DIAL GLOBAL, INC. /DE/
Form 10-K
March 30, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2011

OR

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

For the transition period from to

Commission file number 001-14691
DIAL GLOBAL, INC.
(Exact name of registrant as specified in its charter)

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

220 West 42nd Street
New York, NY 10036
(212)-419-2900
(Address, including zip code, and telephone number, including area code, of principal executive offices)

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

| Title of each class | Name of each exchange on which registered |
|---|---|
| Class A common stock, par value $0.01 per share | NASDAQ Stock Market LLC |

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ 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 ¨ 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 ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

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

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

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

The aggregate market value of common stock held by non-affiliates of the registrant was approximately $3,923,000 based on the last reported sales price of the registrant's common stock on June 30, 2011 and assuming solely for the purpose of this calculation that all directors and officers of the registrant are "affiliates." The determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of March 23, 2012, 22,759,322 shares (excluding treasury shares) of Class A common stock, par value $0.01 per share, 34,237,638 of Class B common stock, par value $0.01, and 9,691,374 shares Series A Preferred Stock, par value $.01per share were outstanding.

Documents Incorporated By Reference

Portions of the registrant's definitive proxy statement for our 2012 annual meeting of stockholders (which will be filed with the Commission within 120 days of the registrant's 2011 fiscal year end) are incorporated by reference in Part III of this Form 10-K.

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PART I
(In thousands, except share and per share amounts)

Item 1. Business

In this report, “Dial Global," “Company,” “registrant,” “we,” “us” and “our” refer to Dial Global, Inc. (formerly known as Westwood One, Inc. ("Westwood")). All dollar amounts are in thousands, except per share amounts and where otherwise noted. In this report, “Verge” refers to Verge Media Companies, Inc. (together with its subsidiaries). On December 12, 2011, Westwood changed its name to Dial Global, Inc.

Westwood One Merger

On October 21, 2011 (the "Merger Date"), we announced the consummation of the transactions (the "Merger") contemplated by the Agreement and Plan of Merger, dated as of July 30, 2011 (as amended, the "Merger Agreement"), by and among Westwood, Radio Network Holdings, LLC, a Delaware corporation (since renamed Verge Media Companies LLC, "Merger Sub"), and Verge. Verge merged with and into Merger Sub, with Merger Sub continuing as the surviving company.

Pursuant to the Merger Agreement and in connection with the Merger, each issued and outstanding share of previously existing Westwood common stock (22,667,591 shares) was reclassified and automatically converted into one share of Class A Common Stock without any further action on the part of the holders of Westwood common stock. In connection with the Merger, each outstanding share of common stock of Verge was automatically converted into and exchanged for the right to receive approximately 6.838 shares of Class B Common Stock. Westwood issued 34,237,638 shares of Class B Common Stock to Verge stockholders, representing approximately 59% of the issued and outstanding shares of common stock of Westwood on a fully diluted basis. In connection with the Merger, Westwood also issued 9,691.374 shares of the Series A Preferred Stock (the “Series A Preferred Stock") to Verge stockholders, in accordance with the Merger Agreement. The consideration exchanged for the Merger totaled $102,379, which is comprised of the market value as of the Merger Date of Westwood's Class A Common Stock of $81,830, the market value of Series A Preferred Stock of $9,691 (calculated by multiplying the number of such preferred shares by the liquidation preference of $1,000 per share), the fair value of the assumed Westwood stock options and RSUs of $1,178 and the purchase accounting consideration exchanged in Verge's purchase of the 24/7 Formats business ("24/7 Formats") of $9,680, which includes the payment to Westwood of $4,730 and the gain from the 24/7 Formats purchase of $4,950. The preliminary purchase accounting allocations have been recorded in the accompanying consolidated financial statements as of, and for the period subsequent to the Merger Date. The valuation of the net assets acquired and allocation of the consideration transferred will be finalized within a year of the Merger Date.

For a more detailed description of the agreements including the new credit facilities entered into in connection with the Merger, see Note 3 — Acquisitions in our consolidated financial statements contained herein.

