We recorded certain immaterial adjustments to the 2006 consolidated financial data. See Note 1 to our 2008 Consolidated Financial Statements appearing elsewhere in the document.

Our management s discussion and analysis of results of operations for the years ended December 31, 2008, 2007 and 2006 have been presented on a historical basis. Additionally, for net revenue, operating expenses, and Station Operating Income, we have included our management s discussion and analysis of results of operations on a pro forma

basis.

Year Ended December 31, 2008 versus Year Ended December 31, 2007

Net Revenues. Net revenues for the year ended December 31, 2008 decreased $16.8 million, or 5.1%, to $311.5 million compared to $328.3 million for the year ended December 31, 2007, reflecting a decrease in demand for advertising due to the pressures our client base is facing during the current economic recession partially offset by a $5.1 million increase in political revenue. Management has implemented numerous sales initiatives nationwide in an effort to facilitate growth primarily by targeting new industries and markets for penetration.

Station Operating Expenses. excluding Depreciation, Amortization, LMA Fees and Non-cash Contract Termination Costs. Station operating expenses for the year ended December 31, 2008 decreased $7.4 million, or 3.5%, to $203.2 million compared to $210.6 million for the year ended December 31, 2007, primarily attributable to certain cost containment initiatives across our station platform. Management is focused on preserving our

operating income and cash flows from operations by reducing our variable cost in an effort to keep pace with the downturn in demand for marketing/advertising from our client base due to the recession.

Depreciation and Amortization. Depreciation and amortization for the year ended December 31, 2008 decreased $2.1 million, or 14.1%, to $12.5 million compared to $14.6 million for the year ended December 31, 2007, primarily attributable to previously recorded assets being fully depreciated.

Corporate, General and Administrative Expenses. Corporate operating expenses for the year ended December 31, 2008 decreased $6.7 million, or 25.8%, to $19.3 million compared to $26.1 million for the year ended December 31, 2007, primarily attributable to a decrease in non-cash stock compensation of $4.6 million in addition to certain cost containment initiatives implemented by management due to contraction within the economy.

LMA Fees. LMA fees totaled $0.6 million and $0.8 million for the years ended December 31, 2008 and 2007, respectively. LMA fees in the current year were comprised primarily of fees associated with LMAs in Cedar Rapids, Iowa, Ann Arbor and Battle Creek, Michigan in 2008. LMAs in Cedar Rapids, Iowa, Muskegon, Michigan, and a station operated under a JSA in Nashville, Tennessee in 2007.

Impairment Charge. SFAS No. 142, *Goodwill and Other Intangible Assets*, requires us to review the recorded values of our FCC licenses and goodwill for impairment on an annual basis. We recorded total impairment charges of $498.9 million in order to reduce the carrying value of certain broadcast licenses and goodwill. The impairment loss in connection with our review of broadcasting licenses and goodwill during the fourth quarter of 2008 (see Note 7 in the accompanying notes to the financial statements), was primarily due to: (1) an increase in the discount rate used; (2) a decrease in station transaction multiples; and (3) a decrease in advertising revenue growth projections for the broadcasting industry.

Other Expense (Income). Interest expense, net of interest income, for the year ended December 31, 2008 decreased $13.2 million, or 21.8%, to $47.3 million compared to $60.4 million for the year ended year ended December 31, 2007, primarily due to a lower average cost of bank debt and decreased levels of bank debt outstanding during the current year. The following summary details the components of our interest expense, net of interest income (dollars in thousands).

	Year Ended December 31, 2008	Year Ended December 31, 2007	Increase/ (Decrease)
Bank Borrowings term loan and revolving credit facilities	$ 33,850	$ 54,446	$ (20,596)
Bank borrowings yield adjustment interest rate swap	(190)	(5,528)	5,338
Change in the fair value of interest rate swap and option agreement	13,640	13,039	601
Other interest expense	950	(868)	1,818
Interest income	(988)	(664)	(323)
Interest expense, net	$ 47,262	$ 60,425	$ (13,162)

Losses on Early Extinguishment of Debt. Losses on early extinguishments of debt totaled $0.0 million for the year ended December 31, 2008 as compared with $1.0 million for the year ended December 31, 2007. Losses incurred during 2007 were comprised of previously capitalized loan origination expenses.

Terminated Transaction Fee. As a result of the termination of the Merger Agreement, and in accordance with its terms, we received a termination fee in the amount of $15.0 million in cash from the investor group, and the terms of the previously announced amendment to our existing credit agreement did not take effect.

Income Tax Expense. We recorded a tax benefit of $117.9 million as compared with a $38.0 million benefit during the prior year. The income tax benefit in both periods is primarily due to the impairment charge on intangible assets.

Equity loss in affiliate. The equity losses in affiliate were limited to the company s investment in CMP which totaled $22.3 million. The Company s equity method investment in affiliate was $0 at December 31, 2008. For the year ended December 31, 2007 the Company recognized $49.4 million of equity losses in CMP.

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Station Operating Income. As a result of the factors described above, Station Operating Income for the year ended December 31, 2008 decreased $9.4 million, or 8.0%, to $108.3 million compared to $117.7 million for the year ended December 31, 2007.

The following table reconciles Station Operating Income to Operating income (loss) as presented in the accompanying consolidated statements of operations (the most directly comparable financial measure calculated and presented in accordance with GAAP) (dollars in thousands):

	Year Ended December 31,	
	2008	2007
Operating income (loss)	$ (425,090)	$ (151,078)
Depreciation and amortization	12,512	14,567
Gain on assets sold/transferred to affiliate		(5,862)
LMA fees	631	755
Non cash stock compensation	4,663	9,212
Corporate general and administrative	14,662	16,845
Impairment charge	498,897	230,609
Costs associated with terminated transaction	2,041	2,639
Station Operating Income	$ 108,316	$ 117,687

Intangible Assets. Intangible assets, net of amortization, were $384.0 million and $881.9 million as of December 31, 2008 and 2007, respectively. These intangible asset balances primarily consist of broadcast licenses and goodwill. Intangible assets, net, decreased from the prior year primarily due to a $498.9 million impairment charge taken for the year ended December 31, 2008, in connection with our annual impairment evaluation of intangible assets.

In light of the overall economic environment, we continue to monitor whether any impairment triggers are present and we may be required to record material impairment charges in future periods. The annual impairment tests us to make certain assumptions in determining fair value, including assumptions about the cash flow growth of our businesses. Additionally. the fair values are significantly impacted by macro-economic factors, including market multiples at the time the impairments tests are performed. The current general economic pressures now impacting both the national and a number of our local economies may result in non-cash impairments in future periods. More specifically, the following could adversely impact the current carrying value of our broadcast licenses and goodwill: (a) sustained decline in the price of our common stock, (b) the potential for a decline in our forecasted operating profit margins or expected cash flow growth rates, (c) a decline in our industry forecasted operating profit margins, (d) the potential for a continued decline in advertising market revenues within the markets we operate stations, or (e) the sustained decline in the selling prices of radio stations. We continue to monitor whether any impairment triggers are present and may be required to record material impairment charges in future periods.

Year Ended December 31, 2007 versus Year Ended December 31, 2006

Net Revenues. Net revenues for the year ended December 31, 2007 decreased $6.0 million to $328.3 million, a 1.8% decrease from the same period in 2006, primarily as a result of the contribution of our Houston and Kansas City stations to CMP, coupled with a decline in political advertising revenue.

In addition, on a same station basis, which excludes the results of the stations contributed to CMP, net revenues for the year ended December 31, 2007 decreased $2.7 million to $328.3 million, a decrease of 0.8% from the same period in 2006. Same station operating income decreased $2.3 million, a decrease of 1.9% from the same period in 2006, primarily due to decreased political revenues.

Station Operating Expenses, excluding Depreciation, Amortization, LMA Fees and Non-cash Contract Termination Costs. Station operating expenses decreased $3.5 million to $210.6 .million, a decrease of 1.6% over the same period in 2006. This decrease is primarily attributable to the contribution of our Houston and Kansas City stations to CMP.

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In addition, on a same station basis, for the 336 stations in 64 markets operated for at least a full year, station operating expenses excluding depreciation, amortization, LMA fees and non-cash contract termination costs decreased $0.4 million, or 0.2%, to $210.6 million for the year ended December 31, 2007 compared to $211.0 million for the year ended December 31, 2006. The decrease in same station operating expenses is primarily attributable to general decreases across our station platform.

Corporate, General and Administrative Expenses. Corporate operating expenses for the year ended December 31, 2007 decreased $15.0 million over the comparative period in 2006 due primarily to a decrease in non-cash stock compensation of $15.2 million.

Depreciation and Amortization. Depreciation and amortization decreased $2.8 million, or 16.4%, to $14.6 million for the year ended December 31, 2007 compared to $17.4 million for the year ended December 31, 2006.

LMA Fees. LMA fees totaled $0.8 million and $1.0 million for the years ended December 31, 2007 and 2006, respectively. LMA fees in the current year were comprised primarily of fees associated with LMAs in Cedar Rapids, Iowa, Muskegon, Michigan, and a station operated under a JSA in Nashville, Tennessee.

Impairment Charge. SFAS No. 142 requires us to review the recorded values of our FCC broadcast licenses and goodwill for impairment on an annual basis. We recorded total impairment charges of $230.6 million in order to reduce the carrying value of certain broadcast licenses and goodwill.

Other Expense (Income). Interest expense, net of interest income, increased by $18.1 million, or 42.6%, to $60.4 million for the year ended December 31, 2007 compared to $42.4 million for the year ended December 31, 2006. This increase was primarily due to a higher average cost of bank debt and increased levels of bank debt outstanding during the current year. The following summary details the components of our interest expense, net of interest (income) (dollars in thousands):

	Year Ended December 31,		Increase/
	2007	**2006**	**(Decrease)**
Bank Borrowings term loan and revolving credit facilities	$ 54,446	$ 47,124	$ 7,322
Bank borrowings yield adjustment interest rate swap	(5,528)	(5,594)	66
Bank Borrowings Adjustment for amount reclassified from other comprehensive income upon hedge accounting discontinuation		(407)	407
Change in the fair value of interest rate swap and option agreement	13,039	(1,107)	14,146
Other interest expense	(868)	3,069	(3,937)
Interest income	(664)	(725)	61
Interest expense, net	$ 60,425	$ 42,360	$ 18,065

Losses on Early Extinguishment of Debt. Losses on early extinguishments of debt totaled $1.0 million for the year ended December 31, 2007 as compared with $2.3 million for the year ended December 31, 2006. Losses in the current year are comprised of previously capitalized loan origination expenses. In connection with the new credit facility, we capitalized approximately $1.0 million of debt issuance costs, which will be amortized to interest expense over the life of the debt.

Income Tax Expense. We recorded a tax benefit of $38.0 million as compared with a $5.8 million benefit during the prior year. The income tax benefit in both periods is primarily due to the impairment charge on intangible assets.

Equity loss in affiliate. For the year ended December 31, 2007 the Company recognized $49.4 million of equity losses in affiliate as compared to $5.2 million in 2006 reducing the Company s equity investment in CMP to $22.3 million at December 31, 2007. The change was primarily driven by an impairment charge of $188.0 million for the year ended 2007 as compared to no impairment charge being recorded in 2006 for CMP.

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Station Operating Income. As a result of the factors described above, Station Operating Income decreased $2.5 million to $117.7 million, a decrease of 2.1% from the same period in 2006.

The following table reconciles Station Operating Income to Operating income (loss) as presented in the accompanying consolidated statements of operations (the most directly comparable financial measure calculated and presented in accordance with GAAP) (dollars in thousands):

	Year Ended December 31,	
	2007	**2006**
Operating income (loss)	$ (151,078)	$ (39)
Depreciation and amortization	14,567	17,420
Gain on assets sold/transferred to affiliate	(5,862)	(2,548)
LMA fees	755	963
Non cash stock compensation	9,212	24,447
Corporate general and administrative	16,845	16,565
Impairment charge	230,609	63,424
Costs associated with terminated transaction	2,639	
Station Operating Income	$ 117,687	$ 120,232

Intangible Assets. Intangible assets, net of amortization, were $881.9 million and $1.1 billion as of December 31, 2007 and 2006, respectively. These intangible asset balances primarily consist of broadcast licenses and goodwill. Intangible assets, net, decreased from the prior year primarily due to a $230.6 million impairment charge taken for the year ended December 31, 2007, in connection with our pending merger and annual impairment evaluation of intangible assets.

Pro Forma Year Ended December 31, 2007 versus Year Ended December 31, 2006

The pro forma results for 2007 compared to 2006 presented below exclude the results of the stations contributed to CMP for the period January 1, 2006 through May 4, 2006. (see also the table below for a reconciliation of GAAP results to pro forma results for these periods) (dollars in thousands).

Reconciliation Between Historical GAAP Results and Pro Forma Results

	Year Ended December 31, 2007			Year Ended December 31, 2006		
	Historical GAAP	**Adjustments**	**Pro Forma Results**	**Historical GAAP**	**Adjustments (1)(2)**	**Pro Forma Results**
Net revenue	$ 328,327	$	$ 328,327	$ 334,322	$ (3,628)	$ 330,694
Station operating expenses excluding depreciation, amortization, and LMA fees	210,640		210,640	214,089	(3,314)	(210,775)
	$ 117,687	$	$ 117,687	$ 120,233	$ (314)	$ 119,919

Station Operating
Income(3)

(1) Reflects the elimination of revenues from stations contributed to CMP totaling $3,628.

(2) Reflects the elimination of operating expenses from stations contributed to CMP totaling $3,314.

(3) See the preceding quantitative reconciliation of Station Operating Income to operating income, the most directly comparable financial measure calculated and presented in accordance with GAAP.

Pro forma net revenues exclude the results of the stations contributed to CMP, for the period January through May, 2006. Pro forma net revenues for the twelve months ended December 31, 2007 decreased by $2.3 million to $326.5 million, a 0.7% decline from the same period in 2006, due to a general decrease in sales across our station platform. Pro forma station operating income decreased 1.8% from the same period in 2006.

Seasonality

We expect that our operations and revenues will be seasonal in nature, with generally lower revenue generated in the first quarter of the year and generally higher revenue generated in the second and fourth quarters of the year. The seasonality of our business reflects the adult orientation of our formats and relationship between advertising purchases on these formats with the retail cycle. This seasonality causes and will likely continue to cause a variation in our quarterly operating results. Such variations could have an effect on the timing of our cash flows.

Liquidity and Capital Resources

Historically, our principal need for funds has been to fund the acquisition of radio stations, expenses associated with our station and corporate operations, capital expenditures, repurchases of our Class A Common Stock, and interest and debt service payments.

The following table summarizes our historical funding needs for the years ended December 31, 2008, 2007 and 2006:

	2008	2007	2006
Acquisitions and purchase of intangible assets	$ 1,008	$ 975	$ 12,577
Capital expenditures	6,069	4,789	9,211
Repayments of bank borrowings	115,300	764,950	637,500
Repurchases of common stock	6,522	104	224,040
Interest payments	33,122	54,887	45,623

In the short term, our principal future need for funds will include the funding of station operating expenses, corporate general and administrative expenses and interest and debt service payments. In addition, in the long term, our funding needs will include future acquisitions and capital expenditures associated with maintaining our station and corporate operations and implementing HD Radio^{tm} technology. In December 2004, we purchased 240 perpetual licenses from iBiquity, which will enable us to convert to and utilize iBiquity s HD Radio^{tm} technology on up to 240 of our stations. Under the terms of our original agreement with iBiquity, we agreed to convert certain of our stations over a seven-year period. On March 5, 2009, we entered into an amendment to our agreement with iBiquity to reduce the number of planned conversions, extend the build-out schedule, and increase the license fees to be paid for each converted station. We anticipate that the average cost to convert each station will be between $130,000 and $150,000.

Our principal sources of funds for these requirements have been cash flow from operating activities. Our cash flow from operations is subject to such factors as shifts in population, station listenership, demographics or, audience tastes, and fluctuations in preferred advertising media. In addition, as discussed further below, borrowings under financing arrangements are subject to financial covenants that can restrict our financial flexibility. In addition, customers may not be able to pay, or may delay payment of, accounts receivable that are owed to us. Management has taken steps to mitigate this risk through heightened collection efforts and enhancing our credit approval process. Further, our ability to obtain additional equity or debt financing is also subject to market conditions and operating performance. During the current recession affecting the global financial markets, some companies have experienced difficulties accessing

their cash equivalents, trading investment securities, drawing revolvers, issuing debt and raising capital which has had a material adverse impact on their liquidity. We have assessed the implications of these factors on our current business and determined, based on our financial condition as of December 31, 2008, that cash on hand and cash expected to be generated by financing activities and from operating activities will be sufficient to satisfy our anticipated financing needs for working capital, capital expenditures, interest and debt service payments and potential acquisitions and repurchases of securities and other debt obligations for the next 12 months. However, given the uncertainty of the markets cash flows and the impact of the current recession on

guarantors, there can be no assurance that cash generated from operations will be sufficient, or financing will be available at terms, and on the timetable, that may be necessary to meet our future capital needs.

Consideration of recent economic developments and the outlook for 2009

As the capital and credit market crisis worsened during the fourth quarter of 2008 and into early 2009, and in conjunction with the development of our 2009 business plan, we continue to assess the impact of recent market developments on a variety of areas, including our forecasted advertising revenues and liquidity. For example, in November 2008, Moody s credit rating agency downgraded our debt rating from B2 to Caa. In response to these conditions, we refined our 2009 business plan to incorporate a reduction in our forecasted 2009 revenues and cost reductions implemented in fourth quarter 2008 and first quarter 2009 to mitigate the impact of Cumulus anticipated decline in 2009 revenue.

While preparing our 2009 business plan, we assessed future covenant compliance under our credit agreement, including consideration of market uncertainties, as well as the incremental cost that would be required to potentially amend the terms of our credit agreement. We believe we will continue to be in compliance with all of our debt covenants through at least December 31, 2009 based upon actions we have already taken, as well as through additional paydowns of debt (estimated to be at least $23 million) we will be required to make during 2009 from existing cash balances and cash flow generated from operations. Further discussion of our debt covenant compliance considerations is included below.

The current economic crisis has reduced demand for advertising in general, including advertising on our radio stations. If our revenues were to be significantly less than planned due to difficult market conditions or for other reasons, our ability to maintain compliance with the financial covenants in our credit agreements would become increasingly difficult without remedial measures ,such as the implementation of further cost abatement initiatives. If our remedial measures were not successful in maintaining covenant compliance, then we would negotiate with our lenders for relief, which relief could result in higher interest expense. Failure to comply with our financial covenants or other terms of our credit agreements and failure to negotiate relief from our lenders could result in the acceleration of the maturity of all outstanding debt. Under these circumstances, the acceleration of our debt could have a material adverse effect on our business.

Cash Flows from Operating Activities

	2008	2007	2006
Net cash provided by operating activities	$ 76,654	$ 46,057	$ 65,322

For the years ended December 31, 2008 and 2007, net cash provided by operating activities increased and decreased $30.6 million and $19.3 million, respectively. Excluding non-cash items, we generated comparable levels of operating income for 2008 and 2007 as compared with the prior years. As a result, the movement in cash flows from operations was primarily attributable to the timing of certain payments.

Cash Flows used in Investing Activities

	2008	2007	2006
Net cash provided by investing activities	$ (6,754)	$ (29)	$ (19,217)

For the year ended December 31, 2008 net cash used in investing activities decreased $6.8 million, primarily due to a $1.2 million decrease in capital expenditures as well as a decrease of $5.7 million in proceeds from the sales of radio assets year over year. Net cash used in investing activities decreased $19.2 million for the year ended December 31, 2007. The decrease is due to the absence of acquisitions and the purchases of intangible assets, $6.0 million of proceeds from the sale of assets and a $4.4 million reduction of capital expenditures.

