WESTWOOD ONE INC /DE/
Form 10-K
March 30, 2009

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

(Mark One)

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

OR

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

For the transition period from __________ to __________

Commission file number 001-14691

WESTWOOD ONE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**95-3980449**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
40 West 57th Street New York, NY (Address of principal executive offices)	10019 (Zip Code)

Registrant s telephone number, including area code: (212) 641-2000

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common stock, par value $0.01 per share	None

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

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

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

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

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

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

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

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

The aggregate market value of common stock held by non-affiliates of the registrant was approximately $107,300 based on the last reported sales price of the registrant s common stock on June 30, 2008 and assuming solely for the purpose of this calculation that all directors and officers of the registrant are affiliates. The determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 28, 2009, 101,258,642 shares (excluding treasury shares) of common stock, par value $0.01 per share, were outstanding and 291,722 shares of Class B stock, par value $0.01 per share, were outstanding.

Documents Incorporated By Reference

Portions of the registrant s definitive proxy statement for our 2009 annual meeting of shareholders (which will be filed with the Commission within 120 days of the registrant s 2008 fiscal year end) are incorporated by reference in Part III of this Form 10-K.

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PART I

Item 1. Business

In this report, Westwood One, Company, registrant, we, us and our refer to Westwood One, Inc.

General

We provide radio and television stations with programming information services and other content. We are one of the largest domestic outsourced providers of traffic reporting services and one of the nation s largest radio networks, producing and distributing national news, sports, talk, music and special event programs, in addition to local news, sports, weather, video news and other information programming. We deliver content to over 5,000 radio and television stations in the U.S.

We derive substantially all of our revenue from the sale of :10 second, :15 second, :30 second and :60 second commercial airtime to advertisers. We obtain the commercial airtime we sell to advertisers from radio and television affiliates, or other distribution partners, in exchange for the programming, information services and other content that we provide to them. We often provide such affiliates with cash compensation to obtain additional commercial airtime in order to supplement the commercial airtime we receive from providing programming and information services to them. That commercial airtime is sold to local/regional advertisers (typically :10 second and :15 second commercial airtime) and to national advertisers (typically :30 or :60 second commercial airtime). By purchasing commercial airtime from us, advertisers are able to have their prerecorded and live commercial messages broadcast on radio and television stations and websites throughout the United States, reaching demographically defined listening audiences.

Our business is organized in two primary divisions: Metro/Traffic and Network. Our Metro/Traffic Division provides local traffic, news, sports and weather information reports to 2,300 radio and television affiliates in over 83 of the top 100 Metro Survey Area markets (referred to herein as MSA markets) in the United States. Our Network Division offers radio stations traditional news services, including CBS Radio news, CNN Radio news and NBC News Radio, in addition to weekday and weekend news, sports and entertainment features and programs. These programs include: major sporting events, including the National Football League, NCAA football and basketball games, the Masters and the Olympics, live personality talk shows, live concert broadcasts, countdown shows, music and interview programs and exclusive satellite simulcasts with cable networks.

We continue to develop alternative revenue streams generally by leveraging our existing resources and creating new distribution channels for our extensive content. For instance, we provide programming to satellite radio services and data for digital map and automotive navigation systems.

On October 2, 2007, we entered into a definitive agreement with CBS Radio documenting a long-term arrangement through March 31, 2017. The closing under such agreement occurred on March 3, 2008 and on such date, the Management Agreement and CBS Representation Agreement terminated. From 1994 to 2008, we were managed by CBS Radio Inc. (CBS Radio ; previously known as Infinity Broadcasting Corporation (Infinity)), a wholly-owned subsidiary of CBS Corporation, pursuant to a management agreement between CBS Radio (then Infinity) and us which was scheduled to expire on March 31, 2009 (the Management Agreement). As part of the new arrangement, CBS Radio agreed to broadcast our commercial inventory for both the Network and Metro/Traffic divisions through March 31, 2017 in exchange for certain programming and/or cash compensation. In addition, certain existing agreements between CBS Radio and us, including the News Programming Agreement, the Technical Services Agreement and the Trademark License Agreement were amended and restated through March 31, 2017.

Industry Background

Radio Broadcasting

There are approximately 11,682 commercial radio stations in the United States.

A radio station selects a style of programming (format) to attract a target listening audience and thereby attracts advertisers that are targeting that audience demographic. There are many formats from which a station may select, including news, talk, sports and various types of music and entertainment programming.

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A radio station has two principal ways of effectively competing for revenue. First, it can differentiate itself in its local market by selecting and successfully executing a format targeted at a particular audience, thus enabling advertisers to place their commercial messages on stations aimed at audiences with certain demographic characteristics. A station can also broadcast special programming, syndicated shows, sporting events or national news products, such as those supplied by us, that are generally not available to its competitors within its format. National programming broadcast on a limited distribution basis can help differentiate a station within its market, and thereby enable a station to increase its audience and advertising revenue.

In addition to the traditional terrestrial radio stations, new technologies and services have entered the marketplace. Sirius XM Radio Inc. is a satellite-based broadcaster with programming very similar to traditional radio. Additionally, the radio industry has begun to roll out HD High Definition channels which effectively double the number of radio stations in the United States.

Radio Advertising

Radio advertising is a cost-effective form of advertising that can be purchased on a local, regional or national basis. Local and regional purchases allow an advertiser to choose a geographic market for the broadcast of commercial messages. Local and regional purchases are typically best suited for an advertiser whose business or ad campaign is in a specific geographic area. Advertising purchased from a national radio network allows an advertiser to target its commercial messages to a specific demographic of a national audience. In addition, an advertiser can choose to emphasize its message in a certain market or markets by supplementing a national purchase with local and/or regional purchases.

To plan its estimated network audience delivery and demographic composition, specific historical measurement information is available to advertisers from independent rating services such as Arbitron and their RADAR rating service. The rating service provides historical demographic information such as the age and gender composition of the listening audiences. Consequently, advertisers can predict that their advertisements are being heard by their target listening audience.

In addition to targeting and reaching defined audiences, our products provide creative marketing opportunities, including endorsements by trusted personalities, product integration, association with high quality and desirable blue chip programming and on-location sponsorship opportunities at cost effective rates.

Business Strategy/Services

Our business strategy is to provide our radio and television affiliates with programs and services that they may not be able to produce on their own on a cost effective basis. We offer local traffic, news, sports and weather information, as well as a wide selection of regularly scheduled and special event syndicated programming. The information and programs are produced by us and, therefore, our affiliates typically have virtually no production costs. In addition, our programs contain available commercial airtime that the affiliates may sell to local advertisers. We typically distribute promotional announcements to the affiliates and occasionally place advertisements in trade and consumer publications to further promote the upcoming broadcast of its programs.

Our robust local and national product offering allows advertisers the ability to easily supplement their national purchases with local and regional purchases from us. It also allows us to develop relationships with local and regional advertisers.

We enter into affiliation arrangements with radio and television stations which require the affiliate to provide us with a specific number of commercial positions which it aggregates by similar day and time periods that we are able to resell to our advertisers. Some affiliation agreements also require a station to broadcast our programs and to use a portion of the program s commercial slots to air our advertisers national advertisements and any related promotional spots.

Affiliation arrangements specify the number of times and the approximate daypart each program and advertisement may be broadcast. We require that each station complete and promptly return to us an affidavit (proof-of-performance) that verifies the time of each broadcast. Affiliation agreements generally run for a period of at least one year and are automatically renewable for subsequent periods. We have agreements with over 5,000 radio stations, and 170 television stations, many of who carry more than one program or product.

We have personnel responsible for affiliate sales and marketing our programs to radio and television stations. Our staff develops and maintains close, professional relationships with radio and television station personnel to provide them with comprehensive programming assistance.

Network Division

We produce and distribute regularly scheduled and special syndicated programs, including exclusive live concerts, music and interview shows, national music countdowns, lifestyle short features, news broadcasts, talk programs, sporting events and sports features.

We control most aspects of the production of our programs, and accordingly, are able to customize our programs to respond to current and/or changing listening preferences. We produce regularly scheduled short-form programs (typically five minutes or less) and long-form programs (typically 60 minutes or longer). Typically, the short-form programs are produced at our in-house facilities located in Culver City, California, and New York, New York. The long-form programs include shows produced primarily at our in-house production facilities and recordings of live concert performances and sports events made on location.

We also produce and distribute special event syndicated programs. In 2008, we produced and distributed numerous special event programs, including exclusive radio broadcasts of The GRAMMY Awards, the Academy of Country Music Awards, MTV Music Awards and the BET Awards, among others.

We obtain most of the programming for our concert series by recording live concert performances of prominent recording artists. The agreements with these artists often provide the exclusive right to broadcast the concerts worldwide over the radio (whether live or pre-recorded) for a specified period of time. We may also obtain interviews with the recording artist and retain a copy of the recording of the concert and the interview for use in our radio programs and as additions to our extensive tape library. The agreements provide the artist with master recordings of their concerts and nationwide exposure on affiliated radio stations. In certain of these cases, the artists may receive compensation.

Our syndicated programs are primarily produced at our in-house production facilities. We determine the content and style of a program based on the target audience we wish to reach. We assign a producer, writer, narrator or host, interviewer and other personnel to record and produce the programs. Because we control the production process, we can refine the programs content to respond to the needs of our affiliated stations and national advertisers. In addition, we can tailor program content in response to current and anticipated audience demand. We use copy-splitting technology where appropriate to differentiate content on a regional or local basis.

We believe that our tape library is a valuable resource for use in future programming and revenue generating capabilities. The library contains previously broadcast programs, thousands of live concert performances; over 19,000 artist interviews; daily news programs; sports and entertainment features; Capitol Hill hearings and other special events. New programs can be created and developed at a low cost by excerpting material from the library.

Metro/Traffic Division

Through our Metro/Traffic Division, we provide traffic reports and local news, weather and sports information programming to radio and television affiliates and their websites.

We gather traffic and other data utilizing our information-gathering infrastructure, which includes aircraft (helicopters and airplanes), broadcast-quality remote camera systems positioned at strategically located fixed positions and on aircraft, mobile units and wireless systems, and by accessing various government-based traffic tracking systems. We also gather information from various third-party news and information services. The information is processed, converted into broadcast copy and entered into our computer systems by our local writers and producers. This permits us to easily re-sell the information to third parties for distribution through the internet, wireless devices or personal digital assistants (PDAs) and various other distribution channels. Our professional announcers read the customized reports on the air. Our information reports (including the length and content of report, specific geographic coverage area, time of broadcast, number of reports aired per day and broadcaster s style) are customized to meet each individual affiliate s requirements. We typically work closely with the program directors, news directors and general managers of our affiliates to ensure that our services meet the affiliates goals and standards. We and the affiliates jointly select the on-air talent to ensure that each on-air talent s style is appropriate for the station s format. Our on-air talent often becomes integral personalities on such affiliate stations as a result of their significant on-air presence and interaction

with the stations on-air personnel. In order to realize operating efficiencies, we endeavor to utilize our professional on-air talent on multiple affiliate stations within a particular market.