Cash Flows used in Financing Activities

	2008	2007	2006
Net cash provided by financing activities	$ (49,183)	$ (16,134)	$ (48,834)

For the year ended December 31, 2008 net cash used in financing activities increased $33.1 million, primarily due to repayment of borrowings under our credit facility. For the year ended December 31, 2007 net cash used in financing activities decreased $32.7 million, due to a decrease in costs associated with share repurchases offset by a decrease in net proceeds from the 2007 refinancing as compared to the 2006 refinancing. During 2006, net cash used in financing activities increased $36.3 million, primarily due to the repurchase of 14,261,000 shares of Class A Common Stock and 5,000,000 shares of Class B Common Stock, offset by an increase in borrowings under a new credit facility primarily used to fund these repurchases.

Completed Acquisitions

We did not complete any acquisitions during 2008.

Pending Acquisitions.

As of December 31, 2008, we had pending a swap transaction pursuant to which we would exchange one of our Fort Walton Beach, Florida radio stations, WYZB-FM, for another owned by Star Broadcasting, Inc., WTKE-FM. Specifically, the purchase agreement provided for the exchange of WYZB-FM plus $1.5 million in cash for WTKE-FM. Following the filing of the assignment applications with the FCC, the applications were challenged by Qantum Communications, who has some radio stations in the market and complained to the FCC that the swap would give us an unfair competitive advantage (because the station we would acquire reaches more people than the station we would be giving up). Qantum also initiated litigation in the United States District Court for the Southern District of Florida against the current owner of WTKE-FM, and secured a court decision that would require the sale of the station to Qantum instead of us. That decision was affirmed on appeal of the United States Court of Appeals for the Eleventh Circuit. Qantum has not yet closed on the transaction, but there appears to be no likelihood that we will be able to consummate the exchange we had proposed with the seller.

In addition at December 31, 2008, we had pending a swap transaction pursuant to which we would exchange our Canton, Ohio Station, WRQK-FM for eight stations owned by Clear Channel Communications, Inc.(Clear Channel) in Ann Arbor, Michigan (WTKA-AM, WLBY-AM, WWWW-FM, WQKL-FM) and Battle Creek, Michigan (WBFN-AM, WBCK-FM, WBCK-AM and WBXX-FM). We will dispose of two of the AM stations in Battle Creek, WBCK-AM and WBFN-AM, simultaneously with the closing of the swap transaction to comply with the FCC s broadcast ownership limits; WBCK-AM will be placed in a trust for the sale of the station to an unrelated third party and WBFN-AM will be transferred to Family Life Broadcasting System.

As of December 31, 2008 we were party to an Asset Exchange Agreement with subsidiaries of Clear Channel that would result in Clear Channel s acquisition of five Cumulus stations in the Green Bay, Wisconsin, Market (WOGB(FM) in Kaukauna, Wisconsin, WDUZ-FM in Brillion, Wisconsin, WQLJ(FM) in Green Bay, Wisconsin, WDUZ(AM) in Green Bay Wisconsin, and WPCK(FM) in Denmark, Wisconsin) in exchange for our acquisition of two Clear Channel stations in Cincinnati, Ohio (WNNF(FM) and WOFX-FM). The transaction also contemplates that we would enter into a long-term LMA to operate the Green Bay stations after they are acquired by Clear Channel. LMAs are deemed to be attributable ownership interests under FCC rules and, to comply with ownership limitations under FCC rules, we will place two stations (WZNN(FM) in Allouez, Wisconsin, and WWWX(FM) in Oshkosh,

Wisconsin) in a trust that will be obligated to sell the stations pursuant to parameters established in the trust agreement with us. The transaction documents also include a Put Agreement that entitles Clear Channel to require us to purchase the Green Bay stations in 2013 (assuming that acquisition would comply with FCC ownership rules). The requisite assignment applications have been filed with the FCC, and the transaction could close in the first or second quarter of 2009.

As of December 31, 2008, we had pending a swap transaction pursuant to which we would exchange WZBN-FM, Camilla, GA, for W250BC, a translator licensed for use in Atlanta, Georgia, owned by Extreme Media Group. The requisite assignment applications have been approved by initial grant by the FCC, and the transaction is expected to close in the first or second quarter of 2009.

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Completed Dispositions

The company did not complete any divestitures during the years ended December 31, 2008.

On November 20, 2007, we completed the sale of our Caribbean stations to Gem Radio 5 Limited, which purchased all the operations of our Caribbean stations for $6.0 million. The transaction resulted in the recognition of a gain of approximately $5.9 million. We recorded the gain within continuing operations within our consolidated statement of operations for the year ended December 31, 2007. The below table contains certain operating data related to the stations sold for the periods presented (the total net assets approximated $0.1 million for these stations):

	December 31,	
	2007	**2006**
Net revenue	$ 1,764	$ 1,918
Total Expense	1,338	1,396
Operating Income	$ 426	$ 522

Our Amended Credit Agreement

On June 11, 2007, we entered into an amendment to our existing credit agreement, dated June 7, 2006, by and among Cumulus, Bank of America, N.A., as administrative agent, and the lenders party thereto. The credit agreement, as amended, is referred to herein as the Amended Credit Agreement.

The Amended Credit Agreement provides for a replacement term loan facility, in the original aggregate principal amount of $750.0 million, to replace the prior term loan facility, which had an outstanding balance of approximately $713.9 million, and maintains the pre-existing $100.0 million revolving credit facility. The proceeds of the replacement term loan facility, fully funded on June 11, 2007, were used to repay the outstanding balances under the prior term loan facility and under the revolving credit facility.

Our obligations under the Amended Credit Agreement are collateralized by substantially all of our 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 our direct and indirect domestic subsidiaries (except for Broadcast Software International, Inc.). In addition, our obligations under the Amended Credit Agreement are guaranteed by certain of our subsidiaries.

The Amended Credit Agreement contains terms and conditions customary for financing arrangements of this nature. The replacement term loan facility will mature on June 11, 2014 and amortized in equal quarterly installments beginning on September 30, 2007, with 0.25% of the initial aggregate advances payable each quarter during the first six years of the term, and 23.5% due in each quarter during the seventh year. The revolving credit facility will mature on June 7, 2012 and, except at our option, the commitment will remain unchanged up to that date.

Borrowings under the replacement term loan facility bear interest, at our option, at a rate equal to LIBOR plus 1.75% or the Alternate Base Rate (defined as the higher of the Bank of America Prime Rate and the Federal Funds rate plus 0.50%) plus 0.75%. Borrowings under the revolving credit facility bear interest, at our option, at a rate equal to LIBOR plus a margin ranging between 0.675% and 2.0% or the Alternate Base Rate plus a margin ranging between 0.0% and 1.0% (in either case dependent upon our leverage ratio).

In May 2005, we entered into a forward-starting interest rate swap agreement that became effective in March 2006, following the termination of our previous swap agreement. This swap agreement effectively fixes the interest rate, based on LIBOR, on $400.0 million of our floating rate bank borrowings through March 2009. As of December 31, 2008, prior to the effect of the May 2005 Swap, the effective interest rate of the outstanding borrowings pursuant to the credit facility was approximately 3.810%; inclusive of the May 2005 Swap, the effective interest rate was 4.885%. At December 31, 2007, our effective interest rate, including the fixed component of the swap, on loan amounts outstanding under our credit facility was 6.6%.

Certain mandatory prepayments of the term loan facility will be required upon the occurrence of specified events, including upon the incurrence of certain additional indebtedness (other than under any incremental credit facilities under the Amended Credit Agreement) and upon the sale of certain assets.

The representations, covenants and events of default in the Amended Credit Agreement are customary for financing transactions of this nature. Events of default in the Amended Credit Agreement include, among others, (a) the failure to pay when due the obligations owing under the credit facilities; (b) the failure to perform (and not timely remedy, if applicable) certain covenants; (c) cross default and cross acceleration; (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 our 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; (h) the occurrence of a Change in Control (as defined in the Amended 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 loans and exercise any of their rights under the Amended Credit Agreement and the ancillary loan documents as a secured party.

As discussed above, our covenants contain certain financial covenants including:

A maximum leverage ratio;

A minimum fixed charges ratio; and

A limit on annual capital expenditures.

As of December 31, 2008, the Company was in compliance with all financial and non-financial covenants. Our covenant requirements and actual ratios as of December 31, 2008 are as follows:

	Covenant Requirement	**Actual ratio**
Total leverage ratio:	<8.50	7.40
Fixed charges ratio:	>1.1	1.86

The maximum leverage ratio in the Amended Credit Agreement becomes more restrictive over the term of the agreement. The quarterly periods ended December 31, 2008, March 31, 2009 and June 30, 2009, our maximum leverage ratio requirement is 8.50 to 1.00. Beginning with the quarterly period ending September 30, 2009 and through March 31, 2010, the maximum leverage ratio requirement is 8.00 to 1.00. For the quarterly periods ending June 30, 2010 and September 30, 2010, the total leverage ratio is 7.50 to 1.00. We believe we will continue to be in compliance with all of our debt covenants through at least December 31, 2009 based upon actions we have already taken, as well as through additional paydowns of debt we will be required to make during 2009 from existing cash balances and cash flow generated from operations. Based upon the budgeted results our 2009 business plan and our outstanding borrowings as of December 31, 2008, we will be required to make additional paydowns of debt no later than the third quarter of 2009 in order to remain in compliance with our maximum leverage ratio.

Total Leverage Trigger Date Occurring in December 2008

On December 11, 2008, we borrowed $75 million as a Revolving Loan under its existing Credit Agreement, dated June 7, 2006, as amended. The proceeds of such Revolving Loan have been used to make an investment in equity

interests in Cumulus Broadcasting, LLC, a wholly-owned subsidiary of the Company, as permitted under Section 6.04(c) of the Credit Agreement.

One of the effects of this borrowing and of such investment is to cause the occurrence of the Total Leverage Trigger Date, as defined under the Credit Agreement. Such a date occurs when there are new borrowings made under the Credit Agreement of at least $75 million, including Revolving Loans, and the Company makes one or more investments permitted under Section 6.04 of the Credit Agreement, and/or Restricted Payments, that total $75 million or more.

By reason of the occurrence of the Total Leverage Trigger Date on December 11, 2008, the Total Leverage Ratio covenant requirements under the Credit Agreement have been adjusted, effective as of December 11, 2008, to the following ratios through and including the dates indicated below:

June 30, 2009	8.50 to 1.00
December 31, 2009	8.00 to 1.00
June 30, 2010	7.50 to 1.00
December 31, 2010	7.00 to 1.00
Thereafter	6.50 to 1.00

Early Extinguishment of Debt 2007

In connection with the retirement of our pre-existing credit facilities, we recorded a loss on early extinguishment of debt of $1.0 million in 2007, which was comprised of previously capitalized loan origination expenses. In connection with the new credit facility, we capitalized approximately $1.0 million of debt issuance costs, which will be amortized to interest expense over the life of the debt.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires us 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, our management, in consultation with the Audit Committee of our Board, evaluates these estimates, including those related to bad debts, intangible assets, income taxes, and contingencies and litigation. We base our estimates on historical experience and on various assumptions that we believe to be reasonable 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 from these estimates under different assumptions or conditions. We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

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

We maintain allowances for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We determine the allowance based on historical write-off experience and trends. We review our allowance for doubtful accounts monthly. Past due balances over 120 days are reviewed individually for collectability. All other balances are reviewed and evaluated on a pooled 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. Although our management believes that the allowance for doubtful accounts is our best estimate of the amount of probable credit losses, if the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

We have significant intangible assets recorded in our accounts. These intangible assets are comprised primarily of broadcast licenses and goodwill acquired through the acquisition of radio stations. SFAS No. 142, *Goodwill and other Intangible Assets*, requires that the carrying value of our goodwill and certain intangible assets be reviewed at least annually for impairment and charged to results of operations in the periods in which the recorded value of those assets is more than their fair market value. During 2008, 2007, and 2006, we recorded impairment charges of approximately

$498.9, $230.6, and $63.4 million, respectively in order to reduce the carrying value of certain broadcast licenses and goodwill to their respective fair market values. As of December 31, 2008, we have $384.0 million in intangible assets and goodwill, which represent approximately 70.7% of our total assets.

The fair market value of our broadcast licenses and reporting units, for purposes of our annual impairment tests, by relying on a discounted cash flow approach assuming a start-up scenario in which the only assets held by an investor are broadcasting licenses. The fair value contains assumptions incorporating variables that are based on past experiences and judgments about future performance using industry normalized information for an average station within a market. These variables would include, but not be limited to: (1) the forecast growth rate of each

radio market, including population, household income, retail sales and other expenditures that would influence advertising expenditures; (2) market share and profit margin of an average station within a market; (3) estimated capital start-up costs and losses incurred during the early years; (4) risk-adjusted discount rate; (5) the likely media competition within the market area; and (6) terminal values. The impairment loss in connection with our review of broadcasting licenses and goodwill during the fourth quarter of 2008 (see Note 7 in the accompanying notes to the financial statements), was primarily due to: (1) an increase in the discount rate used; (2) a decrease in station transaction multiples; and (3) a decrease in advertising revenue growth projections for the broadcasting industry.

In connection with the elimination of amortization of broadcast licenses upon the adoption of SFAS No. 142, the reversal of our deferred tax liabilities relating to those intangible assets is no longer assured within our net operating loss carry-forward period. We have established a valuation allowance of approximately $233.1 million as of December 31, 2008 based on our assessment of whether it is more likely than not these deferred tax assets will be realized. Should we determine that we would be able to realize all or part of our net deferred tax assets in the future, reduction of the valuation allowance would be recorded in income in the period such determination was made.

Stock-based compensation expense recognized under SFAS No. 123(R), *Share-Based Payment,* for the years ended December 31, 2008, 2007 and 2006 were $4.7 million, $9.2 million, and $24.4 million, respectively, before income taxes. Upon adopting SFAS No. 123(R), for awards with service conditions, a one-time election was made to recognize stock-based compensation expense on a straight-line basis over the requisite service period for the entire award. For options with service conditions only, we utilized the Black-Scholes option pricing model to estimate fair value of options issued. For restricted stock awards with service conditions, we utilized the intrinsic value method. For restricted stock awards with performance conditions, we have evaluated the probability of vesting of the awards at each reporting period and have adjusted compensation cost based on this assessment. The fair value is based on the use of certain assumptions regarding a number of highly complex and subjective variables. If other reasonable assumptions were used, the results could differ.

Summary Disclosures About Contractual Obligations and Commercial Commitments

The following tables reflect a summary of our contractual cash obligations and other commercial commitments as of December 31, 2008 (dollars in thousands):

		Payments Due By Period			
Contractual Cash Obligations	**Total**	**Less Than 1 Year**	**2 to 3 Years**	**4 to 5 Years**	**After 5 Years**
Long-term debt(1)(2)	$ 696,000	$ 7,400	$ 14,800	$ 14,800	$ 659,000
Operating leases	47,993	8,765	13,500	10,288	15,440
Digital radio capital obligations(3)	4,200		420	1,120	2,660
Other operating contracts(4)	38,386	7,680	15,790	14,916	
Total Contractual Cash Obligations	786,579	23,845	44,510	41,124	677,100

(1) Under our credit agreement, the maturity of our outstanding debt could be accelerated if we do not maintain certain restrictive financial and operating covenants.

(2) Based on long-term debt amounts outstanding at December 31, 2008, scheduled annual principal amortization and the current effective interest rate on such long-term debt amounts outstanding, we would be obligated to pay approximately $131.1 million of interest on borrowings through June 2014 ($26.3 million due in less than one, year, $51.8 million due in years two and three, $49.1 million due in years four and five, and $3.9 million due after five years.

(3) Amount represents the estimated capital requirements to convert 212 of our stations to a digital broadcasting format in future periods.

(4) Consists of contractual obligations for goods or services that are enforceable and legally binding obligations that include all significant terms. In addition, amounts include $2.5 million of station acquisitions purchase price that was deferred beyond the closing of the transaction and that is being paid monthly over a 5-year period and also includes employment contract with CEO, Mr. L. Dickey.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2008.

Recent Accounting Pronouncements

SFAS No. 141(R). In December 2007, the FASB issued FAS No. 141R, *Business Combinations,* that will significantly change how business combinations are accounted for through the use of fair values in financial reporting and will impact financial statements both on the acquisition date and in subsequent periods. FAS No. 141R is effective for the Company as of January 1, 2009 for all business combinations that will close on or after January 1, 2009.

SFAS 157. In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 157, Fair Value Measurements (SFAS 157), which defines fair value, provides guidance for measuring fair value and requires additional disclosures. This statement does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. For financial assets and liabilities, SFAS 157 is effective for financial statements issued for fiscal years beginning after December 31, 2007. The Company adopted these provisions of SFAS 157 effective January 1, 2008. The related disclosures are included in Note 7. On February 12, 2008, the FASB issued FSP FAS 157-2, Effective Date of FASB Statement No. 157 , which delays the effective date of SFAS 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact of this statement on its consolidated financial statements.

SFAS 159. In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* . SFAS No. 159 permits an entity to elect fair value as the initial and subsequent measurement attribute for many financial assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value in earnings. Such entities are also required to distinguish, on the face of the statement of financial position, the fair value of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. SFAS No. 159 was effective for the Company as of January 1, 2008. The Company did not elect to adopt SFAS No. 159 on current assets and liabilities, but may elect to do so in the future.

SFAS 160. In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51,* which is effective for fiscal years beginning after December 15, 2008. Early adoption is prohibited. SFAS 160 will require Companies to present minority interest separately within the equity section of the balance sheet. The Company will adopt SFAS 160 as of January 1, 2009 is still assessing the impact this pronouncement will have on the Company s financial statements..

SFAS 161. In March 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. The Statement changes the disclosure requirements for derivative instruments and hedging activities. SFAS No. 161 will require entities to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* , and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company is currently assessing the impact this statement has on its consolidated financial statements and will include the relevant disclosures in its financial statements beginning with the first quarter in 2009.

FSP No. 142-3. In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, *Determination of the Useful Lives of Intangible Assets*, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of an intangible asset. This interpretation is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those years. The Company is assessing the potential impact of adoption on its consolidated financial statements.

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FSP FAS 157-3. The FASB issued this FSP in October 2008 and it is effective upon issuance including prior periods for which financial statements have not been issued. This FSP clarifies the application of SFAS 157 in an inactive market, including; how internal assumptions should be considered when measuring fair value, how observable market information in a market that is not active should be considered and how the use of market quotes should be used when assessing observable and unobservable data. The Company adopted this FSP upon the date of issuance and did not have a material impact on its consolidated financial statements.

FSP FAS 140-4 and FIN 46R-8. The FASB issued this FSP in December 2008 and it is effective for the first reporting period ending after December 15, 2008. This FSP requires additional disclosures related to variable interest entities in accordance with SFAS 140 and FIN 46R. These disclosures include significant judgments and assumptions, restrictions on assets, risks and the affects on financial position, financial performance and cash flows. The Company will adopt this FSP as of January 1, 2009, but does not expect it to have a material impact on our consolidated results of operations, cash flows or financial condition.

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

Interest Rate Risk

At December 31, 2008, 42.5% of our long-term debt bears interest at variable rates. Accordingly, our earnings and after-tax cash flow are affected by changes in interest rates. Assuming the current level of borrowings at variable rates and assuming a one percentage point change in the 2008 average interest rate under these borrowings, it is estimated that our 2008 interest expense and net income would have changed by $3.0 million. As part of our efforts to mitigate interest rate risk, in May 2005, we entered into a forward-starting (effective March 2006) LIBOR-based interest rate swap agreement that effectively fixed the interest rate, based on LIBOR, on $400.0 million of our current floating rate bank borrowings for a three-year period. This agreement is intended to reduce our exposure to interest rate fluctuations and was not entered into for speculative purposes. Segregating the $296.0 million of borrowings outstanding at December 31, 2008 that are not subject to the interest rate swap and assuming a one percentage point change in the 2008 average interest rate under these borrowings, it is estimated that our 2008 interest expense and net income would have changed by $4.0 million.

In the event of an adverse change in interest rates, our management would likely take actions, in addition to the interest rate swap agreement discussed above, to mitigate our exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, additional analysis is not possible at this time. Further, such analysis would not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

Foreign Currency Risk

None of our operations are measured in foreign currencies. As a result, our financial results are not subject to factors such as changes in foreign currency exchange rates or weak economic conditions in foreign markets.

Item 8. *Financial Statements and Supplementary Data*

The information in response to this item is included in our consolidated financial statements, together with the reports thereon of PricewaterhouseCoopers LLP and KPMG LLP, beginning on page F-1 of this Annual Report on Form 10-K, which follows the signature page hereto.

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

On June 17, 2008, following an extensive review and request-for-proposal process, the Audit Committee of the Company determined not to renew its engagement of KPMG LLP (KPMG) as the Company s independent registered public accounting firm (auditors) and dismissed them as the Company s auditors. The Company appointed PricewaterhouseCoopers LLP as the Company s auditors for the fiscal year ending December 31, 2008.

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KMPG s audit reports on the Company s consolidated financial statements as of and for the years ended December 31, 2007 and 2006 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except as follows:

KPMG s report on the Company s consolidated financial statements as of and for the year ended December 31, 2006 contained a separate paragraph stating that As discussed in Note 1 to the consolidated financial statements effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, Share Based Payment. KPMG s report on the Company s consolidated financial statements as of and for the year ended December 31, 2007 contained separate paragraphs stating that As discussed in Note 1 to the consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, Share Based Payment. and As discussed in Note 1 to the consolidated financial statements, effective January 1, 2007, the Company adopted the Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109.

KPMG s reports on management s assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of December 31, 2007 and 2006 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except that KPMG s 2006 report indicates that the Company did not maintain effective internal control over financial reporting as of December 31, 2006 because of the effect of a material weakness, as further described below.

During the two most recent fiscal years ended December 31, 2007, and through the date hereof, there were no: (1) disagreements with KMPG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to KPMG s satisfaction, would have caused KPMG to make reference to the subject matter of the disagreement(s) in connection with its reports, or (2) reportable events as defined in Regulation S-K, Item 304(a)(1)(v); except that in the Company s annual report on Form 10-K for the year ended December 31, 2006, management concluded in its report, and KPMG concurred, that the Company s internal control over financial reporting as of December 31, 2006 was not effective as a result of a material weakness (at that time, management concluded that the Company did not maintain sufficient, adequately trained personnel in its corporate accounting function). The Company authorized KPMG to respond fully to any inquiries from Pricewaterhouse Coopers LLP regarding this matter.

Item 9A. *Controls and Procedures*

(a) Evaluation of Disclosure Controls and Procedures

We maintain a set of disclosure controls and procedures (as defined in 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, the Exchange Act) designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Such disclosure controls and procedures are designed to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chairman, President and Chief Executive Officer (CEO) and Executive Vice President, Treasurer and Chief Financial Officer (CFO), as appropriate, to allow timely decisions regarding required disclosure. At the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of our disclosure controls and procedures. Based on that evaluation, the CEO and CFO have concluded our disclosure controls and procedures were not effective as of December 31, 2008 because of the material weakness described below in Management s Report on Internal Control Over Financial Reporting.

(b) Management s Report on Internal Control over Financial Reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended). The Company s management assessed the effectiveness of its internal control over financial reporting as of

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December 31, 2008. In making this assessment, the Company s management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework*.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Management identified the following material weakness in the Company s internal control over financial reporting as of December 31, 2008:

We did not maintain a sufficient complement of personnel with the level of financial accounting technical expertise necessary to facilitate an effective review of certain corporate accounting transactions. As a result of this deficiency, we did not timely identify a computational error related to the SFAS 157 mark-to-market adjustment on the Company s interest rate swap instrument. This deficiency resulted in an audit adjustment to the consolidated financial statements as of December 31, 2008 to correct an overstatement of interest expense and accrued liabilities. Additionally, this control deficiency could result in misstatements that would result in a material misstatement of the consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

As a result of the material weakness described above, the Company s management has concluded that, as of December 31, 2008, its internal control over financial reporting was not effective based on criteria in *Internal Control Integrated Framework* issued by the COSO.

The effectiveness of the Company s internal control over financial reporting as of December 31, 2008 has been audited by PricewaterhouseCoopers LLP, an Independent Registered Public Accounting Firm, as stated in their report which appears herein.

Lewis W. Dickey, Jr.	Martin R. Gausvik
Chairman, President, Chief Executive Officer and Director	Executive Vice President, Treasurer, and Chief Financial Officer

(c) Changes in Internal Control over Financial Reporting

As described above, there were changes in our internal control over financial reporting during the quarter ended December 31, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

None.

PART III

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

The required information with regard to our executive officers is contained in Part I of this report. In accordance with General Instruction G. (3) of Form 10-K, the registrant intends to file the remaining information required by this Item pursuant to an amendment to this annual report on Form 10-K not later than 120 days after the end of the fiscal year covered by this Form 10-K.

Item 11. ***Executive Compensation***

In accordance with General Instruction G. (3) of Form 10-K, the registrant intends to file the information required by this Item pursuant to an amendment to this annual report on Form 10-K not later than 120 days after the end of the fiscal year covered by this Form 10-K.

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

The required information regarding securities authorized for issuance under our executive compensation plans is contained in Part II of this report. In accordance with General Instruction G. (3) of Form 10-K, the registrant intends to file the remaining information required by this Item pursuant to an amendment to this annual report on Form 10-K not later than 120 days after the end of the fiscal year covered by this Form 10-K.

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

In accordance with General Instruction G. (3) of Form 10-K, the registrant intends to file the information required by this Item pursuant to an amendment to this annual report on Form 10-K not later than 120 days after the end of the fiscal year covered by this Form 10-K.

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

In accordance with General Instruction G. (3) of Form 10-K, the registrant intends to file the information required by this Item pursuant to an amendment to this annual report on Form 10-K not later than 120 days after the end of the fiscal year covered by this Form 10-K.

PART IV

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

(a) (1)-(2) *Financial Statements.* The financial statements and financial statement schedule listed in the Index to Consolidated Financial Statements appearing on page F-1 of this annual report on Form 10-K are filed as a part of this report. All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission have been omitted either because they are not required under the related instructions or because they are not applicable.

(a) (3) *Exhibits.*

3.1 Amended and Restated Certificate of Incorporation of Cumulus Media Inc., as amended (incorporated herein by reference to Exhibit 3.1 to the Company s Form 8-K, filed on November 26, 2008).

3.2 Amended and Restated Bylaws of Cumulus Media Inc. (incorporated herein by reference to Exhibit 3.2 of the Company s Form 8-K, filed on November 26, 2008).

4.1 Form of Class A Common Stock Certificate (incorporated herein by reference to Exhibit 4.1 of our current report on Form 8-K, filed on August 2, 2002).

4.2 Voting Agreement, dated as of June 30, 1998, by and between NationsBanc Capital Corp., Cumulus Media Inc. and the stockholders named therein (incorporated herein by reference to Exhibit 4.2 of our quarterly report on Form 10-Q for the period ended September 30, 2001).

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4.3	Shareholder Agreement, dated as of the March 28, 2002, by and between BancAmerica Capital Investors SBIC I, L.P. and Cumulus Media Inc. (incorporated herein by reference to Exhibit(d)(3) of our Schedule TO-I, filed on May 17, 2006).
4.4	Voting Agreement, dated as of January 6, 2009, by and among Cumulus Media, Inc. and the Dickey stockholders. (incorporated by reference to Exhibit 10.1 to the Company s Form 8-K, filed on January 6, 2009).
10.1	Cumulus Media Inc. 1998 Employee Stock Incentive Plan (incorporated herein by reference to Exhibit 10.9 of our registration statement on Form S-1, filed on June 25, 1998 and declared effective on June 26, 1998 (Commission File No. 333-48849).
10.2	Cumulus Media Inc. 1999 Stock Incentive Plan (incorporated herein by reference to Exhibit 4.1 of our registration statement on Form S-8, filed on June 7, 2001 (Commission File No. 333-62542)).
10.3	Cumulus Media Inc. 1999 Executive Stock Incentive Plan (incorporated herein by reference to Exhibit 4.2 of our registration statement on Form S-8, filed on June 7, 2001 (Commission File No. 333-62542)).
10.4	Cumulus Media Inc. 2000 Stock Incentive Plan (incorporated herein by reference to Exhibit 4.1 of our registration statement on Form S-8, filed on June 7, 2001 (Commission File No. 333-62538)).
10.5	Cumulus Media Inc. 2002 Stock Incentive Plan (incorporated herein by reference to Exhibit 4.1 of our registration statement on Form S-8, filed on April 15, 2003 (Commission File No. 333-104542)).
10.6	Amended and Restated Cumulus Media 2004 Equity Incentive Plan (incorporated herein by reference to Exhibit A of our proxy statement on Schedule 14A, filed on April 13, 2007 (Commission File No. 333-118047)).
10.7	Cumulus Media 2008 Equity Incentive Plan (incorporated herein by reference to Exhibit A of our proxy statement on Schedule 14A, filed on October 17, 2008 (Commission File No. 000-24525)).
10.8	Form of Restricted Shares Agreement for awards under the Cumulus Media, Inc. 1998 Stock Incentive Plan (incorporated herein by reference to Exhibit 10.1 to the Company s Form 8-K, filed on May 27, 2008).
10.9	Restricted Stock Award, dated April 25, 2005, between Cumulus Media Inc. and Lewis W. Dickey, Jr. (incorporated herein by reference to Exhibit 10.1 of our current report on Form 8-K, filed on April 29, 2005).
10.10	Form of Restricted Stock Award (incorporated herein by reference to Exhibit 10.2 of our current report on Form 8-K, filed on April 29, 2005).
10.11	Form of Restricted Share Award Certificate (incorporated herein by reference to Exhibit (d)(7) of our Schedule TO-I, filed on December 1, 2008).
10.12	Form of New Option Award Certificate (incorporated herein by reference to Exhibit (d)(8) of our Schedule TO-I, filed on December 1, 2008).
10.13	Form of 2008 Equity Incentive Plan Restricted Stock Agreement (incorporated by reference to Exhibit 10.1 of our current report on form 8-K, filed on March 4, 2009.).
10.14*	Form of 2008 Equity Incentive Plan Stock Option Award Agreement.
10.15	Third Amended and Restated Employment Agreement between Cumulus Media Inc. and Lewis W. Dickey, Jr. (incorporated herein by reference to Exhibit 10.1 to our current report on Form 8-K, filed on December 22, 2006).
10.16	First Amendment to Employment Agreement, dated as of December 31, 2008, between Cumulus Media, Inc. and Lewis W. Dickey, Jr. (incorporated herein by reference to Exhibit 10.2 to the Company s Form 8-K, filed on January 6, 2009).
10.17	Employment Agreement between Cumulus Media Inc. and John G. Pinch (incorporated herein by reference to Exhibit 10.2 of our quarterly report on Form 10-Q for the period ended September 30, 2001).
10.18	First Amendment to Employment Agreement, dated as of December 31, 2008, between Cumulus Media, Inc. and John G. Pinch. (incorporated herein by reference to Exhibit 10.4 to the Company s Form

	8-K, filed on January 6, 2009).
10.19	Employment Agreement between Cumulus Media Inc. and Martin Gausvik (incorporated herein by reference to Exhibit 10.3 of our quarterly report on Form 10-Q for the period ended September 30, 2001).

10.20	First Amendment to Employment Agreement, dated as of December 31, 2008, between Cumulus Media, Inc. and Martin R. Gausvik. (incorporated herein by reference to Exhibit 10.5 to the Company s Form 8-K, filed on January 6, 2009).
10.21	Employment Agreement between Cumulus Media Inc. and John W. Dickey (incorporated herein by reference to Exhibit 10.4 of our quarterly report on Form 10-Q for the period ended September 30, 2001).
10.22	First Amendment to Employment Agreement, dated as of December 31, 2008, between Cumulus Media, Inc. and John W. Dickey. (incorporated herein by reference to Exhibit 10.3 to the Company s Form 8-K, filed on January 6, 2009).
10.23	Registration Rights Agreement, dated as of June 30, 1998, by and among Cumulus Media Inc., NationsBanc Capital Corp., Heller Equity Capital Corporation, The State of Wisconsin Investment Board and The Northwestern Mutual Life Insurance Company (incorporated herein by reference to Exhibit 4.1 of our quarterly report on Form 10-Q for the period ended September 30, 2001).
10.24	Amended and Restated Registration Rights Agreement, dated as of January 23, 2002, by and among Cumulus Media Inc., Aurora Communications, LLC and the other parties identified therein (incorporated herein by reference to Exhibit 2.2 of our current report on Form 8-K, filed on February 7, 2002).
10.25	Registration Rights Agreement, dated March 28, 2002, between Cumulus Media Inc. and DBBC, L.L.C. (incorporated herein by reference to Exhibit 10.18 of our annual report on Form 10-K for the year ended December 31, 2002).
10.26	Credit Agreement, dated as of June 7, 2006, among Cumulus Media Inc., the Lenders party thereto, and Bank of America, N.A., as Administrative Agent (incorporated herein by reference to 10.1 of our current report on Form 8-K, filed on June 8, 2006).
10.27	Guarantee and Collateral Agreement, dated as of June 15, 2006, among the Cumulus Media Inc., its Subsidiaries identified therein, and JPMorgan Chase Bank, N.A., as Administrative Agent (incorporated herein by reference to Exhibit 10.1 of our quarterly report on Form 10-Q for the quarter ended September 30, 2006.
10.28	Amendment No. 1 to Credit Agreement, dated as of June 11, 2007, among Cumulus Media Inc., the Lenders party thereto, and Bank of America, N.A., as Administrative Agent (incorporated herein by reference to Exhibit 10.1 of our current report on Form 8-K, filed on June 15, 2007).
10.29	Termination Agreement and Release, dated as of May 11, 2008, between Cumulus Media, Inc., Cloud Acquisition Corporation and Cloud Merger Corporation. (incorporated herein by reference to Exhibit 10.1 to the Company s Form 8-K, filed on May 12, 2008).
16.1	Letter regarding a change in the certifying accountant, dated as of June 23, 2008 from KPMG LLP to the Securities and Exchange Commission. (incorporated herein by reference to Exhibit 16.1 to the Company s Form 8-K, filed on June 23, 2008).
21.1	Subsidiaries of Cumulus Media Inc. (incorporated herein by reference to Exhibit 21.1 to the Company s Form 10-K, filed on March 16, 2008).
23.1*	Consent of PricewaterhouseCoopers LLP.
23.2*	Consent of KPMG, LLP
31.1*	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith

(b) *Exhibits.* See Item 15(a)(3).

(c) *Financial Statement Schedules.* Schedule II Valuation and Qualifying Accounts

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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, on the 16th day of March, 2009

CUMULUS MEDIA INC.

By /s/ Martin R. Gausvik
Martin R. Gausvik
Executive Vice President, Treasurer
and Chief Financial Officer

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 and on the dates indicated.

Signature	Title	Date
/s/ Lewis W. Dickey, Jr. Lewis W. Dickey, Jr.	Chairman, President, Chief Executive Officer and Director, (Principal Executive Officer)	March 16, 2009
/s/ Martin R. Gausvik Martin R. Gausvik	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2009
/s/ Ralph B. Everett Ralph B. Everett	Director	March 16, 2009
/s/ Holcombe T. Green, Jr. Holcombe T. Green, Jr.	Director	March 16, 2009
/s/ Eric P. Robison Eric P. Robison	Director	March 16, 2009
/s/ Robert H. Sheridan, III Robert H. Sheridan, III	Director	March 16, 2009

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

The following Consolidated Financial Statements of Cumulus Media Inc. are included in Item 8:

	Page in this Report
(1) Financial Statements	
Reports of Independent Registered Public Accounting Firms	F-2
Consolidated Balance Sheets at December 31, 2008 and 2007	F-5
Consolidated Statements of Operations for the years ended December 31, 2008, 2007, and 2006	F-6
Consolidated Statements of Stockholders (deficit) Equity and Comprehensive Income (Loss) for the years ended December 31, 2008, 2007, and 2006	F-7
Consolidated Statements of Cash Flows for the years ended December 31, 2008, 2007, and 2006	F-8
Notes to Consolidated Financial Statements	F-9
(2) Financial Statement Schedule	
Schedule I: Valuation and Qualifying Accounts	S-1

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Cumulus Media Inc.:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of stockholders deficit and comprehensive loss, and cash flows present fairly, in all material respects, the financial position of Cumulus Media Inc. and its subsidiaries at December 31, 2008 and the results of their operations and their cash flows for the year ended December 31, 2008 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule for the year ended December 31, 2008 presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company did not maintain, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) because a material weakness in internal control over financial reporting related to an insufficient complement of personnel with a level of financial accounting technical expertise necessary to facilitate an effective review of certain corporate accounting transactions existed as of that date. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness referred to above is described in Management s Report on Internal Control over Financial Reporting appearing under Item 9A. We considered this material weakness in determining the nature, timing, and extent of audit tests applied in our audit of the 2008 consolidated financial statements and our opinion regarding the effectiveness of the Company s internal control over financial reporting does not affect our opinion on those consolidated financial statements. The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audit. 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 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.

As discussed in Note 7 to the consolidated financial statements, effective January 1, 2008, the Company adopted Financial Accounting Standards Board Statement No. 157, *Fair Value Measurements.*

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) 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 (iii) 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.

/s/ PricewaterhouseCoopers LLP
Atlanta, Georgia
March 16, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Cumulus Media, Inc.:

We have audited the accompanying consolidated balance sheet of Cumulus Media, Inc. (the Company) and subsidiaries as of December 31, 2007 and the related consolidated statements of operations, stockholders equity and comprehensive income (loss), and cash flows for each of the years in the two-year period ended December 31, 2007. In connection with our audits of the consolidated financial statements, we also have audited the accompanying financial statement schedule for the years ended December 31, 2007 and 2006. These consolidated financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cumulus Media, Inc. and subsidiaries as of December 31, 2007 and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, in so far as it relates to the years ended December 31, 2007 and 2006, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, *Share Based Payment.*

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2007, the Company adopted the Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109.*

/s/ KPMG LLP
Atlanta, Georgia
March 17, 2008

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CUMULUS MEDIA INC.

CONSOLIDATED BALANCE SHEETS
December 31, 2008 and 2007
(Dollars in thousands, except for share data)

	2008	2007
Current assets:		
Cash and cash equivalents	$ 53,003	$ 32,286
Accounts receivable, less allowance for doubtful accounts of $1,771 and $1,839, respectively	44,199	52,496
Prepaid expenses and other current assets	3,287	5,835
Total current assets	100,489	90,617
Property and equipment, net	55,124	61,735
Intangible assets, net	325,134	783,638
Goodwill	58,891	98,300
Investment in affiliate		22,252
Other assets	3,881	4,000
Total assets	$ 543,519	$ 1,060,542
Current liabilities:		
Accounts payable and accrued expenses	$ 20,644	$ 23,916
Current portion of long-term debt	7,400	13,490
Total current liabilities	28,044	37,406
Long-term debt	688,600	722,810
Other liabilities	30,543	18,158
Deferred income taxes	44,479	162,890
Total liabilities	$ 791,666	$ 941,264
Commitments and Contingencies		
Stockholders (deficit) equity:		
Preferred stock, 20,262,000 shares authorized, par value $0.01 per share, including: 250,000 shares designated as 133/4% Series A Cumulative Exchangeable Redeemable Preferred Stock due 2009, stated value $1,000 per share 0 shares issued or outstanding and 12,000 shares designated as 12% Series B Cumulative Preferred Stock, stated value $10,000 per share; 0 shares issued or outstanding in both 2008 and 2007.		
Class A common stock, par value $.01 per share; 200,000,000 shares authorized; 59,572,592 and 59,468,086 shares issued and 34,945,290 and 37,101,154 shares outstanding in 2008 and 2007, respectively.	596	595
Class B common stock, par value $.01 per share; 20,000,000 shares authorized; 5,809,191 shares issued and outstanding in 2008 and 2007, respectively	58 6	58 6

Class C common stock, par value $.01 per share; 30,000,000 shares authorized; 644,871 shares issued and outstanding in both 2008 and 2007.		
Treasury stock, at cost, 24,627,302 and 22,366,932 shares in 2008 and 2007, respectively	(265,278)	(267,084)
Accumulated other comprehensive income	828	4,800
Additional paid-in-capital	967,676	971,267
Accumulated deficit	(952,033)	(590,364)
Total stockholders (deficit) equity	(248,147)	119,278
Total liabilities and stockholders (deficit) equity	$ 543,519	$ 1,060,542

See accompanying notes to the consolidated financial statements.