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We believe that our extensive fleet of aircraft and other information-gathering technology and broadcast equipment coupled with our recently executed exclusive license and service agreement with TrafficLand allow us to provide high quality programming that enables us to continue to expand our affiliate base. In the aggregate, we utilize approximately: 61 helicopters and fixed-wing aircraft; 15 mobile units; 25 airborne camera systems; 182 fixed-position proprietary cameras; 36 broadcast studios and approximately 1,000 broadcasters and producers. We also maintain a staff of computer programmers and graphics experts to supply customized graphics and other visual programming elements to television station affiliates. In addition, our operation centers and broadcast studios have sophisticated computer technology, video and broadcast equipment and cellular and wireless technology, which enables our on-air talent to deliver reports to our affiliates. The infrastructure and resources dedicated to a specific market by us are determined by the size of the market, the number of affiliates we serve in the market and the type of services being provided. We believe our long-standing and continued investment in incident data and traffic gathering infrastructure differentiates us from our competitors.

We generally do not require our affiliates to identify us as the supplier of our information reports. This provides our affiliates with a high degree of customization and flexibility, as each affiliate has the right to present the information reports provided by us as if the affiliate had generated the reports with its own resources.

As a result of our extensive network of operations and talent, we regularly report breaking and important news stories and provide our affiliates with live coverage of these stories. We are able to customize and personalize our reports of breaking stories using our individual affiliates call letters from the scene of news events as we did when providing live airborne coverage of the September 11th terrorist attack on the World Trade Center and Hurricane Katrina. By using our news helicopters, we feed live video to television affiliates around the country. Moreover, by leveraging our infrastructure, the same reporters provide live customized airborne reports for our radio affiliates via our Metro Source service, which is described below. We believe that we are the only radio network news organization that has local studio operations that cover in excess of 90 markets and that is able to provide customized reports to these markets.

Metro Source, an information service available to subscribing affiliates, is an information system and digital audio workstation that allows our news affiliates to receive via satellite and view, write, edit and report the latest news, features and show preparation material. With this product, we provide continuously updated and breaking news, weather, sports, business and entertainment information to our affiliate stations which have subscribed to the service. Information and content for Metro Source is primarily generated from our staff of news bureau chiefs, state correspondents and professional news writers and reporters.

Local, regional and national news and information stories are fed to our national news operations center in Phoenix, Arizona where the information is verified, edited, produced and disseminated via satellite to our internal Metro Source workstations located in each of our operations centers and to workstations located at affiliate radio stations nationwide. Metro Source includes proprietary software that allows for customizing reports and editing in both audio and text formats. The benefit to stations is that Metro Source allows them to substantially reduce time and cost from the news gathering and editing process at the station level, while providing greater volume and quality news and information coverage from a single source.

SmartRoute (SRS), whose operating assets we acquired in 2000, develops non-broadcast traffic information. SRS develops innovative techniques for gathering local traffic and transportation information, as well as new methods of distributing such information to the public. We are currently working with several public and private entities across the United States to improve dissemination of traffic and transportation information. SRS is not presently a significant source of revenue to us.

We supply Television Traffic Services (MetroTV Services) to over 170 television stations. Similar to our radio programming services, we supply our MetroTV Services customized information reports which are generally delivered on air by our reporters to our television station affiliates. In addition, we supply customized graphics and other visual programming elements to our television station affiliates.

We utilize live studio cameras in order to enable our traffic reporters to provide our Video News Services on television from our local broadcast studios. In addition, we provide Video News Services from our aircraft and fixed-position based camera systems. The Video News Services include: (1) live video coverage from strategically located fixed-position camera systems; (2) live video news feeds from our aircraft; and (3) full-service, 24 hours per day/7 days per week video coverage from our camera crews using broadcast quality camera equipment and news vehicles.

TrafficLand

On December 22, 2008, Metro Networks Communications, Inc. (Metro) and TrafficLand entered into a License and Services Agreement which provides us with a three-year license to market and distribute TrafficLand services and products. Concurrent with the execution of the License Agreement, Westwood One, Inc. (Metro s parent), TLAC, Inc. (a wholly-owned subsidiary of Westwood formed for such purpose) and TrafficLand entered into an option agreement granting us the right to acquire 100% of the stock of TrafficLand pursuant to the terms of a Merger Agreement which the parties have negotiated and placed in escrow. As a result of payments previously made under the License Agreement, we have the right to cause the Merger Agreement to be released from escrow at any time on or prior to April 15, 2009, at which time the Merger Agreement is deemed executed . The release of the Merger Agreement does not guarantee the merger will close, as such agreement contains closing conditions, including the consent of our lenders. Upon consummation of the closing of the merger, the License Agreement would terminate. Costs of $800 associated with this transaction have been expensed as of December 31, 2008.

Advertising Sales and Marketing

We package our radio commercial airtime on a network basis, covering all affiliates in relevant markets, either locally, regionally or nationally. This packaged airtime typically appeals to advertisers seeking a broad demographic reach. Because we generally sell our commercial airtime on a network basis rather than station-by-station, we generally do not compete for advertising dollars with individual local radio station affiliates. We believe that this is a key factor in maintaining our affiliate relationships. We package our television commercial airtime on a local, regional and national network basis. We have developed a separate sales force to sell our television commercial airtime and to optimize the efforts of our national internal structure of sales representatives. Our advertising sales force is comprised of approximately 125 sales representatives and sales managers.

In many of the markets in which the Metro/Traffic Division conducts operations, we maintain an advertising sales office as part of our operations center. Our advertising sales force is able to sell available commercial airtime in any and all of our markets in addition to selling such airtime in each local market, which we believe affords our sales representatives an advantage over certain competitors. For example, an airline advertiser can purchase sponsorship advertising packages in multiple markets from our local sales representative in the city in which the airline is headquartered.

Our typical radio advertisement for traffic, news, sports and weather information programming consists of an opening announcement and a ten-second or fifteen-second commercial message presented immediately prior to, in the middle of, or immediately following a regularly scheduled information report. Because we have numerous radio station affiliates in each of our markets (averaging approximately 25 affiliates per market in our top 50 markets), we believe that our traffic and information broadcasts reach more people, more often, in a higher impact manner than can be achieved using any other advertising medium. We combine our commercial airtime into multiple sponsorship packages which we sell as an information sponsorship package to advertisers throughout our networks on a local, regional or national basis, primarily during morning and afternoon drive periods.

We believe that the positioning of advertisements within or adjacent to our information reports appeals to advertisers because the advertisers messages are broadcast along with regularly scheduled programming during peak morning and afternoon drive times when a majority of the radio audience is listening. Radio advertisements broadcast during these times typically generate premium rates. Moreover, surveys commissioned by us demonstrate that because our customized information reports are related to topics of significant interest to listeners, listeners often seek out our information reports. Since advertisers messages are embedded in our information reports, such messages have a high degree of impact on listeners and generally will not be pre-empted (i.e., moved by the radio station to another time slot). We offer advertisements that are read live by our on-air talent, providing our advertisers with the added benefit

of an implied endorsement for their product, as well as pre-recorded.

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Our Network Division provides national advertisers with a cost-effective way to communicate their commercial messages to large listening audiences nationwide through purchases of commercial airtime in our national radio networks and programs. An advertiser can obtain both frequency (number of exposures to the target audience) and reach (size of listening audience) by purchasing advertising time from us. By purchasing time in networks or programs directed to different formats, advertisers can be assured of obtaining high market penetration and visibility as their commercial messages will be broadcast on several stations in the same market at the same time. On occasion, we support our national sponsors with promotional announcements and advertisements in trade and consumer publications. This support promotes the upcoming broadcasts of our programs and is designed to increase the advertisers target listening audience.

In most cases, we provide our MetroTV Services to television stations in exchange for thirty-second commercial airtime that we package and sell on a national basis. The amount and placement of the commercial airtime that we receive from television stations varies by market and the type of service provided by us. As we have provided enhanced television video services, we have been able to acquire more valuable commercial airtime. We believe that it offers advertisers significant benefits because, unlike traditional television networks, we often deliver more than one station in major markets and advertisers may select specific markets.

We have established a morning TV news network for our advertisers commercials to air during local news programming and local news breaks in most dayparts. Because we have affiliated a large number of network television stations in major markets, our morning news network delivers a significant national household rating in an efficient and compelling local news environment.

Competition

In the MSA markets in which we operate, we compete for advertising revenue with local print and other forms of communications media, including magazines, local radio, outdoor advertising, network radio and network television advertising, transit advertising, direct response advertising, yellow page directories, internet/new media and point-of-sale advertising. Although we are significantly larger than the next largest provider of traffic and local information services, there are several multi-market operations providing local radio and television programming services in various markets. Furthermore, in recent history, the radio industry has experienced a significant increase in the number of shorter-duration commercial inventory. Also, the consolidation of the radio industry has created opportunities for large radio groups, such as Clear Channel Communications, CBS Radio, ABC and Citadel and other station owners to gather information on their own.

In marketing our programs to national advertisers, we directly compete with other radio networks as well as with independent radio syndication producers and distributors. As a result of consolidation in the radio industry, companies owning large groups of stations have begun to create competing networks that have resulted in additional competition for local, regional and network radio advertising expenditures. In addition, we compete for advertising revenue with network television, cable television, print and other forms of communications media. We believe that the quality of our programming and the strength of our affiliate relations and advertising sales forces enable us to compete effectively with other forms of communication media. We market our programs to radio stations, including affiliates of other radio networks that we believe will have the largest and most desirable listening audience for each of our programs. We often have different programs airing on a number of stations in the same geographic market at the same time. We believe that in comparison with any other independent radio syndication producer and distributor or radio network we have a more diversified selection of programming from which national advertisers and radio stations may choose. In addition, we both produce and distribute programs, thereby enabling us to respond more effectively to the demands of advertisers and radio stations.

The increase in the number of program formats has led to increased competition among local radio stations for audience. As stations attempt to differentiate themselves in an increasingly competitive environment, their demand for quality programming available from outside programming sources increases. This demand has been intensified by high operating and production costs at local radio stations and increased competition for local advertising revenue.

Government Regulation

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

Employees

On December 31, 2008, we had approximately 1,671 employees, including 583 part-time employees. In addition, we maintain continuing relationships with numerous independent writers, program hosts, technical personnel and producers. Approximately 470 of our employees are covered by collective bargaining agreements. We believe relations with our employees, unions and independent contractors are satisfactory.

Available Information

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

Cautionary Statement regarding Forward-Looking Statements

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

Item 1A. Risk Factors

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

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Risks Related to Our Business

There is substantial doubt about our ability to continue as a going concern.

In the fourth quarter of 2008, we failed to pay our most recent semi-annual interest payment due in respect of the existing $150,000 of ten-year Senior Notes due November 30, 2012 and $50,000 of seven-year Senior Notes due November 30, 2009 (the foregoing, the Senior Notes) and were not in compliance with our maximum leverage ratio covenant at December 31, 2008. Both of these events constitute a separate default under the existing Term Loan and Revolving Credit Facility (collectively the Facility) and the Senior Notes. In addition, on February 27, 2009, our outstanding Facility matured and became due and payable in its entirety. We did not pay such amount, which also constitutes an event of default under the Facility and the Senior Notes. As a result management has concluded that there is substantial doubt about our ability to continue as a going concern. While we have agreed in principle on terms to refinance our outstanding debt with our lenders, there can be no assurance that we will consummate the refinancing transaction. While the parties are working towards execution of definitive documentation, if we are unable to reach a definitive agreement, we would not be able to continue as a going concern and could potentially be forced to seek relief through a filing under the U.S. Bankruptcy Code.

An Event of Default has occurred under the terms of our Facility and our Senior Notes. While we have an agreement in principle on terms to refinance all of our debt, there can be no assurance that we will close the refinancing or that the lenders under the Facility and our Senior Notes will not seek to exercise remedies that may be available to them prior to such closing, which would have a material and adverse effect on our business.