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CUMULUS MEDIA INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2008, 2007, and 2006
(Dollars in thousands, except for share and per share data)

	2008	2007	2006
Broadcast revenues	$ 307,538	$ 324,327	$ 331,691
Management fee revenues from affiliate	4,000	4,000	2,630
Net revenues	311,538	328,327	334,321
Operating expenses:			
Station operating expenses (excluding depreciation, amortization and LMA fees)	203,222	210,640	214,089
Depreciation and amortization	12,512	14,567	17,420
Gain on assets sold/transferred to affiliate		(5,862)	(2,548)
LMA fees	631	755	963
Corporate general and administrative (including non cash stock compensation expense of $4,663, $9,212, and $24,447, respectively)	19,325	26,057	41,012
Impairment of goodwill and intangible assets	498,897	230,609	63,424
Costs associated with terminated transaction	2,041	2,639	
Total operating expenses	736,628	479,405	334,360
Operating loss	(425,090)	(151,078)	(39)
Nonoperating income (expense):			
Interest expense	(48,250)	(61,089)	(43,085)
Interest income	988	664	725
Terminated transaction fee	15,000		
Losses on early extinguishment of debt		(986)	(2,284)
Other income (expense), net	(10)	117	(98)
Total nonoperating expense, net	(32,272)	(61,294)	(44,742)
Loss before income taxes	(457,362)	(212,372)	(44,781)
Income tax benefit	117,945	38,000	5,800
Equity losses in affiliate	(22,252)	(49,432)	(5,200)
Net loss	$ (361,669)	$ (223,804)	$ (44,181)
Basic and diluted income (loss) per common share:			
Basic and diluted loss per common share	$ (8.55)	$ (5.18)	$ (0.87)
Weighted average basic and diluted common shares outstanding	42,314,578	43,187,447	50,824,383

See accompanying notes to the consolidated financial statements.

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CUMULUS MEDIA INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS (DEFICIT) EQUITY AND COMPREHENSIVE INCOME (LOSS)
Years Ended December 31, 2008, 2007, and 2006
(Dollars in thousands, except for share data)

Class A Common Stock		Class B Common Stock		Class C Common Stock			Accumulated			
Number of Shares	Par Value	Number of Shares	Par Value	Number of Shares	Par Value	Treasury Stock	Other Comprehensive Income	Additional Paid-In Capital	Accumulated Deficit	Loan Offic
58,307,248	$ 583	11,630,759	$ 116	644,871	$ 6	$ (110,379)	$ 7,401	$ 1,016,687	$ (322,379)	$ (4
									(44,588)	
							(407)		407	
							(373)			
							(780)		(44,181)	
543,038	5							1,676		
		(5,000,000)	(50)					(57,450)		
						(5,275)		(6,850)		
										4
								24,417		

						(166,540)				
58,850,286	588	6,630,759	66	644,871	6	(282,194)	6,621	978,480	(366,560)	
									(223,804)	
							(1,821)			
							(1,821)		(223,804)	
156,232	2							1,262		
(360,000)	(3)					17,690		(17,687)		
						(2,580)				
821,568	8	(821,568)	(8)							
								9,212		
59,468,086	$ 595	5,809,191	$ 58	644,871	$ 6	$ (267,084)	$ 4,800	$ 971,267	$ (590,364)	$
									(361,669)	
							(3,972)			
							(3,972)		(361,669)	

104,506	1							707		
						5,409		(5,409)		
						(33)				
						(6,522)				
						(168)				
								4,231		
						3,120		(3,120)		
59,572,592	$ 596	5,809,191	$ 58	644,871	$ 6	$ (265,278)	$ 828	$ 967,676	$ (952,033)	$

See accompanying notes to the consolidated financial statements.

CUMULUS MEDIA INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2008, 2007, and 2006
(Dollars in thousands)

	2008	2007	2006
Cash flows from operating activities:			
Net loss	$ (361,669)	$ (223,804)	$ (44,181)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Loss on early extinguishment of debt		986	2,284
Depreciation and amortization	12,512	14,567	17,420
Amortization of debt issuance costs	434	421	201
Amortization of derivative gain	(3,972)	(1,821)	
Provision for doubtful accounts	3,754	2,954	3,313
Loss (gain) on sale of assets or stations	(21)	(5,890)	39
Change in the fair value of derivative instruments	13,640	13,039	(562)
Equity losses in affiliate	22,252	49,432	2,652
Impairment of goodwill and intangible assets	498,897	230,609	63,424
Deferred income taxes	(118,411)	(34,154)	(3,607)
Non-cash stock compensation	4,663	9,212	24,447
Changes in assets and liabilities, net of effects of acquisitions/dispositions:			
Accounts receivable	4,543	(437)	(6,519)
Prepaid expenses and other current assets	2,548	323	3,746
Accounts payable and accrued expenses	(523)	(8,113)	1,264
Other assets	(315)	1,231	1,530
Other liabilities	(1,678)	(2,498)	(129)
Net cash provided by operating activities	76,654	46,057	65,322
Cash flows from investing activities:			
Investment in affiliate net of advisory fees			(2,733)
Proceeds from sale of assets or radio stations	323	6,000	
Purchase of intangible assets	(1,008)	(975)	(9,844)
Escrow payments			2,597
Acquisition costs		(265)	(26)
Capital expenditures	(6,069)	(4,789)	(9,211)
Net cash used in investing activities	(6,754)	(29)	(19,217)
Cash flows from financing activities:			
Proceeds from bank credit facility	75,000	750,000	819,750
Repayments of borrowings from bank credit facility	(115,300)	(764,950)	(637,500)
Tax withholding paid on behalf of employees	(2,413)	(311)	

Payments for officer options and restricted stock			(12,125)
Payments for debt issuance costs		(1,072)	(1,592)
Proceeds from collection of officer loan			4,992
Payments for repurchases of common stock	(6,522)	(104)	(224,040)
Proceeds from issuance of common stock	52	303	1,681
Net cash used in financing activities	(49,183)	(16,134)	(48,834)
Increase (decrease) in cash and cash equivalents	20,717	29,894	(2,729)
Cash and cash equivalents at beginning of year	32,286	2,392	5,121
Cash and cash equivalents at end of year	$ 53,003	$ 32,286	$ 2,392
Supplemental disclosures of cash flow information:			
Interest paid	$ 33,122	$ 54,887	$ 45,623
Trade revenue	$ 14,821	$ 17,884	$ 19,025
Trade expense	$ 14,499	$ 17,942	$ 19,022

See accompanying notes to the consolidated financial statements.

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CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies:

Description of Business

Cumulus Media Inc., (we, Cumulus or the Company) is a radio broadcasting corporation incorporated in the state of Delaware, focused on acquiring, operating and developing commercial radio stations in mid-size radio markets in the United States.

Principles of Consolidation

The consolidated financial statements include the accounts of Cumulus 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, stock-based compensation, restructuring and contingencies and litigation. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable 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 historical write-off experience and trends. The Company reviews its allowance for doubtful accounts monthly. Past due balances over 120 days are reviewed individually for collectability. All other balances are reviewed and evaluated on a pooled 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.

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CUMULUS MEDIA INC.

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. Routine maintenance and repairs are expensed as incurred. Depreciation of construction in progress is not recorded until the assets are placed into service.

Capitalized Software Costs

The Company capitalizes certain internal software development costs under the provisions of Statement of Position No. 98-1, *Accounting for the Costs of Computer Software Developed or Obtained for Internal Use* (SOP 98-1). SOP 98-1 requires computer software costs associated with internal use software to be charged to operations as incurred until certain capitalization criteria are met. Costs incurred during the preliminary project stage and the post-implementation stages are expensed as incurred. Certain qualifying costs incurred during the application development stage are capitalized. These costs generally consist of coding, and testing activities. Capitalization begins when the preliminary project stage is complete, management with the relevant authority authorizes and commits to the funding of the software project, and it is probable that the project will be completed and the software will be used to perform the function intended. These costs are amortized using the straight-line method over the estimated useful life of the software, generally three years.

Goodwill and Intangible Assets

Our intangible assets are comprised of broadcast licenses, goodwill and certain other intangible assets. Goodwill represents the excess of costs over fair value of assets of businesses acquired. In accordance with SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill and intangible assets acquired in a purchase business combination and determined to have an indefinite useful life, which include our broadcast licenses, are not amortized, but instead tested for impairment at least annually. SFAS No. 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, *Accounting for Impairment or Disposal of Long-Lived Assets.*

In determining that our 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 us 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.

Impairment of Goodwill and Indefinite Life Intangible Assets

The Company evaluates the recoverability of its indefinite-lived assets, which include broadcasting licenses, goodwill, deferred charges, and other assets, in accordance with SFAS No. 142, *Goodwill and Other Intangible Assets,* and

measurement of an impairment loss under these accounting standards 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.

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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, 2008, 2007 and 2006 the Company recognized amortization expense of debt issuance costs of $0.4 million, $0.4 million, and $0.2 million, respectively.

Extinguishment of Debt

The Company s losses on extinguishment of debt have been reflected as a component of income (loss) from continuing operations, consistent with the provisions of SFAS No. 145, *Rescission of FASB Statements No. 4, 44 and 64, Amendment of FASB Statement No. 13, and Technical Corrections.* Losses recognized during 2007 and 2006 relate to the retirement of certain term loan borrowings under the Company s credit facilities.

Derivative Financial Instruments

The Company accounts for derivative financial instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activitie,* that was amended by SFAS No. 137 and SFAS No. 138. This standard requires the Company to recognize all derivatives on the balance sheet at fair value. Fair value changes are recorded in income for any contracts not classified as qualifying hedging instruments. For derivatives qualifying as cash flow hedge instruments, the effective portion of the derivative fair value change must be recorded through other comprehensive income, a component of stockholders equity.

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%. All revenue is recognized in accordance with the Securities and Exchange Commission s (SEC) Staff Accounting Bulletin (SAB) No. 104, *Revenue Recognition.*

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, which approximates the fair value of the air time surrendered in the trade. 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.

Local Marketing Agreements

In certain circumstances, the Company enters into a local marketing agreement (LMA) or time brokerage agreement with a Federal Communications Commission (FCC) licensee of a radio station. In a typical LMA, the licensee of the station makes available, for a fee, airtime on its station to a party, which supplies programming to be broadcast on that airtime, and collects revenues from advertising aired during such programming. Revenues earned and LMA fees

incurred pursuant to local marketing agreements or time brokerage agreements are recognized at their gross amounts in the accompanying consolidated statements of operations.

As of December 31, 2008, 2007, and 2006, we operated seven, seven and one radio stations under LMAs respectively. The stations operated under LMAs contributed $6.4 million, $5.0 million and $1.0 million, in years 2008, 2007, and 2006, respectively, to the consolidated net revenues of the Company.

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Investment in Affiliate

As of December 31, 2008 the Company had a 25% ownership interest in Cumulus Media Partners (CMP), acquired in May 2006. The investment is accounted for under the equity method (see note 8). The Company s consolidated operating results include its proportionate share of CMP s net losses for the years ended December 31, 2008, 2007, and 2006. As of December 31, 2008, our investment in CMP in the aggregate did not exceed our proportionate share of the net assets of CMP. As of December 31, 2008 the Company s proportionate share of its affiliate losses exceeded its investment and therefore the Company recorded an equity loss in affiliate of $22.3 million during the fourth quarter of 2008 which reduced the investment in affiliate to $0.

Stock-based Compensation

Effective January 1 2006, the Company adopted SFAS No. 123R *Share-Based Payment*. The Company currently uses the Black-Scholes option pricing model to determine the fair value of its stock options. The determination of the fair value of the awards on the date of grant using an option-pricing model is affected by the Company s stock price, as well as assumptions regarding a number of complex and subjective variables. These variables include the historical stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates and estimated expected dividends.

Income Taxes

The Company accounts for income taxes under Statement of Financial Accounting Standards (SFAS) No. 109, *Accounting for Income Taxes.* SFAS No. 109 requires 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 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. For a discussion of FIN 48, *Accounting for Uncertainty in Income Taxes, and Related Implementation Issues,* which was effective for the Company as of January 1, 2007, see Note 12, Income Taxes.

Impairment of Long-Lived Assets

In accordance with SFAS No. 144 *Accounting for the Impairment or Disposal 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.

Comprehensive Income

SFAS No. 130, *Reporting Comprehensive Income*, establishes standards for reporting comprehensive income. Comprehensive income includes net income as currently reported under accounting principles generally accepted in the United States of America, and also considers the effect of additional economic events that are not required to be reported in determining net income, but rather are reported as a separate component of stockholders equity. The

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company reports changes in the fair value of derivatives qualifying as cash flow hedges as a component of comprehensive income.

Earnings Per Share

Basic and diluted income (loss) per share is computed in accordance with SFAS No. 128, *Earnings Per Share.* Basic income (loss) per share is computed on the basis of the weighted average number of common shares outstanding. Diluted income (loss) per share is computed on the basis of the weighted average number of common shares outstanding plus the effect of outstanding stock options and restricted stock using the treasury stock method.

Fair Values of Financial Instruments

The carrying values of receivables, payables, and accrued expenses approximate fair value due to the short maturity of these instruments. As of December 31, 2008, the fair value of the Company s term loan was $515.7 million which was based on a risk adjusted rate.

Accounting for National Advertising Agency Contract

The Company engages Katz Media Group, Inc. (Katz) as its 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 following are the principal economic elements of the contract that can affect the base commission rate:

- A $13.6 million non-cash charge recorded by the Company in 2005 related to the termination of our contract with our former national advertising agent.

- Potential commission rebates from Katz if national revenue does not meet certain targets for certain periods during the contract term. These amounts are measured annually with settlement to occur shortly thereafter.

- Potential additional commissions in excess of the base rates if Katz should exceed certain revenue target. No additional commission payments have been assumed.

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 Company s contractual relationship with Katz, management will continually update its assessment of the effective commission expense attributable to national sales in an effort to record a consistent commission rate over the term of the Katz contract.

Variable Interest Entities

The Company accounts for entities qualifying as variable interest entities (VIEs) in accordance with FASB Interpretation No. 46R (FIN 46R), *Consolidation of Variable Interest Entities, an interpretation of ARB No. 51*. FIN 46R addresses the consolidation by business enterprises of VIEs as defined in the Interpretation.

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CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

New Accounting Pronouncements

SFAS No. 141(R). In December 2007, the FASB issued FAS No. 141R, *Business Combinations,* that will significantly change how business combinations are accounted for through the use of fair values in financial reporting and will impact financial statements both on the acquisition date and in subsequent periods. FAS No. 141R is effective for the Company as of January 1, 2009 for all business combinations that will close on or after January 1, 2009.

SFAS 157. In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 157, Fair Value Measurements (SFAS 157), which defines fair value, provides guidance for measuring fair value and requires additional disclosures. This statement does not require any new fair value measurements, but rather applies to all other accounting pronouncements that require or permit fair value measurements. For financial assets and liabilities, SFAS 157 is effective for financial statements issued for fiscal years beginning after December 31, 2007. The Company adopted these provisions of SFAS 157 effective January 1, 2008. The related disclosures are included in Note 7. On February 12, 2008, the FASB issued FSP FAS 157-2, Effective Date of FASB Statement No. 157 , which delays the effective date of SFAS 157 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact of this statement on its consolidated financial statements.

SFAS 159. In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115* . SFAS No. 159 permits an entity to elect fair value as the initial and subsequent measurement attribute for many financial assets and liabilities. Entities electing the fair value option would be required to recognize changes in fair value in earnings. Such entities are also required to distinguish, on the face of the statement of financial position, the fair value of assets and liabilities for which the fair value option has been elected and similar assets and liabilities measured using another measurement attribute. SFAS No. 159 was effective for the Company as of January 1, 2008. The Company did not elect to adopt SFAS No. 159 on current assets and liabilities, but may elect to do so in the future.

SFAS 160. In December 2007, the FASB issued SFAS 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51,* which is effective for fiscal years beginning after December 15, 2008. Early adoption is prohibited. SFAS 160 will require Companies to present minority interest separately within the equity section of the balance sheet. The Company will adopt SFAS 160 as of January 1, 2009 is still assessing the impact this pronouncement will have on the Company s financial statements..

SFAS 161. In March 2008, the FASB issued FASB Statement No. 161, *Disclosures about Derivative Instruments and Hedging Activities*. The Statement changes the disclosure requirements for derivative instruments and hedging activities. SFAS No. 161 will require entities to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* , and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company is currently assessing the impact this statement has on its consolidated financial statements and will include the relevant disclosures in its financial statements beginning with the first quarter in 2009.

FSP No. 142-3. In April 2008, the FASB issued FASB Staff Position (FSP) No. 142-3, *Determination of the Useful Lives of Intangible Assets*, which amends the factors that should be considered in developing renewal or extension assumptions used to determine the useful life of an intangible asset. This interpretation is effective for financial statements issued for fiscal years beginning after December 15, 2008 and interim periods within those years. The Company is assessing the potential impact of adoption on its consolidated financial statements.

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FSP FAS 157-3. The FASB issued this FSP in October 2008 and it is effective upon issuance including prior periods for which financial statements have not been issued. This FSP clarifies the application of SFAS 157 in an inactive market, including; how internal assumptions should be considered when measuring fair value, how observable market information in a market that is not active should be considered and how the use of market quotes should be used when assessing observable and unobservable data. The Company adopted this FSP upon the date of issuance and it did not have a material impact on its consolidated financial statements.

FSP FAS 140-4 and FIN 46R-8. The FASB issued this FSP in December 2008 and it is effective for the first reporting period ending after December 15, 2008. This FSP requires additional disclosures related to variable interest entities in accordance with SFAS 140 and FIN 46R. These disclosures include significant judgments and assumptions, restrictions on assets, risks and the affects on financial position, financial performance and cash flows. The Company will adopt this FSP as of January 1, 2009, but does not expect it to have a material impact on our consolidated results of operations, cash flows or financial condition.

2. Acquisitions and Dispositions

Pending Acquisitions

As of December 31, 2008, the Company had pending a swap transaction pursuant to which it would exchange one of its Fort Walton Beach, Florida radio stations, WYZB-FM, for another station owned by Star Broadcasting, Inc., WTKE-FM. Specifically, the purchase agreement provided for the exchange of WYZB-FM plus $1.5 million in cash for WTKE-FM. Following the filing of the assignment applications with the FCC, the applications were challenged by Qantum Communications, which has radio stations in the market and complained to the FCC that the swap would give the Company an unfair competitive advantage (because the station the Company would acquire reaches more people than the station the Company would be giving up). Qantum also initiated litigation in the United States District Court for the Southern District of Florida against the seller and secured a court decision that would require the sale of the station to Qantum instead of the Company. That decision was affirmed on appeal of the United States Court of Appeals for the Eleventh Circuit. Qantum has not yet closed on the transaction, but there appears to be no likelihood that the Company will be able to consummate the exchange it had proposed with the seller.

In addition at December 31, 2008, we had pending a swap transaction pursuant to which we would exchange our Canton, Ohio Station, WRQK-FM for eight stations owned by Clear Channel Communications, Inc.(Clear Channel) in Ann Arbor, Michigan (WTKA-AM, WLBY-AM, WWWW-FM, WQKL-FM) and Battle Creek, Michigan (WBFN-AM, WBCK-FM, WBCK-AM and WBXX-FM). We will dispose of two of the AM stations in Battle Creek, WBCK-AM and WBFN-AM, simultaneously with the closing of the swap transaction to comply with the FCC s broadcast ownership limits; WBCK-AM will be placed in a trust for the sale of the station to an unrelated third party and WBFN-AM will be transferred to Family Life Broadcasting System.