In the fourth quarter of 2008, we failed to pay our most recent semi-annual interest payment due in respect of the existing Senior Notes and were not in compliance with our maximum leverage ratio covenant at December 31, 2008. Both of these events constitute a separate default under the Facility and the Senior Notes. In addition, on February 27, 2009, our outstanding Facility matured and became due and payable in its entirety. We did not pay such amount, which also constitutes an event of default under the Facility and the Senior Notes. If we are unable to negotiate definitive documentation with our lenders, entities managed by The Gores Group, LLC, (together with its affiliates, Gores) and a new third party lender, or if our lenders decide for any reason to exercise available remedies under the Facility and the Senior Notes, in the absence of obtaining approximately $47,000 in additional capital to satisfy such payments and our obtaining a waiver of our 4.0 to 1.0 debt leverage covenant (which we anticipate violating upon delivery of our audited financial statements as described elsewhere in this report), we will not be able to make such payments and could be forced to seek the protection of the bankruptcy laws.

Our operating income has declined since 2002. We may not be able to reverse this trend particularly in the current economic environment or reduce costs sufficiently to offset anticipated declines in revenue.

Since 2002, our operating income has declined from approximately $180,000 to an operating loss of $(438,041) ($19,430 exclusive of goodwill impairment charges of $430,126, restructuring charges of $14,100 and special charges of $13,245), with the most significant decline occurring in the past three years. In addition, our 2006 and 2008 results were adversely affected by goodwill impairment charges of approximately $516,000 and $430,000, respectively. Given the current economic climate, it is possible our operating income will continue to decline. Historically, we have been able to reduce expenses to partially mitigate the impact of the decline in our revenue and its effect on operating income. However, given the extensive restructuring of the Metro/Traffic division from 61 offices into 13 hubs (announced in Q3 of 2008 and anticipated to be completed by the end of Q2 of 2009), our ability to implement further significant cost reductions without negatively affecting our revenue is somewhat limited, and may make it difficult for us to mitigate the impact of further declines in revenue.

The global credit market disruptions and economic slowdown which significantly worsened in the third quarter of 2008 have created a difficult and uncertain environment across all industries and there is no immediate sign of a recovery.

The recent credit market disruptions and economic contraction in the United States and globally have been severe, creating an economic environment unseen in recent history. Aside from the decline in consumer spending as described below, many of our clients could face their own difficulties in obtaining necessary financing to fund their ordinary course business operations. Given the economic downturn and the tight credit markets, many advertisers are reducing their ad budgets and/or negotiating reductions in rates, each of which has impacted our financial results. Depending on

the severity of the economic downturn and the pace of recovery, our operating results could continue to be negatively impacted.

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***Even if we complete the refinancing, the cost of our indebtedness is expected to increase substantially, which, when combined with our recent performance of declining revenue, will affect our liquidity and could limit our ability to implement our business plan and respond competitively*.**

Since 2004, our revenue has declined from approximately $562,000 to $404,000. This decrease in revenue has been attributable to a decline in audience and in the quality and quantity of commercial inventory on both a local/regional and a national basis, increased competition, a decline in a number of customer accounts and a substantial reduction in sales persons. Our strategy to increase revenue is dependent on, among other things, our ability to reverse these declines in audience, improve our affiliate base, hire additional sales persons and managers, modernize our distribution system and expand our product offerings to other distribution platforms, all of which, to varying degrees, require additional capital. While we have reached an agreement in principle with our lenders and Gores on the terms of a refinancing, which we anticipate will provide us with access to an additional $35,000 in capital, we cannot be certain the completion of such refinancing will occur. If the refinancing is completed, we anticipate that annual interest payments on our debt will increase from approximately $12,000 to $19,000; $7,000 of this interest may be paid in kind (PIK). If the economy continues to stall and advertisers continue to maintain reduced budgets which do not recover in 2009, notwithstanding the closing of the refinancing, we may be required to delay the implementation or reduce the scope of our business plan and our ability to develop or enhance our services or programs could be curtailed. Without additional revenue and/or capital, we may be unable to take advantage of business opportunities or respond to competitive pressures, such as M&A opportunities or securing rights to marquee or popular programming. If any of the foregoing should occur, this could have a material and adverse effect on our business.

***Our revenue could further decline if the general economy and broadcast industry do not improve and even more so if the economy and industry worsen, and consumer spending remains constrained or is further restricted*.**

Our revenue is largely based on advertisers seeking to stimulate consumer spending. In recent months, consumer confidence has eroded significantly amid the national and global economic slowdown, increased unemployment and layoffs and the general belief that the U.S. has entered a recession, which many now believe to be a sustained recession and/or contraction. Advertising expenditures and consumer spending tend to decline during recessionary periods and they have done so in this economy, as advertising budgets in the retail, automotive and financial services industries have softened. More recently, advertisers (and the agencies that represent them), faced with their own reduced budgets and sales levels, have put increased pressure on advertising rates, in some cases, requesting broad percentage discounts on ad buys, demanding increased levels of inventory and re-negotiating booked orders. Reductions in advertising expenditures and declines in ad rates have affected our revenues.

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

We compete in a highly competitive business. Our radio programming competes for audiences and advertising revenue directly with radio and television stations and other syndicated programming, as well as with other media such as newspapers, magazines, cable television, outdoor advertising and direct mail and more increasingly with digital media. We may experience increased audience fragmentation caused by the proliferation of new media platforms. Additionally, audience ratings and performance-based revenue arrangements are subject to change and any adverse change in a particular geographic area could have a material and adverse effect on our ability to attract not only advertisers in that region, but national advertisers as well. Increased competition, in part, has resulted in reduced market share, and could result in lower audience levels, advertising revenue and ultimately lower cash flow. In addition, the following factors could have an adverse effect upon our financial performance.

- advertiser spending patterns, including the notion that orders are placed in close proximity to the time such ads are broadcast, which could affect spending patterns and limit visibility of demand for our products;
- the level of competition for advertising dollars;
- new competitors or existing competitors with expanded resources, including as a result of consolidation; and
- lower than anticipated market acceptance of new or existing products.

Although we believe that our radio programming will continue to attract audiences and advertisers, there can be no assurance that we will be able to compete effectively, regain our market share and increase or maintain our current audience ratings and advertising revenue. To the extent we experience a decline in audience for our programs or the cost of programming continues to increase (or in some cases cannot be reduced in connection with the new economic environment), we might be unable to retain the rights to popular programs and advertisers willingness to purchase our advertising could be further reduced.

Gores Radio Holdings, LLC exercises significant influence and control over our management and affairs.

In connection with the investment made by Gores, Gores is entitled to designate three (3) directors to our 11-person Board of Directors and nominate an independent director to the Board. Additionally, for as long as Gores holds 50% of the 7.50% Series A Convertible Preferred Stock (Series A Preferred Stock) issued to it on June 19, 2008 (as it does presently), we cannot take certain enumerated actions without Gores consent. Such actions include: issuing capital stock; merging or consolidating with another company on or prior to December 19, 2013; selling assets with a fair market value of $25,000 or more; increasing the size of the Board; adopting an annual budget or materially deviating from the approved budget, making capital expenditures in excess of $15,000; or amending our charter or bylaws. To the extent Gores and our management have different viewpoints regarding the desirability or efficacy of taking certain actions in the future, our ability to enact changes we may believe necessary or appropriate could be compromised and the operations of the business could be negatively affected. Shares owned by Gores currently represent approximately 32.7% of the voting power of the Company. Accordingly, Gores would exercise substantial influence on the outcome of most any matter submitted to a vote of our shareholders. The refinancing described elsewhere in this annual report contemplates that Gores will acquire a controlling interest in us and take control of the Board upon consummation of the refinancing.

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

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

We may be required to recognize further impairment charges.

On an annual basis and upon the occurrence of certain events, we are required to perform impairment tests on our identified intangible assets with indefinite lives, including goodwill, which testing could impact the value of our business. At December 31, 2008, we determined that our goodwill was impaired and recorded an impairment charge of $224,073, which is in addition to the impairment change of $206,053 taken on June 30, 2008. The remaining book value of our goodwill at December 31, 2008 is $33,988. Unanticipated differences to our forecasted operational results and cash flows could require a provision for further impairment that could significantly affect our reported earnings in a period of such change.

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Risks Relating to Our Common Stock

***We have has been delisted from the New York Stock Exchange and do not have immediate plans to list on an alternate exchange*.**

Since November 24, 2008, our common stock ceased to be traded on the NYSE, which has affected the liquidity of our common stock. On March 16, 2009, we were delisted from the NYSE and at this time, we do not have any immediate plans to list on an alternate exchange such as Nasdaq or Amex, which means our common stock will continue to be lightly traded and liquidity may be negatively affected for the foreseeable future.

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

Item 1B. Unresolved Staff Comments

This item is not applicable.

Item 2. Properties

We own three buildings in Culver City, California: (1) a 10,000 square-foot building which contains administrative, sales and marketing; (2) a 10,000 square-foot building which contains our two traffic and news reporting divisions, Metro/Traffic Networks and Shadow Broadcast Services; and (3) a 6,500 square-foot building which contains our production facilities. In addition, we lease operation centers/broadcast studios and marketing and administrative offices across the United States consisting of over 290,000 square feet in the aggregate, pursuant to the terms of various lease agreements.

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

Item 3. Legal Proceedings

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

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

None.

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PART II

(In thousands, except per share amounts)

Item 5. Market for Registrant s Common Equity and Related Stockholder Matters

On February 24, 2009, there were approximately 350 holders of record of our common stock, several of which represent street accounts of securities brokers. Based upon the number of proxies requested by brokers in conjunction with our annual meeting of shareholders held on February 12, 2009, we estimate that the total number of beneficial holders of our common stock exceeds 6,800.

Since December 15, 1998, our common stock has been traded on the New York Stock Exchange (NYSE) under the symbol WON . The following table sets forth the range of high and low last sales prices on the NYSE for the common stock for the calendar quarters indicated. On November 24, 2008 we were suspended from trading on the NYSE and on March 16, 2009 we were delisted.

	High	Low
2008		
First Quarter	$ 2.16	$ 1.51
Second Quarter	2.28	1.05
Third Quarter	1.42	0.49
Fourth Quarter	0.41	0.02
2007		
First Quarter	$ 7.24	$ 6.17
Second Quarter	8.16	6.48
Third Quarter	7.17	2.32
Fourth Quarter	3.00	1.83

The last sales price for our common stock on February 27, 2009 was $0.06.

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

There is no established public trading market for our Class B stock. However, the Class B stock is convertible to common stock on a share-for-share basis. On February 28, 2009, there were two holders of record of our Class B stock.

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Equity Compensation Plan Information

The following table contains information as of December 31, 2008 regarding our equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) (in thousands)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plus excluding securities reflected in Column (a)
Equity compensation plans approved by security holders			
Options (1)	7,000	$ 7.52	(3)
Warrants (2)	10,000	6.00	N/A
Restricted Stock Units	1,216	N/A	(3)
Restricted Stock	364	N/A	(3)
Equity compensation plans not approved by security holders			
Total	18,580		

(1) Options included herein were granted or are available for grant as part of our 1989 and 1999 stock option plans and/or 2005 Equity Compensation plan (the 2005 Plan) that were approved by our shareholders. The Compensation Committee of the Board of Directors approves periodic option

grants to executive officers and other employees based on their contributions to our operations. Among other things, the 2005 Plan provides for the granting of restricted stock and restricted stock units (RSUs). A maximum of 9,200 shares of our common stock is authorized for the issuance of awards under the 2005 Plan. Pursuant to the 2005 Plan since May 19, 2005, the date of our 2005 annual meeting of shareholders, outside directors have automatically received a grant of RSUs equal to $100 in value on the date of each of our annual meeting of shareholders. Any newly appointed outside director will receive an initial grant of RSUs equal to $150 in value on the date such director is appointed to our Board.

Recipients of RSUs are entitled to receive dividend equivalents on the RSUs (subject to vesting) when and if we pay a cash dividend on our common stock. RSUs awarded to outside directors vest over a three-year period in equal one-third increments on the first, second and third anniversary of the date of the grant, subject to the director s continued service with us. Directors RSUs vest automatically, in full, upon a change in control or upon their retirement, as defined in the 2005 Plan. RSUs are payable to outside directors in shares of our common stock. For a more complete description of the provisions of the 2005 Plan, refer to our proxy statement in which the 2005 Plan and a

summary thereof are included as exhibits, filed with the SEC on April 29, 2005.

(2) Warrants included herein were granted to Gores in conjunction with the Series A Preferred Stock. On June 19, 2008, we completed a $75,000 private placement of the Series A Preferred Stick with an initial conversion price of $3.00 per share and four-year warrants to purchase an aggregate of 10,000 shares of our common stock in three approximately equal tranches with exercise prices of $5.00, $6.00 and $7.00 per share, respectively, to Gores Radio Holdings, LLC.

(3) A maximum of 9,200 shares of common stock is authorized for issuance of equity compensation awards under

the 2005 Plan. Options, RSUs and restricted stock are deducted from this authorized total, with grants of RSUs, restricted stock, and related dividend equivalents being deducted at the rate of three shares for every one share granted.

The performance graph below compares the performance of our common stock to the Dow Jones US Total Market Index and the Dow Jones US Media Index for the last five calendar years. The graph assumes that $100 was invested in our common stock and each index on December 31, 2003.

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The following tables set forth the closing price of our common stock at the end of each of the last five years.

CUMULATIVE TOTAL RETURN	2004	2005	2006	2007	2008
Westwood One, Inc.	78.72	48.40	21.73	6.14	0.17
Dow Jones US Total Market Index	112.01	119.10	137.64	145.91	91.69
Dow Jones US Media Industry Index	101.68	90.01	113.82	99.47	58.55
Westwood One Closing Stock Price	26.93	16.30	7.06	1.99	0.06

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Issuer Purchases of Equity Securities

Period		Number of Shares Purchased in Period	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Program (A) (B)	
10/1/08	10/31/08	0	n/a	21,001	$	290,490
11/1/08	11/30/08	0	n/a	21,001	$	290,490
12/1/08	12/31/08	0	n/a	21,001	$	290,490

(A) Represents remaining authorization from the additional $250,000 repurchase authorization approved on February 24, 2004 and the additional $300,000 authorization approved on April 29, 2005. Our existing stock purchase program was publicly announced on September 23, 1999.

(B) Our Board of Directors has suspended all future stock repurchases under the aforementioned plans for the foreseeable

future.

On January 3, 2008, 2 shares of our common stock were withheld from the vested portion of a 2006 equity compensation award to Peter Kosann our then Chief Executive Officer, in order to satisfy taxes payable by Mr. Kosann in connection with the 10 shares of such award that vested on January 3, 2008. On such date, the closing stock price of our common stock was $1.94 per share.

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Item 6. Selected Financial Data
(In thousands except per share data)

	2008	2007	2006	2005(1)	2004(1)
OPERATING RESULTS FOR YEAR ENDED DECEMBER 31:					
Revenue	$ 404,416	$ 451,384	$ 512,085	$ 557,830	$ 562,246
Operating and Corporate Costs, Excluding Depreciation and Amortization, Goodwill Impairment and Special Changes	373,934	363,611	409,814	393,026	392,693
Goodwill Impairment	430,126		515,916		
Depreciation and Amortization	11,052	19,840	20,756	20,826	18,429
Restructuring Charges	14,100				
Special Charges	13,245	4,626	1,579		
Operating (Loss) Income	(438,041)	63,307	(435,980)	143,978	151,124
Net (Loss) Income	(427,563)	24,368	(469,453)	77,886	86,955
(Loss) Income Per Basic Share					
Common stock	$ (4.39)	$ 0.28	$ (5.46)	$ 0.86	$ 0.90
Class B stock	$	$ 0.02	$ 0.26	$ 0.24	$
(Loss) Income Per Diluted Share					
Common stock	$ (4.39)	$ 0.28	$ (5.46)	$ 0.85	$ 0.88
Class B stock	$	$ 0.02	$ 0.26	$ 0.24	$
Dividends Declared (2)					
Common stock	$	$ 0.02	$ 0.32	$ 0.30	$
Class B stock	$	$ 0.02	$ 0.26	$ 0.24	$
BALANCE SHEET DATA AT DECEMBER 31:					
Current Assets	$ 119,468	$ 138,154	$ 149,222	$ 172,245	$ 174,346
Working Capital / (Deficit) (3)	(208,034)	47,294	29,313	72,094	93,005
Total Assets	205,088	669,757	696,701	1,239,646	1,262,495
Long-Term Debt (3)		345,244	366,860	427,514	359,439
Total Shareholders (Deficit) Equity	(203,145)	227,631	202,931	704,029	800,709

(1) Effective January 1, 2006,

we adopted Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 123 (Revised 2004), Share Based Payment (SFAS 123R) utilizing the modified retrospective transition alternative. Accordingly, results for years prior to 2006 have been restated to reflect stock-based compensation expense in accordance with SFAS 123R.

(2) No cash dividend was paid on our common stock or Class B stock in 2004 or 2008. In 2005, our Board of Directors declared cash dividends of $0.10 per share for every issued and outstanding share of common stock and $0.08 per share for every issued and outstanding share of Class B

stock on each of April 29, 2005, August 3, 2005 and November 2, 2005. In 2006, our Board of Directors declared cash dividends of $0.10 per share for every issued and outstanding share of common stock and $0.08 per share for every issued and outstanding share of Class B stock on each of February 2, 2006, April 18, 2006 and August 7, 2006. Our Board of Directors declared a cash dividend of $0.02 per share for every issued and outstanding share of common stock and $0.016 per share for every issued and outstanding share of Class B stock on November 7, 2006. Our Board of Directors declared cash dividends of $0.02 per share for every issued and outstanding share of common stock

and $0.016 per share for every issued and outstanding share of Class B stock on March 6, 2007. The payment of dividends is prohibited by the terms of our Facility, and accordingly, we do not plan on paying dividends for the foreseeable future.

(3) On November 30, 2008, we failed to make the interest payment on our outstanding indebtedness which constitutes an event of default under the Facility and the Senior Notes. Accordingly, $249,053 of debt previously considered long-term has been re-classified as short-term debt, which decreased working capital from $41,019 to ($208,034).

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

EXECUTIVE OVERVIEW

Westwood One is a provider of programming, information services and other content to the radio, TV and digital sectors. We are one of the largest domestic outsourced providers of traffic reporting services and one of the nation s largest radio networks, producing and distributing national news, sports, music, talk and entertainment programs, features and live events, in addition to local news, sports, weather, video news and other information programming. We deliver our content to over 5,000 radio and television stations in the U.S. The commercial airtime that we sell to our advertisers is acquired from radio and television affiliates in exchange for our programming, content, information, and in certain circumstances, cash compensation.

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

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

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

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

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

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The principal components of our operating expenses are programming, production and distribution costs (including affiliate compensation and broadcast rights fees), selling expenses including commissions, promotional expenses and bad debt expenses, depreciation and amortization, and corporate general and administrative expenses. Corporate general and administrative expenses are primarily comprised of costs associated with the Management Agreement (which terminated on March 3, 2008), corporate accounting, legal and administrative personnel costs, and other administrative expenses, including those associated with corporate governance matters. Special charges include one-time expenses associated with the renegotiation of the CBS agreements, the Gores investment, re-financing costs and re-engineering expenses.

We consider our operating cost structure to be largely fixed in nature, and as a result, we need several months lead time to make significant modification to our cost structure to react to what we view are more than temporary increases or decreases in advertiser demand. This becomes important in predicting our performance in periods when advertiser revenue is increasing or decreasing. In periods where advertiser revenue is increasing, the fixed nature of a substantial portion of our costs means that operating income will grow faster than the related growth in revenue. Conversely, in a period of declining revenue, operating income will decrease by a greater percentage than the decline in revenue because of the lead time needed to reduce our operating cost structure. If we perceive a decline in revenue to be temporary, we may choose not to reduce our fixed costs, or may even increase our fixed costs, so as to not limit our future growth potential when the advertising marketplace rebounds. We carefully consider matters such as credit and commercial inventory risks, among others, in assessing arrangements with our programming and distribution partners. In those circumstances where we function as the principal in the transaction, the revenue and associated operating costs are presented on a gross basis in the Consolidated Statement of Operations. In those circumstances where we function as an agent or sales representative, our effective commission is presented within revenue with no corresponding operating expenses. Although no individual relationship is significant, the relative mix of such arrangements is significant when evaluating operating margin and/or increases and decreases in operating expenses.

We engaged consultants for the most part to assist us in determining the most cost effective manner to gather and disseminate traffic information to our constituents. As a result, we announced a Metro/Traffic re-engineering initiative that was implemented in the last half of 2008. We expect to incur ongoing costs related to this re-engineering initiative and accordingly recorded charges of $10,598 in the third quarter and $3,502 in the fourth quarter of 2008, respectively.

On October 2, 2007, we entered into a definitive agreement with CBS Radio documenting a long-term arrangement through March 31, 2017. As part of the new arrangement which was approved by our shareholders on February 12, 2008, closed on March 3, 2008**,** CBS Radio agreed to broadcast certain of our commercial inventory for our Network and Metro/Traffic and information division through March 31, 2017 in exchange for certain programming and/or cash compensation. If CBS Radio chooses to divest its radio stations to third parties, with certain exceptions CBS Radio is required to assign such station s agreements to the new owner or air our commercial inventory on a comparable station they continue to own. As part of the new arrangement, certain existing agreements between us and CBS Radio, including the News Programming Agreement, the Technical Services Agreement and the Trademark License Agreement were amended and restated and extended through March 31, 2017. Under the new arrangement, CBS Radio agreed to assign to us all of its right, title and interest in and to the warrants to purchase common stock outstanding under prior agreements. These warrants were cancelled and retired on March 3, 2008.

The new arrangement with CBS Radio is particularly important to us, as in recent years, the radio broadcasting industry has experienced a significant amount of consolidation. As a result, certain major radio station groups, including Clear Channel Communications and CBS Radio, have emerged as powerful forces in the industry. While we provide programming to all major radio station groups, our extended affiliation agreements with most of CBS Radio s owned and operated radio stations provide us with a significant portion of the audience that we sell to advertisers.

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When CBS Radio discontinued Howard Stern s radio program in 2006, the audience delivered by affiliates that broadcast the program declined significantly. Many of our affiliation agreements with CBS Radio did not allow us to reduce the compensation those stations were paid as a result of delivering a lower audience. Additionally, certain CBS Radio stations broadcast fewer commercials than in prior periods. These items contributed to a significant decline in our national audience delivery to advertisers. Our new arrangement with CBS (which became effective on March 3, 2008), mitigates both of these circumstances going forward by adjusting affiliate compensation up and/or down as a result of changes in audience levels. In addition, the arrangement provides CBS Radio with financial incentives to broadcast substantially all of our commercial inventory (referred to as clearance) in accordance with their contract terms and significant penalties for not complying with the contractual terms of our arrangement. We believe that CBS Radio has taken and will continue to take the necessary steps to stabilize and increase the audience reached by its stations. It should be noted however, that even as CBS takes steps to increase its compliance with our affiliation agreements, our operating costs will increase before we will be able to increase prices for the larger audience we will deliver, which was and may continue to be a contribution to the decline in our operating income.