As of December 31, 2008 we were party to an Asset Exchange Agreement with subsidiaries of Clear Channel that would result in Clear Channel s acquisition of five Cumulus stations in the Green Bay, Wisconsin, Market (WOGB(FM) in Kaukauna, Wisconsin, WDUZ-FM in Brillion, Wisconsin, WQLJ(FM) in Green Bay, Wisconsin, WDUZ(AM) in Green Bay Wisconsin, and WPCK(FM) in Denmark, Wisconsin) in exchange for our acquisition of two Clear Channel stations in Cincinnati, Ohio (WNNF(FM) and WOFX-FM). The transaction also contemplates that we would enter into a long-term LMA to operate the Green Bay stations after they are acquired by Clear Channel.

LMAs are deemed to be attributable ownership interests under FCC rules and, to comply with ownership limitations under FCC rules, we will place two stations (WZNN(FM) in Allouez, Wisconsin, and WWWX(FM) in Oshkosh, Wisconsin) in a trust that will be obligated to sell the stations pursuant to parameters established in the trust agreement with us. The transaction also includes a Put Agreement that provides Clear Channel the option to require the Company to purchase the Green Bay stations in 2013 (assuming that acquisition would comply with FCC ownership rules). The requisite assignment applications have been filed with the FCC, and the transaction could close in the first or second quarter of 2009.

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2008, the Company had pending a swap transaction pursuant to which it would exchange WZBN-FM, Camilla, GA, for W250BC, a translator licensed for use in Atlanta, GA, owned by Extreme Media Group. The requisite assignment applications have been approved by initial grant by the FCC, and the transaction could close in the first or second quarter of 2009.

Acquisitions

The Company did not complete any acquisitions during 2008 and 2007.

2007 Dispositions

On November 20, 2007, CMI completed the sale of its Caribbean stations to Gem Radio 5 Limited for $6.0 million. The transaction resulted in the recognition of a gain by the Company of approximately $5.9 million. The Company recorded the gain within continuing operations within the Company s consolidated statement of operations for the year ended December 31, 2007. The below table contains certain operating data related to the stations sold for the periods presented (the total net assets approximated $0.1 million for these stations):

	December 31,	
	2007	2006
Net revenue	$ 1,764	$ 1,918
Total Expense	1,338	1,396
Operating Income	$ 426	$ 522

3. Property and Equipment

Property and equipment consists of the following as of December 31, 2008 and 2007 (dollars in thousands):

	Estimated Useful Life	2008	2007
Land		$ 10,381	$ 10,456
Broadcasting and other equipment	3 to 7 years	123,997	121,670
Computer and capitalized software costs	1 to 3 years	11,740	10,045
Furniture and fixtures	5 years	11,833	11,835
Leasehold improvements	5 years	10,297	8,667
Buildings	20 years	27,687	27,693
Construction in progress		1,873	2,073
		197,808	192,439

Less accumulated depreciation	(142,684)	(130,704)
	$ 55,124	$ 61,735

4. Goodwill and Other Intangible Assets

The following tables summarize the December 31, 2008 and 2007 gross carrying amounts and accumulated amortization of amortized and unamortized intangible assets, amortization expense for the years ended

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CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

December 31, 2008, 2007, and 2006 and the estimated amortization expense for the five succeeding fiscal years. These amortizable intangibles have an average useful life of three years (dollars in thousands):

	As of December 31, 2008	As of December 31, 2007
Amortized Intangible Assets: Non-Compete Agreements Gross Carrying Value	$ 3,100	$ 3,100
Accumulated Amortization	(3,097)	(3,088)
Net Value	$ 3	$ 12
Unamortized Intangible Assets:		
Licenses for Digital Broadcasting Technology	1,200	1,200
FCC Broadcast Licenses	323,931	782,426
	325,134	783,638
Aggregate Amortization Expense for Non-Compete Agreements:		
Year ended December 31, 2006	$ 292	
Year ended December 31, 2007	$ 10	
Year ended December 31, 2008	$ 10	
Estimated Amortization Expense:		
For the year ending December 31, 2009	$ 2	

A summary of changes in the carrying amount of goodwill for the years ended December 31, 2008 and 2007 follows (dollars in thousands):

	Goodwill
Balance as of December 31, 2006	$ 176,791
Acquisitions	
Dispositions	
Impairment charge	(78,491)
Balance as of December 31, 2007	$ 98,300
Acquisitions	
Dispositions	
Impairment charge	(39,410)
Balance as of December 31, 2008	$ 58,890

SFAS No. 142 requires the Company to test goodwill for impairment on an annual basis and more frequently if events or circumstances indicate that the asset may be impaired. The Company performs its annual test in the fourth quarter of each year and, in doing so, SFAS No. 142 requires that the Company determine the appropriate reporting unit and compare the fair value of the reporting unit with its carrying amount. If the fair value of any reporting unit is less than the carrying amount, an indication exists that the amount of goodwill attributed to the reporting unit may be impaired and the Company is required to perform a second step of the impairment test. In the second step, the Company compares the implied fair value of each reporting unit s goodwill, determined by allocating the reporting unit s fair value to all of its assets and liabilities, to the carrying amount of the reporting unit. Consistent with prior years, for 2008 the Company determined the reporting unit as a radio market.

The fair value of reporting units was determined primarily by using a discounted cash flows approach. The fair values derived are based on assumptions that contain a variety of variables. These variables are based on industry data, historical experience and estimates of future performance and include, but are not limited to, revenue and expense growth rates for each radio market, revenue and expense growth rates for the Company s stations in each market, overall discount rates based on the Company s weighted average cost of capital and acquisition multiples.

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The assumptions used in estimating the fair values of goodwill are based on currently available data and management s best estimates and, accordingly, a change in market conditions or other factors could have a material effect on the estimated values.

For the year ended December 31, 2008, 2007, and 2006, the Company determined that the carrying value of certain reporting units exceeded their fair values. Accordingly, the Company recorded an impairment charge of $39.4 million, $78.5 million, and $8.6 million, respectively, as reflected in the Consolidated Statements of Operations, to reduce the carrying value of goodwill.

Several factors and variables contributed to the decrease in the fair value of certain of its reporting units, including (1) an increase in the discount rate used; (2) a decrease in station transaction multiples, and (3) a decrease in advertising revenue growth projections for the broadcasting industry.

Indefinite-Lived Intangibles

SFAS No. 142 requires the Company to test FCC broadcast licenses for impairment on an annual basis and more frequently if events or circumstances indicate that the asset may be impaired. The Company performs its annual impairment evaluation of existing intangible assets with indefinite lives during the fourth quarter of each year. Accordingly, we determine the appropriate reporting unit and then compare the carrying amount of each reporting unit s broadcast licenses with their fair value. Consistent with prior years, for 2008 we determined the reporting unit as a radio market.

Broadcast Licenses

The fair values derived utilize a direct value method and is based on assumptions that contain a variety of variables. These variables are based on available industry data, historical experience and estimates of future performance and include, but are not limited to, revenue and expense growth rates for each radio market, revenue and expense growth rates for our stations in each market, overall discount rates based on our weighted average cost of capital and acquisition multiples. The assumptions used in estimating the fair values of broadcast licenses are based on currently available data and management s best estimates and, accordingly, a change in market conditions or other factors could have a material effect on the estimated value.

For the years ended December 31, 2008, 2007, and 2006, the Company determined that the carrying value of broadcast licenses in certain of its reporting units exceeded their fair value. Accordingly, the Company recorded an impairment charge of $459.5 million, $152.1 million, and $54.8 million, respectively, as reflected in the consolidated statements of operations, to reduce the carrying value of broadcast licenses.

Several factors and variables contributed to the decrease in the fair value of certain of our broadcast licenses, including (1) an increase in the discount rate used; (2) a decrease in station transaction multiples, and (3) a decrease in advertising revenue growth projections for the broadcasting industry.

Licenses for Digital Broadcasting Technology

On December 21, 2004, the Company purchased 240 perpetual licenses from iBiquity Digital Corporation (iBiquity) for $1.2 million in cash. These licenses permit the Company to convert to and utilize iBiquity s HD Radiotm technology, which will allow us to broadcast in a digital format on 240 of our stations.

Under its original agreement with iBiquity, the Company was obligated to convert the 240 stations to HD Radiotm technology over a seven-year period. Each station conversion will require an investment in certain capital equipment necessary to broadcast the technology. To date, the Company has converted 29 stations to the HD Radiotm technology.

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of the following as of December 31, 2008 and 2007 (dollars in thousands):

	2008	2007
Accounts payable	$ 2,484	$ 1,129
Accrued compensation	1,181	1,702
Accrued commissions	2,150	2,421
Accrued taxes	2,365	3,212
Barter payable	1,949	2,486
Accrued professional fees	1,536	1,006
Due to seller of acquired companies	42	461
Accrued interest	3,719	2,621
Accrued employee benefits	36	855
Non-cash contract termination liability	2,126	1,954
Accrued other	1,761	2,149
Deferred revenue	59	220
Tax withheld on executive compensation		2,242
Accrued transaction costs	1,236	1,458
Total accounts payable and accrued expenses	$ 20,644	$ 23,916

6. Derivative Instruments

The Company accounts for derivative financial instruments in accordance with SFAS No. 133. This standard requires the Company to recognize all derivatives on the balance sheet at fair value. Fair value changes are recorded in income for any contracts not classified as qualifying hedging instruments. For derivatives qualifying as cash flow hedge instruments, the effective portion of the derivative fair value change must be recorded through other comprehensive income, a component of stockholders equity.

May 2005 Swap

In May 2005, the Company entered into a forward-starting LIBOR based interest rate swap arrangement (the May 2005 Swap) to manage fluctuations in cash flows resulting from interest rate risk attributable to changes in the benchmark interest rate of LIBOR. The May 2005 Swap, effective from March 2006 through March 2009, changes the variable-rate cash flow exposure on $400 million of the Company s long-term bank borrowings to fixed-rate cash flows by entering into a receive-variable, pay-fixed interest rate swap. Under the May 2005 Swap, Cumulus receives LIBOR-based variable interest rate payments and makes fixed interest rate payments, thereby creating fixed-rate long-term debt. The May 2005 Swap was previously accounted for as a qualifying cash flow hedge of the future variable rate interest payments in accordance with SFAS No. 133. Starting in June 2006, the May 2005 Swap no

longer qualified as a cash flow hedging instrument. Accordingly, the changes in its fair value have since been reflected in the statement of operations instead of AOCI. The Company recorded a $0.4 million adjustment to accumulated deficit and AOCI and interest expense in the balance sheet and consolidated statement of operations for the year ended December 31, 2006 to properly reflect the change in accounting for the May 2005 swap, as described in Note 1.

The fair value of the May 2005 Swap was determined under the provisions of SFAS 157 using observable market based inputs (a level two measurement). The fair value represents an estimate of the net amount that Cumulus would pay if the agreement was transferred to another party or cancelled as of the date of the valuation.

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The balance sheet as of December 31, 2008 and 2007 reflects other long term liabilities of $3.0 million and $0.4 million, respectively for the fair value of the May 2005 Swap. During the years ended 2008 and 2007 the Company recorded $2.6 million and $9.8 million of increased interest expense related to the change in value of the swap.

The Company effectively paid $3.2 million for the 2005 swap by issuance of the May 2005 option as described below; this amount is being reclassified out of AOCI into interest expense on a straight-line basis.

For the year ended December 31, 2008, the Company recorded $3.8 million of increased interest expense which represents yield adjustments on the hedged obligation. During the years ended December 31, 2007 and 2006 $5.5 million, and $5.6 million, respectively, was reported as a reduction of interest expense which represented yield adjustments on the hedged obligation.

May 2005 Option

In May 2005, we also entered into an interest rate option agreement (the May 2005 Option), which provides for the counterparty to the May 2005 Swap, Bank of America, to unilaterally extend the period of the swap for two additional years, from March of 2009 through March of 2011. This option may only be exercised in March of 2009. This instrument is not highly effective in mitigating the risks in cash flows, and therefore is deemed speculative and its changes in value are accounted for as a current element of non-operating results. Interest expense for the years ended December 31, 2008, 2007, and 2006 includes $11.0 million and $3.2 million of expense, and $1.1 million credit, respectively, and the balance sheet, as of December 31, 2008 and 2007, includes other long term liabilities of $15.5 million and other long-term liabilities $4.4 million, respectively, to reflect the fair value of the May 2005 Option.

7. Fair Value Measurements

The Company adopted the provisions of SFAS No. 157 on January 1, 2008 as they relate to certain items, including those within the scope of SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, and financial and nonfinancial derivatives within the scope of SFAS No. 133. SFAS No. 157 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 under SFAS No. 157 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.

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CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 are measured at fair value on a recurring basis. Financial liabilities measured at fair value on a recurring basis as of December 31, 2008 were as follows (dollars in thousands):

	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Cash equivalents:				
Money market funds	$ 46,353	$ 16,340	30,013	$
Total assets	$ 46,353	$ 16,340	$ 30,013	$
Financial Liabilities:				
Interest rate swap	$ (3,043)	$	$ (3,043)	$
Interest rate swap option	(15,464)		(15,464)	
Total liabilities	$ (18,507)	$	$ (18,507)	$

8. Investment in Affiliate

On October 31, 2005, the Company announced that, together with Bain Capital Partners, The Blackstone Group and Thomas H. Lee Partners, we had formed a new private partnership, Cumulus Media Partners, LLC (CMP). CMP was created by the Company and the equity partners to acquire the radio broadcasting business of Susquehanna Pfaltzgraff Co. Each of the Company and the equity partners initially holds a 25% equity ownership in CMP.

On May 5, 2006, the Company announced the consummation of the acquisition of the radio broadcasting business of Susquehanna Pfaltzgraff Co. by CMP for a purchase price of approximately $1.2 billion. Susquehanna s radio broadcasting business consisted of 33 radio stations in 8 markets: San Francisco, Dallas, Houston, Atlanta, Cincinnati, Kansas City, Indianapolis and York, Pennsylvania.

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In connection with the formation of CMP, Cumulus contributed four radio stations (including related licenses and assets) in the Houston, Texas and Kansas City, Missouri markets with a book value of approximately $71.6 million and approximately $6.2 million in cash in exchange for its membership interests. Cumulus recognized a gain of $2.5 million from the transfer of assets to CMP. In addition, upon consummation of the acquisition, the Company received a payment of approximately $3.5 million as consideration for advisory services provided in connection with the acquisition. The Company recorded the payment as a reduction in its investment in CMP. The table below presents summarized financial statement data related to CMP (Dollars in thousands):

	2008	2007	Successor 8 Months Ended December 31, 2006	Predecessor 4 Months Ended May 04, 2006
Income Statement Data:				
Revenues	$ 212,429	$ 234,544	$ 163,602	$ 69,614
Operating expenses	129,096	133,150	97,900	51,708
Equity in loss	22,252	49,432	5,200	
Net loss	(545,853)	197,821	22,064	2,517
Balance sheet data:				
Assets	722,788	1,355,579		
Liabilities	1,178,104	1,264,614		
Shareholders equity	(455,316)	90,965		

The Company s investment in CMP is accounted for under the equity method of accounting. The table below summarizes the Company s investment in CMP as of December 31, 2008:

	December 31, 2008
Book basis of radio stations contributed to Affiliate	$ 71,623
Gain on radio stations contributed to Affiliate	2,548
Cash contributed to Affiliate	6,250
Receipt of advisory fee from Affiliate	(3,537)
Equity losses in Affiliate	(5,200)
Investment in Affiliate at December 31, 2006	$ 71,684
Equity losses in Affiliate in 2007	(49,432)
Investment in Affiliate at December 31, 2007	$ 22,252
Equity losses in Affiliate in 2008	(22,252)

Investment in Affiliate at December 31, 2008	$

Concurrently with the consummation of the acquisition, the Company entered into a management agreement with a subsidiary of CMP, pursuant to which the Company s management manages the operations of CMP s radio markets. The agreement provides for the Company to receive, on a quarterly basis, a management fee that is 1% of the subsidiaries annual EBITDA or $4.0 million, whichever is greater. For the year ended December 31, 2008, 2007 and 2006, the Company recorded as net revenues approximately $4.0 million, $4.0 million and $2.6 million, respectively, in management fees from CMP.

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CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

9. Long-Term Debt

The Company s long-term debt consists of the following at December 31, 2008 and 2007 (dollars in thousands):

	2008	2007
Term loan and revolving credit facilities	$ 696,000	$ 736,300
Less: Current portion of long-term debt	7,400	13,490
	$ 688,600	$ 722,810

A summary of the future maturities of long-term debt follows (dollars in thousands):

2009	$ 7,400
2010	7,400
2011	7,400
2012	7,400
2013	7,400
Thereafter	659,000
	$ 696,000

2007 Refinancing

On June 11, 2007, the Company entered into an amendment to its existing credit agreement, dated June 7, 2006, by and among the Company, Bank of America, N.A., as administrative agent, and the lenders party thereto. The credit agreement, as amended, is referred to herein as the Amended Credit Agreement.

The Amended Credit Agreement provides for a replacement term loan facility, in the original aggregate principal amount of $750.0 million, to replace the prior term loan facility, which had an outstanding balance at the time of refinancing of approximately $713.9 million, and maintains the pre-existing $100.0 million revolving credit facility. The proceeds of the replacement term loan facility, fully funded on June 11, 2007, were used to repay the outstanding balances under the prior term loan facility and under the revolving credit facility.

The Company s obligations under the Amended Credit Agreement are collateralized by substantially all of its 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 the Company s direct and indirect domestic subsidiaries (except for Broadcast Software International, Inc.). In addition, the Company s obligations under the Amended Credit Agreement are guaranteed by certain of its subsidiaries.

The Amended Credit Agreement contains terms and conditions customary for financing arrangements of this nature. The replacement term loan facility will mature on June 11, 2014 and has been decreasing in equal quarterly installments since September 30, 2007, with 0.25% of the then current aggregate principal payable each quarter during the first six years of the term, and 23.5% due in each quarter during the seventh year. The revolving credit facility will mature on June 7, 2012 and, except at the option of the Company, the commitment will remain unchanged up to that date.

Borrowings under the replacement term loan facility bear interest, at the Company s option, at a rate equal to LIBOR plus 1.75% or the Alternate Base Rate (defined as the higher of the Bank of America Prime Rate and the Federal Funds rate plus 0.50%) plus 0.75%. Borrowings under the revolving credit facility bear interest, at the Company s option, at a rate equal to LIBOR plus a margin ranging between 0.675% and 2.0% or the Alternate Base Rate plus a margin ranging between 0.0% and 1.0% (in either case dependent upon the Company s leverage ratio).

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CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of December 31, 2008, prior to the effect of the May 2005 Swap, the effective interest rate of the outstanding borrowings pursuant to the credit facility was approximately 3.810%. As of December 31, 2008, the effective interest rate inclusive of the May 2005 Swap is 4.885%.

Certain mandatory prepayments of the term loan facility will be required upon the occurrence of specified events, including upon the incurrence of certain additional indebtedness (other than under any incremental credit facilities under the Amended Credit Agreement) and upon the sale of certain assets.

Additionally, certain excess cash flow payments are required annually. The Company will not be required to make an excess cash flow payment under the terms of its credit agreement as the Company fulfilled this requirement by making contractual payments of $7.4 million and the additional voluntary payment of approximately $25.0 million in the fourth quarter of 2008.

The representations, covenants and events of default in the Amended Credit Agreement are customary for financing transactions of this nature. Events of default in the Amended Credit Agreement include, among others, (a) the failure to pay when due the obligations owing under the credit facilities; (b) the failure to perform (and not timely remedy, if applicable) certain covenants; (c) cross default and cross acceleration; (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 our 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; (h) the occurrence of a Change in Control (as defined in the Amended 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 loans and exercise any of their rights under the Amended Credit Agreement and the ancillary loan documents as a secured party.

As discussed above, our covenants contain certain financial covenants including:

- A maximum leverage ratio;
- A minimum fixed charges ratio; and
- A limit on annual capital expenditures.