Results of Operations and Financial Condition

Revenue

We established a new organizational structure in 2008 pursuant to which we manage and report our business in two operating segments: Network and Metro/Traffic. Our Network Division produces and distributes regularly scheduled and special syndicated programs, including exclusive live concerts, music and interview shows, national music countdowns, lifestyle short features, news broadcasts, talk programs, sporting events and sports features. Our Metro/Traffic Division provides traffic reports and local news, weather and sports information programming to radio and television affiliates and their websites. We evaluate segment performance based on segment revenue and segment operating (loss)/income. Administrative functions such as finance, human resources and information systems are centralized. However, where applicable, portions of the administrative function costs are allocated between the operating segments. The operating segments do not share programming or report distribution. Operating costs are captured discretely within each segment. Our accounts receivable and property, plant and equipment are captured and reported discretely within each operating segment.

Revenue presented by operating segment is as follows for the years ending December 31:

	2008		2007		2006	
	$	% of Total	$	% of Total	$	% of Total
Metro	$ 194,884	48%	$ 232,446	51%	$ 265,768	52%
Network	209,532	52%	218,938	49%	246,317	48%
Total (1)	$ 404,416	100%	$ 451,384	100%	$ 512,085	100%

(1) As described above, we currently aggregate revenue data based on the operating segment. A number of advertisers purchase both

local/regional and national commercial airtime in both segments. Our objective is to optimize total revenue from those advertisers.

For the year ended December 31, 2008 (2008) revenue decreased $46,968, or 10.4%, from $451,384 to $404,416 and for the year ended December 31, 2007 (2007) revenue decreased $60,701, or 11.9%, from $512,085 for the year ended December 31, 2006 (2006). The decrease in 2008 was principally attributable to the current economic downturn. Revenue in 2008 and 2007 was also affected by increased competition, lower audience levels and a reduction in our sales force.

For 2008 Metro/Traffic revenue decreased to $194,884, a decline of 16.2%, from $232,446 in 2007 and $265,768 in 2006, a decline of 12.5%. The 2008 decrease is primarily due to the current economic downturn, a weak local advertising marketplace primarily in the automotive, financial services and retail categories, increased competition and a continued reduction in :10 second inventory units available to sell. The 2007 decrease was principally attributable to a 15% reduction in our sales force from 2006, a reduction in :10 second inventory units to sell as a result of the closure of several second-tier traffic markets in mid to late 2006 and canceling several representation and affiliation agreements (representing an approximately 18% decrease in inventory units from June 30, 2006 to December 31, 2007), and increased :10 second inventory being sold by radio stations. The reduced demand was experienced in most markets and advertiser categories.

For 2008 Network revenue was $209,532, compared to $218,938 for 2007, a 4.3% decline, and from $246,317 in 2006, a decline of 11.1%. The decline in 2008 is primarily the result of the general decline in advertising spending, which started to contract mid-year and which accelerated during the fourth quarter of 2008. Our performance was also impacted by lower revenues from our RADAR inventory and lower barter revenue. The decrease in 2007 Network revenue was principally attributable to an approximate 23% reduction in our quarterly gross impressions from RADAR rated network inventory (news programming inventory) which resulted from our affiliates experiencing audience declines, lower clearance levels by certain CBS Radio stations and planned reductions in affiliate compensation, the cancellation of certain programs (approximately $5,500) and the non-recurrence of revenue attributable to the 2006 Winter Olympic games (approximately $5,700), partially offset by revenue generated from new program launches (approximately $6,000). Excluding the effect of the non-recurrence of revenue attributable to the 2006 Winter Olympics, national revenue would have declined approximately 8.9%.

Expenses

Operating costs

Operating costs for the years ended December 31, 2008, 2007 and 2006 were as follows:

	2008		2007		2006	
	$	% of Total	$	% of Total	$	% of Total
Programming, production and distribution expenses	$ 293,740	81%	$ 274,645	78%	$ 301,562	76%
Selling expenses	34,343	10%	34,237	10%	46,814	12%
Stock-based compensation	5,443	2%	5,386	2%	6,345	2%
Other operating expenses	26,966	7%	36,172	10%	40,475	10%
	$ 360,492	100%	$ 350,440	100%	$ 395,196	100%

Operating costs for the twelve months ended December 31, 2008 increased $10,052, or 2.9%, to $360,492 from $350,440 for the twelve months ended December 31, 2007 due to increased station compensation and salary costs, which were partially offset by the elimination of management fees as a result of the new CBS arrangement. Operating costs in 2007 decreased $44,756, or 11.3%, to $350,440 from $395,196 in 2006.

Expenses for programming, production and distribution were $293,740 for the year ended December 31, 2008, an increase of $19,095 from $274,645 for the same period ending December 31, 2007. The increase relates to an increase in station compensation costs primarily related to the CBS arrangement. Programming, production and distribution expenses in 2007 decreased $26,917 or 8.9% to $274,645 from $301,562 in 2006. The 2007 decrease is principally attributable to the cancellation of certain programming contracts (approximately $15,000), the non-recurrence of costs associated with the 2006 Winter Olympics and lower payroll and rent costs associated with closing certain traffic information operation centers (approximately $9,000).

Selling expenses in 2008 remained relatively flat at $34,343 as compared to $34,237 in 2007. Selling expenses in 2007 decreased $12,577, or 26.9%, to $34,237 from $46,814 in 2006. The 2007 decrease was principally attributable to a reduction in sales staff and commissions $(7,800) and a decrease in bad debt expense of approximately $(2,200).

Other operating expenses in 2008 declined by $9,206, or 25.5%, to $26,966 from $36,172 in 2007, the majority of which is the elimination of the CBS management fee. The decrease in other operating expenses also reflects the Metro/Traffic re-engineering program and other cost reductions, which led to declines in Metro/Traffic-related personnel, facilities and aviation costs. Other operating expenses in 2007 decreased $4,303, or 10.6%, to $36,172 from $40,475 in 2006. The 2007 decrease was principally attributable to reduction in personnel costs.

Depreciation and Amortization

Depreciation and amortization in 2008 decreased $8,788, or 44.3%, to $11,052 primarily as a result of the cancellation of the CBS warrants. In 2007, depreciation and amortization decreased $916, or 4.4%, to $19,840 from $20,756 in 2006. The 2007 decrease is principally attributable to certain assets becoming fully depreciated.

Corporate General and Administrative Expenses

Corporate general and administrative expenses in 2008 increased slightly to $13,442 from $13,171 in 2007, a $271, or 2.1%, increase. The increase reflects an increase in salary and wages and stock-based compensation offset by a reduction in legal fees and the CBS management fee. In 2007, corporate general and administrative expenses decreased $1,447, or 9.9%, to $13,171 from $14,618 in 2006. The 2007 decrease was principally attributable to reduced stock-based compensation and lower corporate governance costs, partially offset by increased personnel costs.

Goodwill Impairment

On an annual basis and upon the occurrence of certain interim triggering events, we are required to perform impairment tests on our identified intangible assets with indefinite lives, including goodwill, which testing could impact the value of our business.

Prior to 2008, we operated as a single reportable operating segment: the sale of commercial airtime. As part of our re-engineering initiative, in the fourth quarter of 2008, we installed separate management for the Network and Metro/Traffic divisions providing discrete financial information and management oversight. In accordance with Statement of Financial Accounting Standards 142, Goodwill and Other Intangible Assets (FAS 142), we have determined that each division is an operating segment. A reporting unit is the operating segment or a business which is one level below the operating segment. Our reporting units are consistent with our operating segments and impairment has been tested at this level.

We employ an independent firm specializing in valuation services to assist us in determining the fair value of the reporting units and goodwill. In connection with the 2008 testing, we have determined that using a discounted cash flow model was the best calculation of our fair value. In prior periods, the fair value was calculated on a consistently applied weighted average basis using a discounted cash flow model and the quoted market price of our common stock. In 2008, we determined that our goodwill was impaired and recorded impairment charges totaling $430,126 ($206,053 in the second quarter and $224,073 in the fourth quarter). The remaining value of our goodwill is $33,988.

In connection with our annual goodwill impairment testing for 2007, we determined our goodwill was not impaired at December 31, 2007. The conclusion that our fair value was greater than our carrying value at December 31, 2007 was based upon management s best estimates including a valuation study that was prepared by an independent firm specializing in valuation services using our operational forecasts.

In connection with our annual goodwill impairment testing for 2006, based on a similar approach as applied in 2007, we determined our goodwill was impaired and recorded a non-cash charge of $515,916. The goodwill impairment, the majority of which was not deductible for income tax purposes, was primarily due to our declining operating performance and the reduced valuation multiples in the radio industry. If actual results differ from our operational forecasts, or if the discount rate used in our calculation increases, an impairment may be required to be recorded in the future.

Restructuring Charges

In connection with the re-engineering of our traffic operations and other cost reductions, which included the consolidation of leased offices, staff reductions and the elimination of underperforming programming, and was implemented to a significant degree in the last half of 2008, we recorded $14,100 in restructuring charges for the twelve months ended December 31, 2008. We anticipate further charges of approximately $9,700 as additional phases of the original traffic re-engineering and other programs are implemented and finalized in the second quarter of 2009. The total restructuring charges for the traffic re-engineering and other cost savings programs are projected to be approximately $23,800. In addition, we have introduced and will complete new cost reduction programs in 2009. As these programs are implemented, we anticipate that we will incur new incremental costs for severance of approximately $6,000 and contract terminations of $3,100. In total, we estimate we will record aggregate restructuring charges of approximately $32,900, consisting of: (1) $15,500 of severance, relocation and other employee related costs; (2) $7,400 of facility consolidation and related costs; and (3) $10,000 of contract termination costs.

Special Charges

We incurred costs aggregating $13,245, $4,626 and $1,579 in 2008, 2007 and 2006, respectively. Special charges for 2008 were primarily related to a $5,000 payment to CBS Radio as a result of the new arrangement with CBS Radio, legal and advisor costs associated with the new arrangement, consulting costs attributable to our Metro/Traffic re-engineering initiative, re-financing transaction costs and costs related to the issuance of Series A Preferred Stock to Gores. The 2007 and 2006 charges relate to the negotiation of a new long-term arrangement with CBS Radio and for severance obligations related to executive officer changes.

Operating Income (Loss)

We incurred an operating loss of $(438,041) in 2008. Absent the goodwill impairment charge of $430,126, we incurred an operating loss of $(7,915) in 2008 as compared to operating income of $63,307 in 2007, a decline of $71,222. The decline for the twelve months ended December 31, 2008 reflects a $46,968 decrease in revenue and an increase in costs due to restructuring charges for the closedown of facilities in connection with the Metro/Traffic re-engineering initiative, accrued severance payments, increased personnel costs and costs associated with the new CBS agreement. Operating income in 2007 increased $499,287 to $63,307 from an operating loss of $(435,980) in 2006. Excluding the 2006 impairment charge, operating income in 2007 decreased $16,629, or 20.8%, to $63,307 from $79,936 in 2006. The 2007 decrease was attributable to lower revenue, partially offset by a reduction in operating costs.

Interest Expense

Interest expense in 2008 decreased $6,975 from $23,626 in 2007 to $16,651 in 2008 reflecting the decrease in the amount of outstanding debt. Interest expense in 2007 decreased $1,964, or 7.7%, to $23,626 from $25,590 in 2006. The 2007 decrease was principally attributable to lower average borrowings under our Facility, partially offset by an increase in interest rates, higher amortization of deferred debt costs as a result of amending the Facility in 2006, and a payment to terminate one of our fixed to floating interest rate swap agreements on our $150,000 Note. Our weighted average interest rate was 6.5% in 2008 and 6.3% in 2007.

In January and February 2008, we amended our Facility to increase our leverage ratio and eliminate a provision that deemed the termination of the CBS Radio management agreement an event of default. As a result, our interest rate under the amended agreement for the Facility was increased to LIBOR + 175 basis points from LIBOR + 125 basis points. If the refinancing is completed, we anticipate that annual interest payments on our debt will increase from approximately $12,000 to $19,000.

Other Income

Other income was $12,369, $411, and $926 in 2008, 2007, and 2006, respectively. Other income in 2008 was principally due to a gain of $12,420 on the sale of securities in the third quarter and in 2007, was principally attributable to interest earned on our invested cash balances. In 2006, in addition to interest income, we received $529 in connection with a recapitalization transaction of our investee, POP Radio, LP (POP Radio).

Provision for Income Taxes

Income tax expense in 2008 decreased $30,484, or 193.9%, to $(14,760) from $15,724 in 2007, the result of a portion of the goodwill impairment charge recorded during the year being tax deductible. Income tax expense in 2007 increased $6,915, or 78.5%, to $15,724 from $8,809 in 2006. In 2008, our effective income tax rate was 3.3%. The effective 2008 income tax rate was impacted by the 2008 goodwill impairment charge being substantially non-deductible for tax purposes. The 2007 effective income tax rate benefited from a change in New York State tax law on our deferred tax balance (approximately $100). The 2006 income tax provision was impacted by the 2006 goodwill impairment and related deferred tax attributes.

Net Income (Loss)

Net income in 2008 decreased $451,931 to a loss of $(427,563) $(4.39) per basic common share and $(4.39) per diluted common share, from net income of $24,368 ($0.28 per basic and diluted common share and $0.02 per basic and diluted Class B share) in 2007. This compares with a net loss of $(469,453) ($(5.46) per basic and diluted common share and $(0.26) per basic and diluted Class B share) in 2006.

Weighted-Average Shares

Weighted-average shares outstanding for purposes of computing basic net income (loss) per common share were 98,015, 86,112, and 86,013 in 2008, 2007 and 2006, respectively. Weighted-average shares outstanding for purposes of computing diluted net income (loss) per common share were 98,307, 86,426, and 86,013 in 2008, 2007, and 2006, respectively. As a result of incurring a net loss in 2008 and 2006, basis and diluted weighted-average Common shares outstanding are equivalent, as common stock equivalents from stock options, unvested restricted stock and warrants would be anti-dilutive.

Liquidity and Capital Resources

We continually monitor and project our anticipated cash requirements, which include working capital needs, capital expenditures and principal and interest payments on our indebtedness and potential acquisitions. Except for the non-payment of our interest and debt maturity described below, our funding requirements have been financed through cash flow from operations, the issuance of long-term debt and the issuance of $100,000 of common stock and Series A Preferred Stock to Gores in March and June of 2008, respectively.

At December 31, 2008, our principal sources of liquidity were our cash and cash equivalents of $6,437 and borrowings under our Facility. As previously disclosed and as discussed elsewhere in this report, on February 27, 2009, our outstanding indebtedness under our Facility, which totals approximately $41,000, matured and became due and payable in its entirety. Additionally, we did not make our most recent interest payment to our noteholders on November 30, 2008. The non-payment of such amounts constitutes an event of default under the Facility and the Senior Notes, respectively. We are presently unable to meet our outstanding debt obligations, which raise substantial doubt about our ability to continue as a going concern. Absent negotiating and executing definitive documentation with various lenders and Gores, obtaining approximately $47,000 in additional capital to satisfy our outstanding debt payments and obtaining a waiver of our 4.0 to 1 debt leverage covenant (which we anticipate violating upon delivery of our audited financial statements as described elsewhere in this report), our sources of liquidity are inadequate to fund immediate and ongoing operating requirements in the next twelve months. We currently have an agreement in principle on terms to refinance all of our debt (described in more detail below), however, there can be no assurance that we will close the refinancing or that the lenders under our Facility and our Senior Notes will not seek to exercise remedies that may be available to them prior to such closing. If we are unable to consummate the refinancing or the lenders choose to exercise the remedies available to them, we would be forced to seek the protection of bankruptcy laws. Any of these events could have a material and adverse effect on our business, results of operations, cash flows and financial condition.

As currently contemplated, we expect the refinancing will result in our having the following debt: a new series of $117,500 senior secured notes maturing on July 15, 2012; a new $15,000 unsecured revolver and a new $20,000 unsecured subordinated term loan. Each of the foregoing will have new debt and financial covenants.

At December 31, 2008, we had an unsecured five-year $120,000 term loan and a five-year $75,000 revolving Facility (collectively referred to in this report as our Facility), both of which matured on February 28, 2009 and currently remain unpaid and outstanding as described above. Interest on the Facility is payable at the prime rate plus an applicable margin of up to 0.75% or LIBOR plus an applicable margin of up to 1.75%, at our option and since February 27, 2009, has increased by an additional 2 percentage points (the default rate). The Facility contains covenants, among others, related to dividends, liens, indebtedness, capital expenditures and restricted payments, as defined, interest coverage and leverage ratios. In 2002, we issued the Senior Notes through a private placement comprised of: $150,000 of ten-year Senior Notes due November 30, 2012 (interest at a fixed rate of 5.26%) and $50,000 of seven-year Senior Notes due November 30, 2009 (interest at a fixed rate of 4.64%). The Senior Notes contain covenants, among others, relating to dividends, liens, indebtedness, capital expenditures, and interest coverage and leverage ratios. As discussed above, we failed to make our last interest payment of approximately $5,000 on December 1, 2008 (the first business day after November 30, 2008). Since such date, interest on the outstanding amount has increased by an additional 2 percentage points (the default rate). In December 2008, we sold a ten-year fixed to floating interest rate swap agreement covering $25,000 notional value of our outstanding $150,000 Senior Notes and a seven-year fixed to floating interest rate swap agreement covering $25,000 notional value of our outstanding $50,000 Senior Notes. In December 2008, we terminated the remaining interest rate swaps, resulting in cash proceeds of $2,150, which has been classified as a financing cash inflow in our Statement of Cash Flows. The resulting gain of $2,150 from the termination of the derivative contracts is being amortized over the life of the debt.

Net cash provided by operating activities in 2008 was $2,038 whereas net cash provided by operating activities in 2007 was $27,901, which reflects a decrease of $25,863 or 92.7%. In 2007, net cash provided by operating activities decreased $76,350 to $27,091 from $104,251 in 2006. The decreases in 2008 and 2007 were principally attributable to a decline in net income (after excluding the 2008 goodwill impairment charge) and changes in working capital. In 2007, we reduced the amount of time payables and accrued expenses were outstanding, while in 2008 and 2006, we extended the time accounts payable and accrued expenses were outstanding.

We recently announced that we reached an agreement in principle with our lenders to refinance all of our outstanding indebtedness (including the Facility and the Senior Notes). As set forth in a non-binding term sheet negotiated among the parties, our lenders would exchange all of their existing indebtedness in us (approximately $241,000 in aggregate principal amount plus unpaid interest of $5,900) for: (1) $117,500 aggregate principal amount of new senior secured notes (the New Senior Notes), maturing July 15, 2012; (2) 25% of our common stock; and (3) a one-time cash payment of $25,000. The New Senior Notes would bear interest at 15% per annum payable 10% in cash and 5% in-kind (which would be added to principal quarterly in order to accrue interest but would not be payable until maturity). The New Senior Notes would be prepayable, at any time, in whole or in part without premium or penalty and would contain certain representations and warranties, covenants and events of default. In addition, we would be subject to certain financial covenants, including limitations on capital expenditures and a maximum senior secured leverage test. The New Senior Notes would be guaranteed by our domestic subsidiaries and would be secured by a first priority lien in substantially all of our assets and those of our domestic subsidiaries. Gores has agreed to purchase the debt held by those lenders who do not wish to participate in the New Senior Notes at a discount and any debt purchased by Gores would be exchanged along with the other debt for the same consideration of New Senior Notes, common stock and cash, as described above. In connection with the foregoing, we believe that we will also obtain: (1) a new $15,000 revolving facility on a senior unsecured basis; and (2) a new $20,000 unsecured term loan subordinated to the New Senior Notes and the new revolver. Each of the new revolver and the new term loan would mature on July 15, 2012 and would be guaranteed by Gores. We anticipate that borrowings under the new revolver and the new term loan would bear interest at LIBOR plus a margin of 4.5% with a minimum LIBOR base of 2.5%.

The refinancing also contemplates that Gores would purchase $25,000 in shares of 8% convertible preferred stock that would: (1) have a $25,000 initial liquidation preference; (2) entitle holders thereof to receive dividends at a rate of 8% per annum; and (3) rank *pari passu* with the Series A Preferred Stock currently held by Gores. Gores new convertible preferred stock, together with its Series A Preferred Stock, would manditorily convert into 72.5% of our common stock at the time the amendments to our charter (as contemplated by the refinancing transaction) are approved. Subject to certain limitations, Gores new convertible preferred stock would participate with the common stock on an

as-converted basis with respect to voting, in all dividends and distributions, and upon liquidation. At the closing of the refinancing, Gores would take control of us and our Board.

The foregoing description of the refinancing represents an agreement in principle on the terms of the refinancing. No assurance can be given that we, our existing lenders, the new institutional lender (of the new revolver and new term loan) and Gores will negotiate and execute definitive documentation, that the definitive documentation will reflect the terms contained in the previously agreed upon term sheets and/or that any of the contemplated transactions will occur at all.

In 2008, 2007, and 2006, we spent $7,313, $5,849, and $5,880, respectively, for capital expenditures. Our capital expenditures in 2008 were primarily for copy-splitting and pre-record technologies, IT hardware replacements and TV graphics packages and camera upgrades.

In 2008 we did not pay dividends to our shareholders. In 2007 and 2006, we paid dividends to our shareholders in the amount of $1,663 and $27,640, respectively. In May 2007, the Board of Directors elected to discontinue the payment of a dividend and does not plan to declare dividends for the foreseeable future. The payment of dividends is also prohibited by the terms of our Facility.

In 2008 and 2007, we did not purchase any shares of our common stock. In 2006, we purchased approximately 750 shares of our common stock, at a total cost of $11,044. While we were authorized to repurchase up to $290,490 of our common stock at December 31, 2008, we did not take such action and do not plan on repurchasing any additional shares for the foreseeable future. Such repurchases are also prohibited by the terms of our Facility.

Investments

TrafficLand

On December 22, 2008, Metro Networks Communications, Inc. (Metro) and TrafficLand entered into a License and Services Agreement which provides us with a three-year license to market and distribute TrafficLand services and products. Concurrent with the execution of the License Agreement, Westwood One, Inc. (Metro s parent), TLAC, Inc. (a wholly-owned subsidiary of Westwood formed for such purpose) and TrafficLand entered into an option agreement granting us the right to acquire 100% of the stock of TrafficLand pursuant to the terms of a Merger Agreement which the parties have negotiated and placed in escrow. As a result of payments previously made under the License Agreement, we have the right to cause the Merger Agreement to be released from escrow at any time on or prior to April 15, 2009, at which time the Merger Agreement is deemed executed . The release of the Merger Agreement does not guarantee the merger will close, as such agreement contains closing conditions, including the consent of our lenders. Upon consummation of the closing of the merger, the License Agreement would terminate. Costs of $800 associated with this transaction have been expensed as of December 31, 2008.