The maximum leverage ratio in the Amended Credit Agreement becomes more restrictive over the term of the agreement. The quarterly periods ended December 31, 2008, March 31, 2009 and June 30, 2009, our maximum leverage ratio requirement is 8.50 to 1.00. Beginning with the quarterly period ending September 30, 2009 and through March 31, 2010, the maximum leverage ratio requirement is 8.00 to 1.00. For the quarterly periods ending June 30, 2010 and September 30, 2010 the maximum leverage ratio is 7.50 to 1.00. We believe we will continue to be in compliance with all of our debt covenants through at least December 31, 2009 based upon actions we have already taken, as well as through additional paydowns of debt we will be required to make during 2009 from existing cash balances and cash flow generated from operations. Based upon the budgeted results our 2009 business plan and our outstanding borrowings as of December 31, 2008, we will be required to make additional paydowns of debt no later than the third quarter of 2009 in order to remain in compliance with our maximum leverage ratio.

The current economic crisis has reduced demand for advertising in general, including advertising on our radio stations. If our revenues were to be significantly less than planned due to difficult market conditions or for other reasons, our ability to maintain compliance with the financial covenants in our credit agreements would become increasingly difficult without remedial measures, such as the implementation of further cost abatement initiatives. If our remedial measures were not successful in maintaining covenant compliance, then we would negotiate with our lenders for relief, which relief could result in higher interest expense. Failure to comply with our financial covenants or other terms of our credit agreements and failure to negotiate relief from our lenders could result in the acceleration of the maturity of all outstanding debt. Under these circumstances, the acceleration of our debt could have a material adverse effect on our business.

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CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In connection with the retirement of the Company s pre-existing credit facilities, the Company recorded a loss on early extinguishment of debt of $1.0 million for 2007, which was comprised of previously deferred loan origination expenses. In connection with the 2007 refinancing, the Company deferred approximately $1.0 million of debt issuance costs, which is being amortized to interest expense over the life of the debt.

2006 Refinancing

On June 23, 2006, the Company announced the completion of a tender offer for 11.5 million outstanding shares of our Class A Common Stock. In connection with the tender offer, we also agreed to repurchase 5.0 million shares of our outstanding Class B Common Stock (see Note 10).

In connection with the tender offer and common stock repurchase, on June 7, 2006, the Company entered into a new $850 million credit facility, which provided for a $100.0 million six-year revolving credit facility and a seven-year $750.0 million term loan facility. The proceeds were used by the Company to repay all amounts outstanding under its 2005 credit facility (approximately $588.2 million) and to purchase the 11.5 million shares of the Company s Class A Common Stock and 5.0 million shares of the Company s Class B Common Stock, which occurred on June 23, 2006 and June 29, 2006, respectively, and to pay fees and expenses related to the foregoing. The remaining proceeds were used to provide ongoing working capital and other general corporate purposes, including capital expenditures. As of December 31, 2006, there was $5.0 million outstanding under the revolving credit facility.

The credit facility also provided for additional, incremental revolving credit or term loan facilities in an aggregate principal amount of up to an additional $200.0 million, subject to the satisfaction of certain conditions and upon the Company providing notice prior to June 30, 2009. These incremental credit facilities were permitted from time to time, and may have been used to fund future acquisitions of radio stations and for other general corporate purposes, including capital expenditures. Any incremental credit facilities would have been secured and guaranteed on the same basis as the term loan and revolving credit facility.

In connection with the retirement of the Company s pre-existing credit facilities, in June 2006 the Company recorded a loss on early extinguishment of debt of $2.3 million, which was comprised of previously capitalized loan origination expenses. In connection with the new credit facility, the Company capitalized approximately $1.6 million of debt issuance costs, which are amortized to interest expense over the life of the debt.

10. Stockholders Equity

(a) Common Stock

Each share of Class A Common Stock entitles its holder to one vote.

Except upon the occurrence of certain events, holders of the Class B Common Stock are not entitled to vote. The Class B Common Stock is convertible at any time, or from time to time, at the option of the holder of such Class B Common Stock (provided that the prior consent of any governmental authority required to make such conversion lawful shall have 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 the Board of Directors has determined that the holder of

Class A Common Stock at the time of conversion would not disqualify the Company under, or violate, any rules and regulations of the FCC.

Subject to certain exceptions, each share of Class C Common Stock entitles its holders 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 such Class C Common Stock (provided that the prior consent of any governmental authority required to make such conversion lawful shall have 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 the Board of Directors has determined that the holder of

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Class A Common Stock at the time of conversion would not disqualify the Company under, or violate, any rules and regulations of the FCC.

(b) Share Repurchases

On September 28, 2004, our Board authorized the purchase, from time to time, of up to $100.0 million of its Class A Common Stock, subject to the terms of our then-existing credit agreement. Subsequently, on December 7, 2005, our Board authorized the purchase of up to an additional $100.0 million of our Class A Common Stock, again subject to the terms of the Company s then-existing credit agreement. Through March 31, 2006, the Company repurchased 2,011,500 shares, or $25.7 million in aggregate value, of our Class A Common Stock pursuant to these Board-approved stock repurchase plans.

In addition, during June, 2006, as part of a separate $200.0 million Board-approved recapitalization, the Company completed a modified Dutch Auction tender offer and purchased 11,500,000 shares of our outstanding Class A Common Stock at a price per share of $11.50, or approximately $132.3 million. The shares purchased represented approximately 24.1% of the Company s outstanding Class A Common Stock at the time. The Company also purchased 5 million shares of Class B Common Stock at a purchase price of $11.50 per share or approximately $57.5 million. The shares purchased represented approximately 43.0% of the Company s outstanding Class B Common Stock. These Class B Common shares were subsequently retired.

In addition, during July and August 2006, the Company repurchased 749,500 shares of its outstanding Class A Common Stock at an average price per share of $9.25, or approximately $6.9 million.

Cumulatively, during 2006, the Company repurchased 14,261,000 shares of its outstanding Class A Common Stock (exclusive of the purchase of 500,000 restricted shares from the Company s Chief Executive Officer in December 2006 described in Note 11) at an average price per share of $11.56, or approximately $164.9 million and 5 million shares of our outstanding Class B Common Stock at an average price per share of $11.50, or approximately $57.5 million.

On May 21, 2008, the Board of Directors of Cumulus terminated all prior repurchase programs, and authorized the purchase, from time to time, of up to $75 million of its shares of Class A Common Stock. Repurchases may be made in the open market or through block trades, in compliance with Securities and Exchange Commission guidelines, subject to market conditions, applicable legal requirements and various other factors, including the requirements of the Company s credit facility. Cumulus has no obligation to repurchase shares under the repurchase program, and the timing, actual number and value of shares to be purchased will depend on the performance of the Company s stock price, general market conditions, and various other factors within the discretion of management.

Cumulatively, during 2008, the Company has repurchased in the aggregate approximately 3.0 million shares of Class A Common Stock for approximately $6.5 million in cash under the repurchase program.

As of December 31, 2008, the Company had authority to repurchase an additional $68.5 million of its Class A Common Stock.

(c) Stock Purchase Plan

In 1999, the Company s Board adopted and its stockholders subsequently approved the Employee Stock Purchase Plan. The Employee Stock Purchase Plan is designed to qualify for certain income tax benefits for employees under Section 423 of the Internal Revenue Code. The plan allows qualifying employees to purchase Class A Common Stock at the end of each calendar year, commencing with the calendar year beginning January 1, 1999, at 85% of the lesser of the fair market value of the Class A Common Stock on the first and last trading days of the year. The amount each employee can purchase is limited to the lesser of (i) 15% of pay or (ii) $0.025 million of stock value on the first trading day of the year. An employee must be employed at least six months as of the first trading day of the year in order to participate in the Employee Stock Purchase Plan.

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In June 2002, the Company s stockholders approved an amendment to the Employee Stock Purchase Plan which increased the aggregate number of shares of Class A Common Stock available for purchase under the plan from 1,000,000 shares to 2,000,000, an increase of 1,000,000 shares.

The following table summarizes the number of shares of Class A Common stock issued as a result of employee participation in the Employee Stock Purchase Plan since its inception in 1999 (in thousands, except per share amounts):

Issue Date	Issue Price	Class A Common Shares Issued
January 10, 2000	$ 14.18	17,674
January 17, 2001	$ 3.08	50,194
January 8-23, 2002	$ 3.19	558,161
January 2-24, 2003	$ 12.61	124,876
January 26-30, 2004	$ 13.05	130,194
January 2-28, 2005	$ 12.82	136,110
January 2-31, 2006	$ 10.55	124,598
March 2-31, 2007	$ 8.83	108,575
February 1-29, 2008	$ 6.83	96,006

As of July 23, 2007, the Company halted future participation in the ESPP, and has terminated the plan as of the end of the 2007 plan year.

11. Stock Options and Restricted Stock

Effective January 1, 2006, the Company adopted SFAS No. 123R using the modified prospective method. The Company uses the Black-Scholes option pricing model to determine the fair value of its stock options. The determination of the fair value of the awards on the date of grant, using an option-pricing model, is affected by the Company s stock price, as well as assumptions regarding a number of complex and subjective variables and is based principally on the historical volatility. These variables include its expected stock price volatility over the expected term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rates and expected dividends.

Stock options of 956,869 and 10,000 shares were granted during 2008 and 2007 respectively. Stock options vest over four years and have a maximum contractual term of ten years. The Company estimates the volatility of its common stock by using a weighted average of historical stock price volatility over the expected term of the options. Management believes historical volatility is a better measure than implied volatility. The Company bases the risk-free interest rate that it uses in its option pricing model on U.S. Treasury Zero Coupon strip issues with remaining terms similar to the expected term of the options. The Company does not anticipate paying any cash dividends in the foreseeable future and therefore uses an expected dividend yield of zero in the option pricing model. The Company is required to estimate forfeitures at the time of grant and revise those estimates in subsequent periods if actual

forfeitures differ from estimates. Similar to the expected-term assumption used in the valuation of awards, the Company splits its population into two categories, (1) executives and directors and (2) non-executive employees. Stock-based compensation expense is recorded only for those awards that are expected to vest. All stock-based payment awards are amortized on a straight-line basis over the requisite service periods of the awards, which are generally the vesting periods.

The assumptions used for valuation of the 2006 option awards were an expected term of 7.0 (for certain key employees the expected term is ten years); volatility of 74.5%; risk-free rate of 4.99%; and an expected dividend rate of 0%. The assumptions used for valuation of the 2007 option awards were similar to those described for the 2006 awards.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the year ended December 31, 2008, the Company recognized approximately $2.3 million in non-cash stock-based compensation expense relating to stock options. There is no tax benefit associated with this expense due to the Company s net operating loss position. As of December 31, 2008, there was unrecognized compensation costs, adjusted for estimated forfeitures (with a range from approximately 0% to 40%), of approximately $0.8 million related to non-vested stock options that will be recognized over 1.5 years. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures.

The Company has also issued restricted stock awards to certain key employees. Generally, the restricted stock vests over a four-year period, thus the Company recognizes compensation expense over the four-year period equal to the grant date value of the shares awarded to the employees. To the extent the non-vested stock awards include performance or market conditions, management examines the appropriate requisite service period to recognize the cost associated with the award on a case-by-case basis.

The Company has different plans under which stock options or restricted stock awards have been or may be granted. A general description of these plans is included in this footnote.

The compensation committee of the Board granted 133,000, 110,000, and 110,000 restricted shares of its Class A Common Stock in 2008, 2007, and 2006, respectively, to certain officers, pursuant to the 2004 Equity Incentive Plan. Consistent with the terms of the awards, one-half of the shares granted will vest after two years of continuous employment. An additional one-eighth of the remaining restricted shares will vest each quarter during the third and fourth years following the date of grant. The fair value at the date of grant of these shares was $0.7 million for the 2008 grant, $1.1 million for the 2007 grant and $1.3 million for the 2006 grant. Stock compensation expense for these awards will be recognized on a straight-line basis over each award s vesting period. For the year ended December 31, 2008, 2007 and 2006, we recognized $0.6 million, $1.0 million, and $0.8 million, respectively, of non-cash stock compensation expense related to these restricted shares.

As of December 31, 2008 and 2007, there were unrecognized compensation costs of approximately $1.1 million and $2.2 million, respectively, related to these restricted stock grants that will be recognized over 3.4 years. Total unrecognized compensation cost will be adjusted for future changes in estimated forfeitures. There have been no forfeitures.

On December 20, 2006, we entered into a Third Amended and Restated Employment agreement with our Chairman, President and Chief Executive Officer, Lewis W. Dickey, Jr. The agreement has an initial term through May 31, 2013 and is subject to automatic extensions of one-year terms thereafter unless terminated by advance notice by either party in accordance with the terms of the agreement.

The agreement provides among other matters that Mr. L. Dickey shall be granted 160,000 shares of time-vested restricted Class A common stock and 160,000 shares of performance vested 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 with us. 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 with us. For 2008, the Company recognized $0.3 million of expense

related to the performance restricted awards issued in 2007 and 2008 whose vesting is subject to the achievement of the Compensation Committee approved criteria.

In the event that there is a change in control, as defined in the agreement, then any issued but unvested portion of the restricted stock grants held by Mr. L. Dickey shall become immediately and fully vested. In addition, upon such a change in control, we shall issue Mr. L. Dickey an award of 360,000 shares of Class A common stock, such number of shares decreasing by 70,000 shares upon each of the first four anniversaries of the date of the agreement.

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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. Of the 685,000 deferred bonus shares, 94,875 were treated as replacement shares pertaining to the old employment agreement. The remaining 590,125 shares valued at $6.2 million were charged to non-cash stock compensation in 2006.

The agreement also provides that, should Mr. L. Dickey resign his employment or the Company terminate his employment, in each case other than under certain permissible circumstances, Mr. Dickey shall pay to the Company, in cash, $5.5 million (such amount decreasing by $1.0 million on each of the first five anniversaries of the date of the agreement). This potential payment would only be accounted for if and when it occurs similar to a clawback feature. This payment is automatically waived upon a change in control. As further inducement, the agreement provided for the repurchase, as of the effective date of the agreement, by the Company of all of Mr. L. Dickey s rights and interests in and to (a) options to purchase 500,000 shares of Class A common stock, previously granted to Mr. L. Dickey at an exercise price per share of $6.4375, options to purchase 500,000 shares of Class A common stock, previously granted to Mr. L. Dickey at an exercise price per share of $5.92 and options to purchase 150,000 shares of Class A common stock, previously granted to Mr. L. Dickey at an exercise price per share of $14.03, for an aggregate purchase price of $6,849,950 and (b) 500,000 shares of Class A common stock, previously awarded to Mr. L. Dickey as restricted stock, for an aggregate purchase price of $5,275,000. Each purchase price was paid in a lump-sum cash payment at the time of purchase. The purchase was completed on December 20, 2006.

As of the date of his new employment agreement, Mr. L. Dickey had 250,000 partially vested, restricted shares that were being amortized under FAS 123R. At December 20, 2006 there was an unamortized balance, under FAS 123R, of $2.0 million associated with these shares. The Company replaced these shares with 94,875 deferred shares of Class A Common Stock and 155,125 time-vested restricted shares of Class A Common Stock. In accordance with FAS 123R, the Company recognized non-cash stock compensation expense of $0.8 million in 2006, related to the 94,875 replacement deferred shares. The Company will recognize future non-cash stock compensation of $1.3 million associated with the time-vested restricted shares, ratably over the employment contract through May 31, 2013.

Mr. L. Dickey was granted 160,000 time-vested, restricted shares of Class A Common Stock in 2007 and will be granted 160,000 time-vested, restricted shares each year for the next six years or 1,120,000 shares in the aggregate. Of the 1,120,000 shares to be issued, non-cash stock compensation expense of $6.8 million related to 524,875 of the shares is being amortized ratably to non-cash stock compensation expense over the period of the employment agreement ending May 31, 2013. These shares represent the number of shares that will legally vest during the employment agreement reduced by the 155,125 shares which were treated as replacement shares for the pre-existing 250,000 partially vested restricted shares discussed above.

As previously mentioned, in 2006, the Company repurchased 1,150,000 outstanding shares of Mr. L. Dickey s fully vested Class A Common Stock options and recorded a charge to equity for $6.8 million. In addition the Company purchased 500,000 partially vested restricted shares for $5.3 million which was charged to treasury stock in shareholder s equity. The unamortized grant date fair value of $3.2 million was recorded to non-cash stock compensation within the 2006 consolidated statement of operations. The number of signing bonus restricted deferred shares and time-vested restricted shares committed for grant to Mr. L. Dickey and the restricted shares previously granted exceeded the number of restricted or deferred shares approved for grant at December 31, 2006. Accordingly, 15,000 of the signing bonus shares and all of the time-vested restricted shares were accounted for as liability classified awards which required revaluation at the end of each accounting period as of December 31, 2006. Following the

modification of the 2004 Equity Incentive Plan in May 2007, all stock based compensation awards are equity classified as of December 31, 2008.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company recognized approximately $10.4 million of non-cash compensation expense in the fourth quarter of 2006 in conjunction with amending Mr. L. Dickey s employment agreement as described below:

	2006
Compensation cost related to the original repurchased grant	$ 3,378
Deferred bonus shares expensed	6,986
Current year FAS 123 R amortization of time vested restricted shares	30
Total non-cash compensation costs	$ 10,394

On December 20, 2007, the Company issued the 685,000 signing bonus restricted shares of Class A Common Stock to Mr. L. Dickey in accordance with his current employment agreement, as described above. As previously stated, these shares, valued at $7.0 million, were expensed in 2006 to non-cash stock compensation. In 2007, the Company recorded $1.0 million to the non-cash stock compensation associated with the time vested awards under Mr. L. Dickey s Third Amended and Restated Employment Agreement. Included in the Treasury Stock buyback for 2007 is $2.6 million for shares withheld representing the minimum statutory tax liability of which $0.3 million was paid during 2007. At December 31, 2008, there was $4.2 million of unrecognized compensation costs for the time vested restricted shares to be amortized ratably through May 31, 2013 associated with Mr. L. Dickey s December 2006 amended employment agreement.

The Company also had an Employee Stock Purchase Plan (ESPP) that allowed qualifying employees to purchase shares of Class A Common Stock at the end of each calendar year at 85% of the lesser of the fair market value of the Class A Common Stock on the first or last trading day of the year. Due to the significant discount offered and the inclusion of a look-back feature, the Company s ESPP was considered compensatory upon adoption of SFAS No. 123R. As previously mentioned and pursuant to the Agreement and Plan of Merger, the Company halted future participation in the ESPP, and terminated the plan at the end of the 2007 plan year.

2008 Equity Incentive Plan

The Board adopted the 2008 Equity Incentive Plan (the 2008 Plan) on September 26, 2008. The 2008 Equity Incentive Plan was subsequently approved by our stockholders on November 19, 2008. The purpose of the 2008 Equity Incentive Plan is to attract and retain non-employee directors, officers, key employees and consultants for us and our subsidiaries by providing such persons with incentives and rewards for superior performance. The aggregate number of shares of Class A Common Stock subject to the 2008 Equity Incentive Plan is 4,000,000. Of the aggregate number of shares of Class A Common Stock available, up to 3,000,000 shares may be granted as incentive stock options, or ISOs. In addition, no one person may receive options exercisable for more than 400,000 shares of Class A Common Stock in any one calendar year.

The 2008 Plan permits the Board to grant nonqualified stock options and ISOs, or combinations thereof. The exercise price of an option awarded under the 2008 Plan may not be less than the closing price of the Class A Common Stock on the date of grant. Options will be exercisable during the period specified in each award agreement and will be

exercisable in installments pursuant to a Board-designated vesting schedule, provided that awards may not vest sooner than one-third per year over three years. The Board may also provide for acceleration of options awarded in the event of retirement, death or disability of the grantee, or a change of control, as defined by the 2008 Plan.