GTN

On March 29, 2006, our cost method investment in The Australia Traffic Network Pty Limited (ATN) was converted to 1,540 shares of common stock of Global Traffic Network, Inc. (GTN) in connection with the initial public offering of GTN on that date. The investment in GTN was sold during the quarter ended September 30, 2008 and we received proceeds of approximately $12,741 and realized a gain of $12,420. Such gain is included as a component of Other Income/(Loss) in the Consolidated Statement of Operations.

POP Radio

On October 28, 2005, we became a limited partner of POP Radio, LP (POP Radio) pursuant to the terms of a subscription agreement dated as of the same date. As part of the transaction, effective January 1, 2006, we became the exclusive sales representative of the majority of advertising on the POP Radio network for five years, until December 31, 2010, unless earlier terminated by the express terms of the sales representative agreement. We hold a 20% limited partnership interest in POP Radio. No additional capital contributions are required by any of the limited partners. This investment is being accounted for under the equity method. The initial investment balance was *de minimis*, and our equity in earnings of POP Radio through December 31, 2008 was *de minimis*.

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On September 29, 2006, we, along with the other limited partners of POP Radio, elected to participate in a recapitalization transaction negotiated by POP Radio with Alta Communications, Inc. (Alta), in return for which we received $529 on November 13, 2006 which was recorded within Other Income in the Consolidated Statement of Operations for the year ended December 31, 2006. Pursuant to the terms of the transaction, if and when Alta elects to exercise warrants it received in connection with the transaction, our limited partnership interest in POP Radio will decrease from 20% to 6%.

Contractual Obligations and Commitments

The following table lists our future contractual obligations and commitments as of December 31, 2008:

	Payments due by Period				
	Total	<1 year	1 3 years	3 5 years	>5 years
Contractual Obligations (1)					
Debt	$ 260,005	$ 260,005	$	$	$
Capital Lease Obligations	2,560	960	1,600		
Operating Leases	50,840	9,007	11,820	11,015	18,998
Other Long-term Obligations (2)	669,623	108,442	176,639	148,004	236,538
Total Contractual Obligations	$ 983,028	$ 378,414	$ 190,059	$ 159,019	$ 255,536

(1) The above table excludes our Fin 48 reserves as the future cash flows are uncertain as of December 31, 2008.

(2) Includes the estimated net interest payments on fixed and variable rate debt. Estimated interest payments on floating rate instruments are computed using our interest rate as of December 31, 2008, and borrowings

outstanding are
assumed to
remain at
current levels.

We have long-term noncancelable operating lease commitments for office space and equipment and capital leases for satellite transponders.

Included in Other Long-term Obligations enumerated in the table above, are various contractual agreements to pay for talent, broadcast rights, research and various related party arrangements, including $575,902 of payments due under the new CBS Master Agreement and the previous Management Agreement. As discussed in more detail below, on October 2, 2007, we entered into a new Master Agreement with CBS Radio which closed on March 3, 2008. As a result of the new arrangement with CBS Radio, total contractual obligations included in the above table will be $575,902 ($63,832 within 1 year; $133,790 1-3 years; $141,742 3-5 years; and, $236,538 beyond 5 years).

Related Parties

Periods Prior to Closing of Master Agreement with CBS Radio which occurred on March 3, 2008

CBS Radio holds approximately 16,000 shares of our common stock and prior to March 3, 2008, provided ongoing management services to us under the terms of the Management Agreement. In return for receiving services under the Management Agreement, we paid CBS Radio an annual base fee and provided CBS Radio the opportunity to earn an incentive bonus if we exceeded pre-determined targeted cash flows. For the years ended December 31, 2008, 2007 and 2006, we paid CBS Radio a base fee of $610, $3,394, and $3,273, respectively; however, no incentive bonus was paid to CBS Radio in such years as targeted cash flow levels were not achieved during such periods. On March 3, 2008, the Management Agreement terminated.

Prior to March 3, 2008, we and CBS Radio were also parties to a Representation Agreement to operate what was referred to as the CBS Radio Network. In addition to the Management Agreement and Representation Agreement described above, we also entered into other transactions with CBS Radio and its affiliates, including Viacom, in the normal course of business, including affiliation agreements with many of CBS Radio s radio stations and agreements with CBS Radio and its affiliates for programming rights. Prior to its termination, the Management Agreement provided that all transactions between us and CBS Radio or its affiliates, other than the Management Agreement and Representation Agreement which agreements were ratified by our shareholders, had to be on a basis at least as favorable to us as if the transaction were entered into with an independent third party. In addition, subject to specified exceptions, the Management Agreement required that all agreements between us, on the one hand, and CBS Radio or any of its affiliates, on the other hand, were to be approved by the independent members of our Board of Directors.

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During 2008, we incurred expenses aggregating approximately $73,049 for the Representation Agreement, affiliation agreements and the purchase of programming rights from CBS Radio and its affiliates (such amounts were $66,633 in 2007 and $75,514 in 2006). The description and amounts regarding related party transactions set forth in this report, and the consolidated financial statements and related notes, also reflect transactions between us and Viacom. Viacom is an affiliate of CBS Radio, as National Amusements, Inc. beneficially owns a majority of the voting powers of all classes of common stock of each of CBS Corporation and Viacom.

In addition to the base fee and incentive compensation described above, we granted to CBS Radio seven fully vested and nonforfeitable warrants to purchase 4,500 shares of our common stock (comprised of two warrants to purchase 1,000 Common shares per warrant and five warrants to purchase 500 Common shares per warrant). As of December 31, 2007, 1,500 of these warrants were cancelled as our common stock did not reach the specified price targets necessary for the warrants to become exercisable. On March 3, 2008, all warrants issued to CBS Radio were cancelled in accordance with the terms of the Master Agreement.

Overview of New Relationship with CBS

As described elsewhere in this report, on March 3, 2008, we and CBS Radio closed the arrangement described in the Master Agreement, dated as of October 2, 2007, by and between us and CBS Radio. On such date, the Master Agreement terminated and our Representation Agreement with CBS Radio was replaced by an Amended and Restated News Programming Agreement, an Amended and Restated License Agreement and an Amended and Restated Technical Services Agreement. At the closing, we and CBS Radio entered into various agreements in substantially the form set forth as exhibits to the Master Agreement, including the following: (1) Amended and Restated News Programming Agreement; (2) Amended and Restated Trademark License Agreement; (3) Amended and Restated Technical Services Agreement; (4) Mutual General Release and Covenant Not to Sue; (5) Amended and Restated Registration Rights Agreement; (6) Lease for 524 W. 57th Street; (7) Lease for 2020 M Street; (8) Sublease for 2000 M Street; (9) Westwood One Affiliation Agreements for certain CBS Radio owned and operated stations (CBS Stations); and (10) Metro Networks Affiliation Agreements for CBS Stations (documents 9 and 10, the Station Agreements and documents 1-10 collectively, the New Transaction Documents). These agreements were discussed in a Current Report on Form 8-K filed with the SEC on October 4, 2007 and included as part of a definitive proxy statement filed with the SEC on December 21, 2007. The closing under the Master Agreement was described in a Current Report on Form 8-K filed with the SEC on March 6, 2008 and the New Transaction Documents were included as exhibits to such filing. A brief description of certain provisions of the New Transaction Documents was included in our Annual Report on Form 10-K for the year ended December 31, 2007, however, for a complete description of terms, please refer to the documents named above and the terms of the actual agreement themselves.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses as well as the disclosure of contingent assets and liabilities. We continually evaluate our estimates and judgments including those related to allowances for doubtful accounts, useful lives of property, plant and equipment and intangible assets, and other contingencies. We base our estimates and judgments on historical experience and other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. We believe that of our significant accounting policies, the following may involve a higher degree of judgment or complexity.

Revenue Recognition   Revenue is recognized when earned, which occurs at the time commercial advertisements are broadcast. Payments received in advance are deferred until earned and such amounts are included as a component of Deferred Revenue in the accompanying Balance Sheet.

We consider matters such as credit and inventory risks, among others, in assessing arrangements with our programming and distribution partners. In those circumstances where we function as the principal in the transaction, the revenue and associated operating costs are presented on a gross basis in the consolidated statement of operations. In those circumstances where we function as an agent or sales representative, our effective commission is presented within Revenue with no corresponding operating expenses.

Barter transactions represent the exchange of commercial announcements for programming rights, merchandise or services. These transactions are recorded at the fair market value of the commercial announcements relinquished, or the fair value of the merchandise and services received. A wide range of factors could materially affect the fair market value of commercial airtime sold in future periods (See the section entitled Cautionary Statement regarding Forward-Looking Statements in Item 1 and Item 1A Risk Factors), which would require us to increase or decrease the amount of assets and liabilities and related revenue and expenses recorded from prospective barter transactions. Revenue is recognized on barter transactions when the advertisements are broadcast. Expenses are recorded when the merchandise or service is utilized.

Program Rights Program rights are stated at the lower of cost, less accumulated amortization, or net realizable value. Program rights and the related liabilities are recorded when the license period begins and the program is available for use, and are charged to expense when the event is broadcast.

Valuation of Goodwill and Intangible Assets Goodwill represents the excess of cost over fair value of net assets of businesses acquired. In accordance with Statement of Financial Accounting Standards No. 142 (SFAS 142) Goodwill and Other Intangible Assets , the value assigned to goodwill and indefinite lived intangible assets is not amortized to expense, but rather the estimated fair value of the reporting unit is compared to its carrying amount on at least an annual basis to determine if there is a potential impairment. If the fair value of the reporting unit is less than its carrying value, an impairment loss is recorded to the extent that the implied fair value of the reporting unit goodwill and intangible assets is less than their carrying value.

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

In order to estimate the fair values of assets and liabilities a company may use various methods including discounted cash flows, excess earnings, profit split and income methods. Utilization of any of these methods requires that a company make important assumptions and judgments about future operating results, cash flows, discount rates, and the probability of various scenarios, as well as the proportional contribution of various assets to results and other judgmental allocations. In 2008 we determined that using a discounted cash flow model was the best evaluation of the fair value of our two reporting units. In prior periods, we evaluated the fair value of our reporting unit based on a weighted average of 75% from a discounted cash flow approach and 25% from the quoted market price of our stock.

On an annual basis and upon the occurrence of certain interim triggering events, we are required to perform impairment tests on our identified intangible assets with indefinite lives, including goodwill, which testing could impact the value of our business. In 2008, we determined that our goodwill was impaired and recorded impairment charges totaling $430,126 ($206,053 in the second quarter and $224,073 in the fourth quarter). The remaining value of our goodwill is approximately $33,988.

Intangible assets subject to amortization primarily consist of affiliation agreements that were acquired in prior years. Such affiliate contacts, when aggregated, create a nationwide audience that is sold to national advertisers. The intangible asset values assigned to the affiliate agreements for each acquisition were determined based upon the expected discounted aggregate cash flows to be derived over the life of the affiliate relationship. The method of amortizing the intangible asset values reflects, based upon our historical experience, an accelerated rate of attrition in the affiliate base over the expected life of the affiliate relationships. Accordingly, we amortize the value assigned to affiliate agreements on an accelerated basis (period ranging from 4 to 20 years with a weighted-average amortization period of approximately 8 years) consistent with the pattern of cash flows which are expected to be derived. We

review the recoverability of our finite-lived intangible assets whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability is assessed by comparison to associated undiscounted cash flows. No impairment of intangible assets has been identified in any period presented.