The 2008 Plan also permits the Board to grant stock appreciation rights, or SARs, to receive an amount equal to 100%, or such lesser percentage as the Board may determine, of the spread between the base price (or option price if a tandem SAR) and the value of our Class A Common Stock on the date of exercise. SARs may not vest by the passage of time sooner than one-third per year over three years, provided that any grant may specify that such SAR may be exercised only in the event of, or earlier in the event of, the retirement, death or disability of the grantee, or a change of control. Any grant of SARs may specify performance objectives that must be achieved as a

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

condition to exercise such rights. If the SARs provide that performance objectives must be achieved prior to exercise, such SARs may not become exercisable sooner than one year from the date of grant except in the event of the retirement, death or disability of the grantee, or a change of control.

The Board may also authorize the grant or sale of restricted stock to participants. Each such grant will constitute an immediate transfer of the ownership of the restricted shares to the participant, entitling the participant to voting, dividend and other ownership rights, but subject to substantial risk of forfeiture for a period of not less than two years (to be determined by the Board at the time of the grant) and restrictions on transfer (to be determined by the Board at the time of the grant). Any grant of restricted stock may specify performance objectives that, if achieved, will result in termination or early termination of the restrictions applicable to such shares. If the grant of restricted stock provides that performance objectives must be achieved to result in a lapse of restrictions, the restrictions cannot lapse sooner than one year from the date of grant, but may be subject to earlier lapse or modification by virtue of the retirement, death or disability of the grantee or a change of control. The Board may also provide for the elimination of restrictions in the event of retirement, death or disability of the grantee, or a change of control.

Additionally, the 2008 Plan permits the Board to grant restricted stock units, or RSUs. A grant of RSUs constitutes an agreement by the Company to deliver shares of Class A Common Stock to the participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions during the restriction period as the Board may specify. During the restriction period, the participant has no right to transfer any rights under his or her award and no right to vote such RSUs. RSUs must be subject to a restriction period of at least three years, except that the restriction period may expire ratably during the three-year period, on an annual basis, as determined by the Board at the date of grant. Additionally, the Board may provide for a shorter restriction period in the event of the retirement, death or disability of the grantee, or a change of control. Any grant of RSUs may specify performance objectives that, if achieved, will result in termination or early termination of the restriction period applicable to such shares. If the grant of RSUs provides that performance objectives must be achieved to result in a lapse of the restriction period, the restriction period cannot lapse sooner than one year from the date of grant, but may be subject to earlier lapse or modification by virtue of the retirement, death or disability of the grantee or a change of control.

Finally, the 2008 Plan permits the Board to issue performance shares and performance units. A performance share is the equivalent of one share of Class A Common Stock and a performance unit is the equivalent of $1.00 or such other value as determined by the Board. A participant may be granted any number of performance shares or performance units, subject to the limitations set forth in the 2008 Plan. The participant will be given one or more performance objectives to meet within a specified period. The specified period will be a period of time not less than one year, except in the case of the retirement, death or disability of the grantee, or a change of control, if the Board shall so determine. Each grant of performance shares or performance units may specify in respect of the relevant performance objective(s) a level or levels of achievement and will set forth a formula for determining the number of performance shares or performance units that will be earned if performance is at or above the minimum or threshold level or levels, or is at or above the target level or levels, but falls short of maximum achievement of the specified performance objective(s).

No grant, of any type, may be awarded under the 2008 Equity Incentive Plan after November 19, 2018.

The Board of Directors administers the 2008 Plan. The Board of Directors may from time to time delegate all or any part of its authority under the 2008 Plan to the Compensation Committee. The Board of Directors has full and

exclusive power to interpret the 2008 Plan and to adopt rules, regulations and guidelines.

Under the 2008 Plan, current and prospective employees, non-employee directors, consultants or other persons who provide us services are eligible to participate.

On December 30, 2008, the Company consummated an exchange offer to its employees and non-employee directors (or a designated affiliate of one of the foregoing) to exchange their outstanding options to purchase the

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company s Class A Common Stock that were granted on or after October 2, 2000 (eligible options) for a combination of restricted shares of the Company s Class A Common Stock (restricted shares) and replacement options to purchase Class A Common Stock (new options). Options to purchase 5,647,650 shares of Class A Common Stock, or approximately 95.1% of all eligible options, were tendered for exchange and, in accordance with the terms of the Offer, 289,683 restricted shares and new options to purchase 956,869 shares of Class A Common Stock were issued at exercise prices ranging from $2.54 to $3.30 per share under the 2008 Plan. These options vest as follows: 50% of the options vest on the second anniversary of the date of issue and the remaining 50% vest in 25% increments on each of the next two anniversaries with the possible acceleration of vesting for some options if certain criteria are met. The incremental non-cash charge to compensation expense of $1.3 million as well as the non-cash charge to compensation expense of $0.8 million for the non-vested awards exchanged will be recognized over the new vesting period.

2004 Equity Incentive Plan

Our Board adopted the 2004 Equity Incentive Plan on March 19, 2004. The 2004 Equity Incentive Plan was subsequently approved by our stockholders on April 30, 2004 and amended with stockholder approval on May 10, 2007. The purpose of the 2004 Equity Incentive Plan is to attract and retain officers, key employees, non-employee directors and consultants for us and our subsidiaries and to provide such persons incentives and rewards for superior performance. The aggregate number of shares of Class A Common Stock subject to the 2004 Equity Incentive Plan is 3,665,000. Of the aggregate number of shares of Class A Common Stock available, up to 1,400,000 shares may be granted as incentive stock options, or ISOs, and up to 1,795,000 shares may be awarded as either restricted or deferred shares. In addition, no one person may receive options exercisable for more than 500,000 shares of Class A Common Stock in any one calendar year.

The 2004 Equity Incentive Plan permits us to grant nonqualified stock options and ISOs, as defined in Section 422 of the Code. The exercise price of an option awarded under the 2004 Equity Incentive Plan may not be less than the closing price of the Class A Common Stock on the last trading day before the grant. Options will be exercisable during the period specified in each award agreement and will be exercisable in installments pursuant to a Board-designated vesting schedule. The Board may also provide for acceleration of options awarded in the event of a change in control, as defined by the 2004 Equity Incentive Plan.

The Board may also authorize the grant or sale of restricted stock to participants. Each such grant will constitute an immediate transfer of the ownership of the restricted shares to the participant, entitling the participant to voting, dividend and other ownership rights, but subject to substantial risk of forfeiture for a period of not less than two years (to be determined by the Board at the time of the grant) and restrictions on transfer (to be determined by the Board at the time of the grant). The Board may also provide for the elimination of restrictions in the event of a change in control.

Finally, the Board may authorize the grant or sale of deferred stock to participants. Awards of deferred stock constitute an agreement we make to deliver shares of our Class A Common Stock to the participant in the future, in consideration of the performance of services, but subject to the fulfillment of such conditions during the deferral period as the Board may specify. The grants or sales of deferred stock will be subject to a deferral period of at least one year. During the deferral period, the participant will have no right to transfer any rights under the award and will have no rights of ownership in the deferred shares, including no right to vote such shares, though the Board may authorize the payment of any dividend equivalents on the shares. The Board may also provide for the elimination of

the deferral period in the event of a change in control.

No grant, of any type, may be awarded under the 2004 Equity Incentive Plan after April 30, 2014.

The Board of Directors administers the 2004 Equity Incentive Plan. The Board of Directors may from time to time delegate all or any part of its authority under the 2004 Plan to the Compensation Committee. The Board of Directors has full and exclusive power to interpret the 2004 Equity Incentive Plan and to adopt rules, regulations and guidelines.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Under the 2004 Equity Incentive Plan, current and prospective employees, non-employee directors, consultants or other persons who provide us services are eligible to participate.

As of December 31, 2008, there were outstanding options to purchase a total of 101,453 shares of Class A Common Stock at exercise prices ranging from $9.40 to $14.04 per share under the 2004 Equity Incentive Plan. These options vest quarterly over four years, with the possible acceleration of vesting for some options if certain performance criteria are met. In addition, all options vest upon a change of control as more fully described in the 2004 Equity Incentive Plan.

2002 Stock Incentive Plan

Our Board adopted the 2002 Stock Incentive Plan on March 1, 2002. The purpose of the 2002 Stock Incentive Plan is to attract and retain certain selected officers, key employees, non-employee directors and consultants whose skills and talents are important to our operations and reward them for making major contributions to our success. The aggregate number of shares of Class A Common Stock subject to the 2002 Stock Incentive Plan is 2,000,000, all of which may be granted as incentive stock options. In addition, no one person may receive options for more than 500,000 shares of Class A Common Stock in any one calendar year.

The 2002 Stock Incentive Plan permits us to grant nonqualified stock options and incentive stock options (ISOs), as defined in Sections 422 of the Internal Revenue Code of 1986, as amended (the Code). No options may be granted under the 2002 Stock Incentive Plan after May 3, 2012.

The Compensation Committee administers the 2002 Stock Incentive Plan. The Compensation Committee has full and exclusive power to interpret the 2002 Stock Incentive Plan and to adopt rules, regulations and guidelines for carrying out the 2002 Stock Incentive Plan as it may deem necessary or proper.

Under the 2002 Stock Incentive Plan, current and prospective employees, non-employee directors, consultants or other persons who provide services to us are eligible to participate. As of December 31, 2008, there were outstanding options to purchase a total of 81,345 shares of Class A Common Stock at exercise prices ranging from $14.62 to $19.25 per share under the 2002 Stock Incentive Plan. These options vest quarterly over four years, with the possible acceleration of vesting for some options if certain performance criteria are met. In addition, all options vest upon a change of control as more fully described in the 2002 Stock Incentive Plan.

2000 Stock Incentive Plan

Our Board adopted the 2000 Stock Incentive Plan on July 31, 2000, and subsequently amended the Plan on February 23, 2001. The 2000 Stock Incentive Plan was subsequently approved by our stockholders on May 4, 2001. The purpose of the 2000 Stock Incentive Plan is to attract and retain certain selected officers, key employees, non-employee directors and consultants whose skills and talents are important to our operations and reward them for making major contributions to our success. The aggregate number of shares of Class A Common Stock subject to the 2000 Stock Incentive Plan is 2,750,000, all of which may be granted as incentive stock options. In addition, no one person may receive options for more than 500,000 shares of Class A Common Stock in any one calendar year.

The 2000 Stock Incentive Plan permits us to grant nonqualified stock options and ISOs, as defined in Sections 422 of the Code. No options may be granted under the 2000 Stock Incentive Plan after October 4, 2010.

The Compensation Committee administers the 2000 Stock Incentive Plan. The Compensation Committee has full and exclusive power to interpret the 2000 Stock Incentive Plan and to adopt rules, regulations and guidelines for carrying out the 2000 Stock Incentive Plan as it may deem necessary or proper.

Under the 2000 Stock Incentive Plan, current and prospective employees, non-employee directors, consultants or other persons who provide services to us are eligible to participate. As of December 31, 2008, there were outstanding options to purchase a total of 51,704 shares of Class A Common Stock at exercise prices ranging from $5.92 to $6.44 per share under the 2000 Stock Incentive Plan. These options vest, in general, quarterly over four

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

years, with the possible acceleration of vesting for some options if certain performance criteria are met. In addition, all options vest upon a change of control as more fully described in the 2000 Stock Incentive Plan.

1999 Stock Incentive Plan

In 1999, our Board and our stockholders adopted the 1999 Stock Incentive Plan to provide our officers, other key employees and non-employee directors (other than participants in our 1999 Executive Stock Incentive Plan described below), as well as our consultants, with additional incentives by increasing their proprietary interest in us. An aggregate of 900,000 shares of Class A Common Stock are subject to the 1999 Stock Incentive Plan, all of which may be awarded as incentive stock options. In addition, subject to certain equitable adjustments, no one person will be eligible to receive options for more than 300,000 shares in any one calendar year.

The 1999 Stock Incentive Plan permits us to grant awards in the form of non-qualified stock options and ISO s. All stock options awarded under the plan will be granted at an exercise price of not less than fair market value of the Class A Common Stock on the date of grant. No award will be granted under the 1999 Stock Incentive Plan after August 30, 2009.

The 1999 Stock Incentive Plan is administered by the Compensation Committee, which has exclusive authority to grant awards under the plan and to make all interpretations and determinations affecting the plan. The Compensation Committee has discretion to determine the individuals to whom awards are granted, the amount of such award, any applicable vesting schedule, whether awards vest upon the occurrence of a Change in Control (as defined in the plan) and other terms of any award. The Compensation Committee may delegate to certain of our senior officers its duties under the plan subject to such conditions or limitations as the Compensation Committee may establish. Any award made to a non-employee director must be approved by our Board. In the event of any changes in our capital structure, the Compensation Committee will make proportional adjustments to outstanding awards so that the net value of the award is not changed.

As of December 31, 2008, there were outstanding options to purchase a total of 625,000 shares of Class A Common Stock at an exercise price of $27.88 per share under the 1999 Stock Incentive Plan. These options vest, in general, over five years, with the possible acceleration of vesting for some options if certain performance criteria are met. In addition, all options vest upon a change of control as more fully described in the 1999 Executive Stock Incentive Plan.

1998 Stock Incentive Plan

In 1998, we adopted the 1998 Stock Incentive Plan. An aggregate of 1,288,834 shares of Class A Common Stock are subject to the 1998 Stock Incentive Plan, all of which may be awarded as incentive stock options, and a maximum of 100,000 shares of Class A Common Stock may be awarded as restricted stock. In addition, subject to certain equitable adjustments, no one person will be eligible to receive options for more than 300,000 shares in any one calendar year and the maximum amount of restricted stock which will be awarded to any one person during any calendar year is $0.5 million.

The 1998 Stock Incentive Plan permits us to grant awards in the form of non-qualified stock options and ISO s and restricted shares of Class A Common Stock. All stock options awarded under the plan will be granted at an exercise price of not less than fair market value of the Class A Common Stock on the date of grant. No award will be granted

under the 1998 Stock Incentive Plan after June 22, 2008.

The 1998 Stock Incentive Plan is administered by the Compensation Committee, which has exclusive authority to grant awards under the plan and to make all interpretations and determinations affecting the plan. The Compensation Committee has discretion to determine the individuals to whom awards are granted, the amount of such award, any applicable vesting schedule, whether awards vest upon the occurrence of a Change in Control (as defined in the 1998 Stock Incentive Plan) and other terms of any award. The Compensation Committee may delegate to certain of our senior officers its duties under the plan subject to such conditions or limitations as the

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Compensation Committee may establish. Any award made to a non-employee director must be approved by our Board. In the event of any changes in our capital structure, the Compensation Committee will make proportional adjustments to outstanding awards so that the net value of the award is not changed.

As of December 31, 2008, there were outstanding options to purchase a total of 10,400 shares of Class A Common Stock at an exercise price of $14.00 per share under the 1998 Stock Incentive Plan. These options vest, in general, over five years, with the possible acceleration of vesting for some options if certain performance criteria are met. In addition, all options vest upon a change of control as more fully described in the 1998 Stock Incentive Plan.

1999 Executive Stock Incentive Plan

In 1999, our Board and our stockholders adopted the 1999 Executive Stock Incentive Plan (the 1999 Executive Plan) to provide certain of our key executives with additional incentives by increasing their proprietary interest in us. An aggregate of 1,000,000 shares of Class A Common Stock or C Common Stock are subject to the 1999 Executive Plan. In addition, no one person will be eligible to receive options for more than 500,000 shares in any one calendar year. In accordance with the terms of the 1999 Executive Plan, Mr. L. Dickey is the sole remaining participant in the 1999 Executive Plan.

The 1999 Executive Plan permits us to grant awards in the form of non-qualified stock options and ISO s.

Stock options under the 1999 Executive Plan were granted on August 30, 1999 and April 12, 2001 with an exercise price of $27.875 per share and generally vest quarterly in equal installments over a four-year period (subject to accelerated vesting in certain circumstances).

The 1999 Executive Plan is administered by the Compensation Committee, which has exclusive authority to grant awards under the 1999 Executive Plan and to make all interpretations and determinations affecting the 1999 Executive Plan. In the event of any changes in our capital structure, the Compensation Committee will make proportional adjustments to outstanding awards granted under the 1999 Executive Plan so that the net value of the award is not changed. As of December 31, 2008, there were outstanding options to purchase a total of 500,000 shares of Class C Common Stock and 125,000 shares of Class A Common Stock under the 1999 Executive Plan.

1998 Executive Stock Incentive Plan

In 1998, our Board of Directors adopted the 1998 Executive Stock Incentive Plan (the 1998 Executive Plan). An aggregate of 2,001,380 shares of Class A or C Common Stock are subject to the 1998 Executive Plan. In addition, no one person will be eligible to receive options for more than 1,000,690 shares in any one calendar year. In accordance with the terms of the 1998 Executive Plan, Mr. L. Dickey is the sole remaining participant in the 1998 Executive Plan.

The 1998 Executive Plan permits us to grant awards in the form of non-qualified stock options and ISO s.

Stock options under the 1998 Executive Plan were granted on July 1, 1998 and are divided into three groups. Group 1 consists of time vested options with an exercise price equal to $14.00 per share and vest quarterly in equal installments over a four-year period (subject to accelerated vesting in certain circumstances). Group 2 and Group 3 also consist of time-based options which vest in four equal annual installments on July 1, 1999, July 1, 2000, July 1,

2001 and July 1, 2002 (subject to accelerated vesting in certain circumstances). The first installment of both the Group 2 options and Group 3 options were exercisable at a price of $14.00 per share on July 1, 1999 and subsequent installments are exercisable at a price 15% (or 20% in the case of Group 3 options) greater than the prior year s exercise price for each of the next three years. Stock options under the 1998 Executive Plan were also granted on April 12, 2001. These options vest quarterly in equal installments over a four year period and were issued with an exercise price of $5.92.

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The 1998 Executive Plan is administered by the Compensation Committee, which has exclusive authority to grant awards under the 1998 Executive Plan and to make all interpretations and determinations affecting the 1998 Executive Plan. In the event of any changes in our capital structure, the Compensation Committee will make proportional adjustments to outstanding awards granted under the 1998 Executive Plan so that the net value of the award is not changed. As of December 31, 2008, there were no outstanding options to purchase any class of Common Stock under the 1998 Executive Plan.

The following tables represent a summary of options outstanding and exercisable at and activity during the years ended December 31, 2008, 2007 and 2006:

	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2005	10,073,220	$ 14.40
Granted	431,050	9.40
Exercised	(58,440)	6.26
Canceled or repurchased	(1,471,396)	14.09
Outstanding at December 31, 2006	8,974,434	$ 15.09
Granted	10,000	9.97
Exercised	(51,657)	6.37
Canceled or repurchased	(254,117)	13.69
Outstanding at December 31, 2007	8,678,660	$ 15.16
Granted	956,869	2.95
Exercised	(4,500)	5.92
Canceled or repurchased	(7,577,704)	14.94
Outstanding at December 31, 2008	2,053,325	$ 14.43

The following table summarizes information about stock options outstanding at December 31, 2008:.

Range of Exercise Prices	Outstanding as of December 31, 2008	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable as of December 31, 2008	Weighted Average Exercise Price

$ 0.00-2.78	189,240	10.00 years	$	2.54		$	
$ 2.79-5.57	767,629	10.00 years		3.06			
$ 5.58-8.35	51,704	1.13 years		6.31	51,704		6.31
$ 8.36-11.14	49,674	6.9 years		9.40	29,944		9.40
$11.15-13.93		0.00 years					
$13.94-16.72	99,024	4.00 years		14.25	99,024		14.25
$16.73-19.50	44,500	3.90 years		19.25	44,500		19.25
$19.51-22.29		0.00 years					
$22.30-25.08		0.00 years					
$25.09-27.88	851,554	0.66 years		27.88	851,554		27.88
	2,053,325	5.41 years	$	14.43	1,076,726	$	24.72

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The weighted average grant date fair value of options granted during the years 2008, 2007 and 2006 was $0.0 million, $0.1 million and $2.9 million respectively. The total intrinsic value of options exercised during the years ended December 31, 2008, 2007 and 2006 was $0.0 million, $0.2 million and $0.3 million, respectively.

12. Income Taxes

Income tax expense (benefit) for the years ended December 31, 2008, 2007, and 2006 consisted of the following (dollars in thousands):

	2008	2007	2006
Current tax expense (benefit)			
Federal	$	$ 107	$
State and Local	466	(3,953)	(2,193)
Total current expense (benefit)	466	(3,846)	(2,193)
Deferred tax expense (benefit)			
Federal	(98,524)	(29,175)	(291)
State and Local	(19,887)	(6,648)	(33)
State tax rate changes		1,669	(3,283)
Total deferred expense (benefit)	(118,411)	(34,154)	(3,607)
Total income tax expense (benefit)	$ (117,945)	$ (38,000)	$ (5,800)

Total income tax expense (benefit) differed from the amount computed by applying the federal statutory tax rate of 35% for the years ended December 31, 2008, 2007, and 2006 due to the following (dollars in thousands):

	2008	2007	2006
Pretax loss at federal statutory rate	$ (167,875)	$ (91,631)	$ (17,635)
State income tax expense (benefit), net of federal benefit	(18,245)	(10,436)	(1,860)
Reserve for contingencies		(4,731)	(2,193)
Change in state tax rates	(69)	1,669	(3,283)
Other	362	(1,540)	1,951
Non cash stock compensation & Section 162 Disallowance	1,071	4,626	8,420
Impairment charges on goodwill with no tax basis	3,405	23,200	
Increase in valuation allowance	63,406	40,843	8,800
Net income tax benefit	$ (117,945)	$ (38,000)	$ (5,800)

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities at December 31, 2008 and 2007 are presented below:

	2008	2007
Current deferred tax assets:		
Accounts receivable	$ 691	$ 717
Accrued expense and other	1,131	2,358
Current deferred tax assets	1,822	3,075
Less: valuation allowance	(1,822)	(3,075)
Net current deferred tax assets		
Noncurrent deferred tax assets:		
Intangible and other assets	115,671	70,086
Property and equipment	662	
Other liabilities	20,319	8,415
Net operating loss	95,170	91,352
Noncurrent deferred tax assets	231,822	169,853
Less: valuation allowance	(231,286)	(166,627)
Net noncurrent deferred tax assets	536	3,226
Noncurrent deferred tax liabilities:		
Intangible assets	44,480	162,890
Property and equipment		697
Other	536	2,529
Noncurrent deferred tax liabilities	45,016	166,116
Net noncurrent deferred tax liabilities	44,480	162,890
Net deferred tax liabilities	$ 44,480	$ 162,890

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.

During the year ended December 31, 2008, the Company recorded deferred tax expense of $18.0 million generated during the current year, resulting from amortization of goodwill and broadcast licenses that is deductible for tax purposes, but is not amortized in the financial statements. This charge was offset by a $136.7 million deferred tax benefit resulting from the reversal of deferred tax liabilities in connection with the impairment of certain broadcast licenses and goodwill and investment in affiliates.

During the year ended December 31, 2007, the Company recorded deferred tax expense of $18.8 million generated during the current year, resulting from amortization of goodwill and broadcast licenses that is deductible for tax purposes, but is not amortized in the financial statements. This charge was offset by a $54.4 million deferred tax benefit resulting from the reversal of deferred tax liabilities in connection with the impairment of certain broadcast licenses and goodwill and investment in affiliates. Also during the year ended December 31, 2007, the Company revised its estimate for potential tax exposure at the state and local level and, accordingly, recorded $4.7 million reversal against the previously established reserve for these contingencies.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

During the year ended December 31, 2006, the Company recorded deferred tax expense of $21.0 million generated during the current year, resulting from amortization of goodwill and broadcast licenses that is deductible for tax purposes, but is not amortized in the financial statements. This charge was offset by a $24.3 million deferred tax benefit resulting from the reversal of deferred tax liabilities in connection with the impairment of certain broadcast licenses and goodwill and investment in affiliates. Also during the year ended December 31, 2006, the Company revised its estimate for potential tax exposure at the state and local level and, accordingly, recorded $2.2 million reversal against the previously established reserve for these contingencies.

At December 31, 2008, the Company has federal net operating loss carry forwards available to offset future income of approximately $252.2 million, of which $3.4 million will expire in 2012 and the remaining $248.8 million will expire in the years 2018 through 2028. A portion of these losses may be subject to limitations due to ownership changes. The Company adopted Financial Accounting Standard Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48) on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements. FIN 48 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 did not have any transition adjustment upon adoption of FIN 48. The total amount of unrecognized tax benefits at January 1, 2007 was $5.7 million, inclusive of $1.4 million for penalties and interest. Of this total, $5.7 million represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods.

The Company continues to record interest and penalties related to unrecognized tax benefits in current income tax expense. The total amount of interest accrued at December 31, 2008 was $0.5 million. The total amount of unrecognized tax benefits and accrued interest and penalties at December 31, 2008 was $10.3 million. Of this total, $1.1 million represents the amount of unrecognized tax benefits and accrued interest and penalties that, if recognized, would favorably affect the effective income tax rate in future periods. The entire amount of $10.3 million relates to items which are not expected to change significantly within the next twelve months. Except for an ongoing examination in the state of Texas, substantially all federal, state, local and foreign income tax years have been closed for the tax years through 2004; however, the various tax jurisdictions may adjust the Company s net operating loss carry forwards.

	Unrecognized Tax Benefits	Accrued Interest and Penalties	Gross Unrecognized Tax Benefits
		(In thousands)	
Balance at January 1, 2007	$ 4,228	$ 1,441	$ 5,669
Increases due to tax positions taken during current year			
Increase due to tax positions taken in previous years		253	253
Decreases due to settlements with taxing authorities	(286)	(314)	(600)
Decreases due to lapse of statute of limitations	(3,261)	(1,123)	(4,384)
Balance at December 31, 2007	$ 681	$ 257	$ 938

Increases due to tax positions taken during 2008	9,166	458	10,305
Increase due to tax positions taken in previous year		39	39
Decreases due to settlements with taxing authorities			
Decreases due to lapse of statute of limitations		(296)	(977)
Balance at December 31, 2008	$ 9,847	$ 458	$ 10,305

CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company and its subsidiaries file income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions.

13. Earnings Per Share

The following table sets forth the computation of basic and diluted income (loss) per share for the years ended December 31, 2008, 2007 and 2006 (amounts in thousands, except per share amounts):

	2008	2007	2006
Numerator:			
Numerator for basic and diluted loss per common share	$ (361,669)	$ (223,804)	$ (44,181)
Denominator:			
Denominator for basic loss per common share Weighted average common shares outstanding	42,315	43,187	50,824
Effect of dilutive securities:			
Options			
Restricted shares			
Note payable			
Denominator for diluted income loss per common share	42,315	43,187	50,824
Basic and diluted loss per common share	$ (8.55)	$ (5.18)	$ (0.87)

Stock options to purchase 2,053,325 shares, 6,835,721, shares and 7,020,743 shares of common stock were outstanding during the years ended December 31, 2008, 2007 and 2006, respectively, but not included in the computation of diluted income (loss) per common share because the option exercise price was greater than the average market price of the common shares for the period and their effect would be anti-dilutive.

Additionally, unvested restricted common shares as discussed in Note 11 are not included in the computation of diluted income (loss) per common share for the period because their effect would be anti-dilutive.

14. Leases

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 $9.1 million, $9.9 million, and $8.9 million for the years ended December 31, 2008, 2007 and 2006, 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, 2008 are as follows:

Year Ending December 31:	
2009	8,765
2010	7,158
2011	6,342
2012	5,743
2013	4,545
Thereafter	15,440
	$ 47,993

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15. Commitments and Contingencies

There are two radio station rating services available to the radio broadcast industry. Traditionally, the Company has utilized Arbitron as its primary source of ratings information for its radio markets, and has a five-year agreement with Arbitron under which it receives programming rating materials in a majority of its markets. On November 7, 2008, however, the Company entered into an agreement with Nielsen pursuant to which Nielsen would rate certain of the Company s radio markets as coverages for such markets under the Arbitron agreement expire. Nielsen began efforts to roll out its rating service for 50 of the Company s radio markets in January 2009. The Company has forfeited its obligation under the agreement with Arbitron as of December 31, 2008, and Arbitron will be paid in accordance with the agreement through April 2009.

The national advertising agency contract with Katz contains termination provisions that, if exercised by the Company during the term of the contract, would obligate the Company to pay a termination fee to Katz, calculated based upon a formula set forth in the contract.

In December 2004, the Company purchased 240 perpetual licenses from iBiquity Digital Corporation, which will enable it to convert to and utilize digital broadcasting technology on 240 of its stations. Under the terms of the agreement, the Company committed to convert the 240 stations over a seven year period. The Company negotiated an amendment to our agreement with iBiquity to reduce the number of planned conversions commissions, extend the build-out schedule, and increase the license fees for each converted station (see Note 20 Subsequent Events). The conversion of original stations to the digital technology will require an investment in certain capital equipment over the next six years. Management estimates its investment will be approximately $0.1 million per station converted.

The Company has been subpoenaed by the Office of the Attorney General of the State of New York, as were other radio broadcasting companies, in connection with the New York Attorney General s investigation of promotional practices related to record companies dealings with radio stations broadcasting in New York. The Company is cooperating with the Attorney General in this investigation.

In May 2007, the Company received a request for information and documents from the FCC related to the Company s sponsorship of identification policies and sponsorship identification practices at certain of its radio stations as requested by the FCC. The Company is cooperating with the FCC in this investigation and is in the process of producing documents and other information requested by the FCC. The Company has not yet determined what effect the inquiry will have, if any, on its financial position, results of operations or cash flows.

The Company is aware of three purported class action lawsuits related to the proposed acquisition of the Company that was announced in July 2007 but terminated in May 2008: Jeff Michelson, on behalf of himself and all others similarly situated v. Cumulus Media Inc., et al. (Case No. 2007CV137612, filed July 27, 2007) was filed in the Superior Court of Fulton County, Georgia against the Company, Lew Dickey and the sponsor; Patricia D. Merna, on behalf of herself and all others similarly situated v. Cumulus Media Inc., et al. (Case No. 3151, filed August 8, 2007) was filed in the Chancery Court for the State of Delaware, New Castle County, against the Company, Lew Dickey, the other directors, the sponsor, Parent and Merger Sub; and Paul Cowles v. Cumulus Media Inc., et al. (Case No. 2007-CV-139323, filed August 31, 2007) was filed in the Superior Court of Fulton County, Georgia against the Company, Lew Dickey, the other directors and the sponsor.

The complaint in the Delaware lawsuit alleged, among other things, that the terminated acquisition transaction was the product of an unfair process, that the consideration to be paid to the Company s stockholders pursuant to the terminated transaction was inadequate, and that the defendants breached their fiduciary duties to the Company s stockholders. The complaint further alleged that the Company and the sponsor (and Parent and Merger Sub) aided and abetted the actions of the Company s directors in breaching such fiduciary duties. The complaint sought, among other relief, an injunction preventing completion of the transaction.

The complaints in the two Georgia lawsuits made similar allegations initially, but on June 25, 2008 and July 11, 2008, respectively, plaintiffs in the Georgia lawsuits filed amended complaints, alleging, among other

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things, entirely new state law claims, including breach of fiduciary duty, aiding and abetting a breach of fiduciary duty, abuse of control, gross mismanagement, corporate waste, unjust enrichment, rescission and accounting. The amended complaints further allege, for the first time, misrepresentations or omissions in connection with the purchase or sale of securities by the Company. The amended complaints seek, among other relief, damages on behalf of the putative class.

The Company believes that it has committed no disclosure violations or any other breaches or violations whatsoever, including in connection with the terminated acquisition transaction. In addition, the Company has been advised that the other defendants named in the complaints similarly believe the allegations of wrongdoing in the complaints to be without merit, and deny any breach of duty to or other wrongdoing with respect to the purported plaintiff classes.

On December 18, 2008, the Delaware lawsuit was discussed without prejudice pursuant to a stipulation by the parties. With respect to the two Georgia lawsuits, defendants removed them to the U.S. District Court for the Northern District of Georgia on July 17, 2008 and filed motions to dismiss both cases on July 24, 2008. In August 2008, plaintiffs moved to remand the cases back to state court. See Note 20.

The Company is also a defendant from time to time in various other lawsuits, which are generally incidental to its business. The Company is vigorously contesting all such matters and believes that their ultimate resolution will not have a material adverse effect on its consolidated financial position, results of operations or cash flows. Cumulus is not a party to any lawsuit or proceeding that, in management s opinion, is likely to have a material adverse effect.

16. Defined Contribution Plan

Effective January 1, 1998, the Company adopted a qualified profit sharing plan under Section 401(k) of the Internal Revenue Code. All employees meeting eligibility requirements are qualified for participation in the plan. Participants in the plan may contribute 1% to 15% of their annual compensation through payroll deductions. Under the plan, the Company will provide a matching contribution of 25% of the first 6% of each participant s contribution. The Company remits matching contributions to the plan monthly. During 2008, 2007, and 2006 the Company contributed approximately $0.6 million, $0.7 million and $0.7 million to the plan, respectively. The Company discontinued matching of 401 (k) employee contributions during 2008.

17. Restructuring Charge

During the fourth quarter of 2008 the Company recorded a charge of $0.4 million to station operating expense related to one-time termination benefits associated with the termination of approximately 200 employees. The Company s balance sheet at December 31, 2008 did not contain a liability for any costs associated with the one-time terminations since the costs were incurred and paid within the fourth quarter of 2008.

18. Termination of Merger Agreement

On May 11, 2008, the Company, Cloud Acquisition Corporation, a Delaware corporation (Parent), and Cloud Merger Corporation, a Delaware corporation and wholly owned subsidiary of Parent (Merger Sub), entered into a Termination Agreement and Release (the Termination Agreement) to terminate the Agreement and Plan of Merger, dated July 23, 2007, among the Company, Parent and Merger Sub (the Merger Agreement), pursuant to which Merger Sub would

have been merged with and into the Company, and as a result the Company would have continued as the surviving corporation and a wholly owned subsidiary of Parent.

Parent is owned by an investor group consisting of Lewis W. Dickey, Jr., the Company s Chairman, President and Chief Executive Officer, his brother John W. Dickey, the Company s Executive Vice President and Co-Chief Operating Officer, other members of their family, and an affiliate of Merrill Lynch Global Private Equity. The

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members of the investor group informed the Company that, after exploring possible alternatives, they were unable to agree on terms on which they could proceed with the transaction.

As a result of the termination of the Merger Agreement, and in accordance with its terms, in May 2008 the Company received a termination fee in the amount of $15.0 million in cash from the investor group, and the terms of the previously announced amendment to the Company s existing credit agreement will not take effect.

Under the terms of the Termination Agreement, the parties also acknowledged and agreed that all related equity and debt financing commitments, equity rollover commitments and voting agreements shall be terminated, and further agreed to release any and all claims they may have against each other and their respective affiliates.

19. Variable Interest Entities and Off-Balance Sheet Arrangements

Current FCC and antitrust regulatory requirements limit the number of stations a broadcaster may own in a given local market. In order to comply with all applicable regulations, during the second quarter of 2006 the Company entered into a trust agreement to place station KMAJ-AM into a trust (the KMAJ Trust) that comports with FCC rules and policies and thereby reduces the number of attributable ownership interests which the Company has in radio stations in the Topeka, Kansas Arbitron Metropolitan area.

Pursuant to the terms and conditions of the trust agreement, the Company has determined that it is the primary beneficiary of the KMAJ Trust and should absorb a majority of the trust s expected returns. As a result, in accordance with the guidance provided by Financial Interpretation No. 46 (Revised), *Consolidation of Variable Interest Entities*, the Company has included the accounts of the KMAJ Trust in its condensed consolidated financial statements as of and for the years ended December 31, 2008 and 2007.

20. Subsequent Events

As discussed in Note 2, the Company has filed requisite assignment applications with the FCC for an Asset Exchange with subsidiaries of Clear Channel Communications, Inc. On January 15, 2009 the Company executed a LMA to operate the two Clear Channel stations in Cincinnati, Ohio which are included in the Asset Exchange. The Company currently continues to operate the five Green Bay, Wisconsin stations that are also included in the Asset Exchange.

On February 6, 2009, the U.S. District Court remanded both Georgia class action lawsuits (see Note 15), as well as the pending motion to dismiss, to the Superior Court of Fulton County, Georgia.

On March 5, 2009, we entered into an amendment to our agreement with iBiquity to reduce the number of planned conversions, extend the build-out schedule, and increase the license fees to be paid for each converted station. In the event the Company does not fulfill the conversion requirements within the seven year period set forth in the agreement or otherwise modify the rollout schedule, once the conversions are completed the Company will be subject to license fees higher than those currently provided for under the agreement.

On March 9, 2009, CMP Susquehanna Radio Holdings Corp. (Radio Holdings) and CMP Susquehanna Corp. (CMPSC), a wholly owned subsidiary of Radio Holdings, announced that they commenced an exchange offer and consent solicitation to refinance CMPSC s outstanding senior subordinated notes. In connection with this exchange

offer and consent solicitation, Radio Holdings and CMPSC have prepared an Offering Memorandum and Consent Solicitation Statement for distribution to holders of CMPSC s outstanding senior subordinated notes that are either qualified institutional buyers, as that term is defined in Rule 144A under the Securities Act of 1933, as amended (the Securities Act) or persons other than U.S. persons, as that term is defined in Rule 902 under the Securities Act. The new securities to be issued in the exchange offer in exchange for outstanding senior subordinated notes tendered by eligible holders have not been and are not expected to be registered under the Securities Act or any state securities laws. Therefore, the new securities may not be offered or sold in the United

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CUMULUS MEDIA INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

States absent registration or any applicable exemption from the registration requirements of the Securities Act and any applicable state securities laws.

21. Quarterly Results (Unaudited)

The following table presents the Company s selected unaudited quarterly results for the eight quarters ended December 31, 2008 (in thousands, except per share data).

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
FOR THE YEAR ENDED DECEMBER 31, 2008				
Net revenue	$ 72,900	$ 83,628	$ 79,950	$ 75,060
Operating income (loss)(3)	12,859	21,175	21,031	$ (480,155)
Net loss(1)(2)(3)	(4,240)	30,289	6,000	$ (393,718)
Basic and diluted (loss) income per common share	$ (0.10)	$ 0.70	$ 0.14	$ (9.30)
FOR THE YEAR ENDED DECEMBER 31, 2007				
Net revenue	$ 72,401	$ 87,338	$ 84,183	$ 84,405
Operating income (loss)	9,991	23,850	(62,574)	(122,345)
Net income (loss)(2)	(1,813)	2,539	(70,530)	(154,000)
Basic and diluted (loss) income per common share	$ (0.04)	$ 0.06	$ (1.63)	$ (3.56)

(1) During the second quarter of 2008 the company received a $15.0 million merger termination fee in connection with failed merger.

(2) The quarter ended June 30, 2007 includes a loss on the early extinguishment of debt of $1.0 million, which was recorded in connection with the completion of a new $850 million credit agreement in June 2007 and the related retirement of the term and revolving loans under its pre-existing credit agreement. The quarters ended September 30, 2007 and December 31, 2007 include impairment charges of $81.3 million and $149.3 million, respectively. Additionally, the quarter ended December 31, 2007 includes a $5.9 million gain on the sale of certain assets in the Caribbean.

(3) During the fourth quarter of 2008, the Company recorded an impairment charge of $498.9 million related to its annual FAS 142 impairment testing.

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SCHEDULE I

CUMULUS MEDIA INC.

FINANCIAL STATEMENT SCHEDULE VALUATION AND QUALIFYING ACCOUNTS

Fiscal Year	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
Allowance for doubtful accounts				
2008	$ 1,839	$ 3,754	$ (3,822)	$ 1,771
2007	1,942	2,954	(3,057)	1,839
2006	2,404	3,313	(3,775)	1,942
Valuation allowance on deferred taxes				
2008	169,702	63,406		233,108

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EXHIBIT INDEX

10.14	Form of 2008 Equity Incentive Plan Stock Option Award Agreement.
23.1	Consent of PricewaterhouseCoopers LLP
23.2	Consent of KPMG LLP
31.1	Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Officer Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.