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Allowance for doubtful accounts We maintain an allowance for doubtful accounts for estimated losses which may result from the inability of our customers to make required payments. We base our allowance on the likelihood of recoverability of accounts receivable by aging category, based on past experience and taking into account current collection trends that are expected to continue. If economic or specific industry trends worsen beyond our estimates, it would be necessary to increase our allowance for doubtful accounts. Alternatively, if trends improve beyond our estimates, we would be required to decrease our allowance for doubtful accounts. Our estimates are reviewed periodically, and adjustments are reflected through bad debt expense in the period they become known. Changes in our bad debt experience can materially affect our results of operations. Our allowance for bad debts requires us to consider anticipated collection trends and requires a high degree of judgment. In addition, as fully described herein, our results in any reporting period could be impacted by relatively few but significant bad debts.

Estimated useful lives of property, plant and equipment We estimate the useful lives of property, plant and equipment in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives, which are disclosed in Note 1- Summary of Significant Accounting Policies of the consolidated financial statements, are estimated at the time the asset is acquired and are based on historical experience with similar assets as well as taking into account anticipated technological or other changes. If technological changes were to occur more rapidly than anticipated or in a different form than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods. Alternately, these types of technological changes could result in the recognition of an impairment charge to reflect the write-down in value of the asset.

Recent Accounting Pronouncements Affecting Future Results

In October 2008, the FASB issued FSP 157-3 (FSP 157-3) Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active. FSP 157-3 clarifies the applications of SFAS No. 157 in a market that is not active, and addresses application issues such as the use of internal assumptions when relevant observable data does not exist, the use of observable market information when the market is not active, and the use of market quotes when assessing the relevance of observable and unobservable data. FSP 157-3 is effective immediately for all periods presented in accordance with SFAS No. 157. The adoption of FSP 157-3 did not have any significant impact on our consolidated financial statements or the fair values of our financial assets and liabilities

In March 2008, the FASB issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities an amendment of FASB Statement No. 133 (SFAS No. 161). SFAS No. 161 expands quarterly disclosure requirements in SFAS No. 133 about an entity s derivative instruments and hedging activities. SFAS No. 161 is effective for fiscal years beginning after November 15, 2008. We will include the relevant disclosures in our financial statements beginning with the first quarter of 2009.

In February 2008, FSP 157-1 Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13 was issued. FSP 157-1 removed leasing transactions accounted for under Statement 13 and related guidance from the scope of SFAS No. 157. FSP 157-2 Partial Deferral of the Effective Date of Statement 157 (FSP 157-2), also issued in February 2008, deferred the effective date of SFAS No. 157 for all non-financial assets and non-financial liabilities to fiscal years beginning after November 15, 2008. The implementation of this standard is not anticipated to have a material impact on our consolidated financial position and results of operation.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS 141R). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest acquired and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. SFAS 141R is effective as of the beginning of an entity s fiscal year that begins after December 15, 2008, and will be adopted by us in the first quarter of fiscal 2009.

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In December 2007, the FASB issued SFAS No. 160, Non-controlling Interests in Consolidated Financial Statements (SFAS No. 160). SFAS No. 160 establishes requirements for ownership interests in subsidiaries held by parties other than the company (sometimes called minority interests) be clearly identified, presented, and disclosed in the consolidated statement of financial position within equity, but separate from the parent s equity. All changes in the parent s ownership interests are required to be accounted for consistently as equity transactions and any non-controlling equity investments in unconsolidated subsidiaries must be measured initially at fair value. SFAS No. 160 is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. However, presentation and disclosure requirements must be retrospectively applied to comparative financial statements.
In September 2006, the FASB issued Fair Value Measurements (SFAS No. 157). SFAS No. 157 establishes a common definition of fair value to be applied to US GAAP guidance that requires the use of fair value, establishes a framework for measuring fair value and expands disclosure about such fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, except for certain non-financial assets where the effective date will be January 1, 2009. Our adoption of SFAS No. 157 did not have a material effect on the consolidated financial position or results of operations.

Item 7A. Qualitative and Quantitative Disclosures about Market Risk

In the normal course of business, we employ established policies and procedures to manage our exposure to changes in interest rates using financial instruments. We use derivative financial instruments (fixed-to-floating interest rate swap agreements) for the purpose of hedging specific exposures and hold all derivatives for purposes other than trading. All derivative financial instruments held reduce the risk of the underlying hedged item and are designated at inception as hedges with respect to the underlying hedged item. Hedges of fair value exposure are entered into in order to hedge the fair value of a recognized asset, liability or a firm commitment.
In order to achieve a desired proportion of variable and fixed rate debt, we entered into a seven-year interest rate swap agreement covering $25,000 notional value of our outstanding borrowing to effectively float the majority of the interest rate at three-month LIBOR plus 74 basis points, and two ten year interest rate swap agreements covering $75,000 notional value of our outstanding borrowing to effectively float the majority of the interest rate at three-month LIBOR plus 80 basis points. In total, the swaps initially covered $100,000, which represented 50% of the notional amount of Senior Notes. These swap transactions allow us to benefit from short-term declines in interest rates while having the long-term stability on the other 50% of the Senior Notes of fairly low fixed rates. In November 2007, we cancelled one of the ten-year swap agreements covering $50,000 notional value, by paying the counter-party $576. The instruments meet all of the criteria of a fair-value hedge and are classified in the same category as the item being hedged in the accompanying balance sheet. We have the appropriate documentation, including the risk management objective and strategy for undertaking the hedge, identification of the hedged instrument, the hedge item, the nature of the risk being hedged, and how the hedging instrument s effectiveness offsets the exposure to changes in the hedged item s fair value. In December 2008, we terminated the remaining interest rate swaps, resulting in cash proceeds of $2,150, which has been classified as a financing cash inflow in our Statement of Cash Flows. The resulting gain of $2,150 from the termination of the derivative contracts is being amortized over the life of the debt.
With respect to the borrowings pursuant to the Facility, the interest rate on the borrowings was based on the prime rate plus an applicable margin of up to .25%, or LIBOR plus an applicable margin of up to 1.25%, as we chose. On January 11, 2008, the Facility was amended, and as a result, the applicable margins increased to 0.75% and 1.75% respectively. Historically, we have typically chosen the LIBOR option with a three month maturity. Every .25% change in interest rates has the effect of increasing or decreasing our annual interest expense by $5 for every $2,000 of outstanding debt. As of December 31, 2008, we had $41,000 outstanding under the Facility and as of December 31, 2007, we had $145,000 outstanding under the Facility.
We continually monitor our positions with, and the credit quality of, the financial institutions that are counterparties to our financial instruments, and do not anticipate non-performance by the counterparties.
Our receivables do not represent a significant concentration of credit risk due to the wide variety of customers and markets in which we operate.

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Item 8. Financial Statements and Supplementary Data

The consolidated financial statements and the related notes and schedules were prepared by and are the responsibility of management. The financial statements and related notes were prepared in conformity with generally accepted accounting principles and include amounts based upon management s best estimates and judgments. All financial information in this annual report is consistent with the consolidated financial statements.

We maintain internal accounting control systems and related policies and procedures designed to provide reasonable assurance that assets are safeguarded, that transactions are executed in accordance with management s authorization and properly recorded, and that accounting records may be relied upon for the preparation of consolidated financial statements and other financial information. The design, monitoring, and revision of internal accounting control systems involve, among other things, management s judgment with respect to the relative cost and expected benefits of specific control measures.

Our consolidated financial statements have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, who have expressed their opinion with respect to the presentation of these statements.

The Audit Committee of the Board of Directors, which is comprised solely of directors who are independent under NYSE rules and regulations, meets periodically with the independent auditors, as well as with management, to review accounting, auditing, internal accounting controls and financial reporting matters. The Audit Committee, pursuant to its charter, is also responsible for retaining our independent accountants. The independent accountants have full and free access to the Audit Committee with and without management s presence. Members of the Audit Committee are required to meet stringent independence standards and at least one member must have financial expertise. All of our Audit Committee members satisfy the independence standards and the Audit Committee also has at least one member with financial expertise. As described elsewhere in this report, we were delisted from the NYSE on March 16, 2009. Accordingly, we are no longer subject to the rules and regulations of the NYSE, including those related to independence of directors. At this time, no changes to the Board have been made, but it is contemplated that in connection with the refinancing described in more detail in this report, that Gores will take control of the Board at the closing of the refinancing and that certain changes in directors will be made at that time.

The consolidated financial statements and the related notes and schedules are indexed on page F-1 of this report, and attached hereto as pages F-1 through F-35 and by this reference incorporated herein.

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

None.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our President and Chief Financial Officer and Comptroller, carried out an evaluation of the effectiveness of our disclosure controls and procedures as of December 31, 2008 (the Evaluation). Based upon the Evaluation, our President and Chief Financial Officer and Comptroller concluded that our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) are effective as of December 31, 2008 in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms and that information required to be disclosed by us in the reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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Management s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Our internal control over financial reporting is a process designed under the supervision of our President and Chief Financial Officer and Comptroller to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Management evaluated the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control Integrated Framework*. Management, under the supervision and with the participation of our President and Chief Financial Officer and Comptroller, assessed the effectiveness of our internal control over financial reporting as of December 31, 2008 and concluded that it is effective as of such date.

The effectiveness of our 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.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

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PART III

Item 10. Directors and Executive Officers and Corporate Governance

The registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2009 annual meeting of shareholders that is responsive to the information required with respect to this Item 10; provided, however, that such information shall not be incorporated herein:

- if the information that is responsive to the information required with respect to this Item 10 is provided by means of an amendment to this Annual Report on Form 10-K filed with the Securities and Exchange Commission prior to the filing of such definitive proxy statement; or
- if such proxy statement is not mailed to shareholders and filed with the Securities and Exchange Commission within 120 days after the end of the registrant s most recently completed fiscal year, in which case the registrant will provide such information by means of an amendment to this Annual Report on Form 10-K.

Item 11. Executive Compensation

The registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2009 annual meeting of shareholders that is responsive to the information required with respect to this Item 10; provided, however, that such information shall not be incorporated herein:

- if the information that is responsive to the information required with respect to this Item 10 is provided by means of an amendment to this Annual Report on Form 10-K filed with the Securities and Exchange Commission prior to the filing of such definitive proxy statement; or
- if such proxy statement is not mailed to shareholders and filed with the Securities and Exchange Commission within 120 days after the end of the registrant s most recently completed fiscal year, in which case the registrant will provide such information by means of an amendment to this Annual Report on Form 10-K.

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

The registrant incorporates by reference herein information to be set forth in its definitive proxy statement for its 2009 annual meeting of shareholders that is responsive to the information required with respect to this Item 10; provided, however, that such information shall not be incorporated herein:

- if the information that is responsive to the information required with respect to this Item 10 is provided by means of an amendment to this Annual Report on Form 10-K filed with the Securities and Exchange Commission prior to the filing of such definitive proxy statement; or
- if such proxy statement is not mailed to shareholders and filed with the Securities and Exchange Commission within 120 days after the end of the registrant s most recently completed fiscal year, in which case the registrant will provide such information by means of an amendment to this Annual Report on Form 10-K.

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