The Merger is accounted for as a reverse acquisition of Westwood by Verge under the acquisition method of accounting in conformity with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 805 Business Combinations. Under such guidance, the transaction has been recorded as the acquisition of Westwood by the Company. The historical accounting of the Company is that of Verge and the acquisition purchase price of Westwood has been recorded based on the fair value of Westwood on the date of acquisition. The purchase price has been allocated to the assets and liabilities of Westwood based on the fair value of such assets and liabilities on the Merger Date with any residual value recorded in goodwill.

The consolidated statements of operations and cash flows in this report include the results of Westwood from October 22, 2011 to December 31, 2011. The consolidated balance sheet as of December 31, 2011 includes the Westwood preliminary purchase accounting balances acquired in the Merger, while the balance sheet as of December 31, 2010 does not include Westwood's balances.

Our executive team is led by co-Chief Executive Officers, Spencer Brown, David Landau and Ken Williams. Our Board of Directors consists of nine directors, including Chairman Neal Schore, co-CEO Spencer Brown, two employees of each of our major stockholders, Oaktree Capital Management, L.P. ("Oaktree") and The Gores Group, LLC ("Gores"), and three directors (Peter Murphy, Jules Haimovitz and Mel Ming) who are deemed “independent” pursuant to NASDAQ rules and regulations. Our directors have distinguished careers in the media and entertainment industry and/or in finance. As a result of the Merger, funds managed by Oaktree (through its ownership of Triton Media Group, LLC ("Triton")) and Gores (directly or indirectly) own approximately 44% and 31%, respectively, of our outstanding common stock as of December 31, 2011.

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## Radio Business

We are organized as a single business segment, which is our Radio business. We are an independent, full-service network radio company that distributes, produces, and/or syndicates programming and services to more than 8,500 radio stations nationwide including representing/selling audio content of third-party producers. We produce and/or distribute over 200 news, sports, music, talk and entertainment radio programs, services and digital applications, as well as audio content from live events, turn-key music formats (the "24/7 Radio Formats"), prep services, jingles and imaging. We have no operations outside the United States, but sell to customers outside of the United States. A more complete description of our programs and services is described under "Operations" below.

In exchange for our programs and services, and through our advertising sales representation, we primarily receive commercial air time from radio stations and aggregate the air time to sell to national advertisers; to a lesser extent, we receive cash. By aggregating and packaging commercial airtime across radio stations nationwide, we offer our advertising clients/customers a cost effective way to reach a broad audience, and to target their audience on a demographic and geographic basis.

We are headquartered in New York City, with broadcast facilities (from which we create, produce and distribute our programming and services) in New York, Washington, D.C., the greater Los Angeles metropolitan area, Dallas (TM Studios), Denver (our 24/7 Radio Formats) and Seattle.  We have regional sales offices throughout the country, including in the foregoing locations and Atlanta, Chicago, Detroit, Miami and Nashville.

## Our Clients/Customers

We provide our services to three distinct client/customer groups:

- Radio Stations. We offer stations programming and services suitable for every market size at a reasonable cost. Stations can preserve their cash because we offer our programming and services on a barter basis, meaning that stations provide us with commercial airtime in return for our programming/services.

- Advertisers/Agencies. We offer advertisers (and the advertising agencies that represent them) sales networks with nationwide market coverage and broad demographic targeting given our broad range of programming and services. With over 8,500 radio stations as our customers, covering all top 100 markets and reaching over 200 million listeners, we help ensure advertisers that their message will be heard nationwide by the listeners they are seeking.

- Content Producers. We offer content producers a full-service partnership, unique in the radio industry given our national reach, sales force and back office team. When we "represent" a content producer on a national level, our ad sales team reaches out to advertisers, our research department provides audience metrics and relevant demographic information and our trafficking department provides back office support so producers can focus on developing their content. Our sales teams are managed by industry veterans.

## Long-Standing Relationships

As part of providing our customers with compelling content, we manage key programs and partnerships, some of which date back several decades. We have partnered (either directly or through our relationship with CBS) with the National Football League (NFL) as its network radio primetime partner since 1988 and with the National Collegiate Athletic Association (NCAA) to be the exclusive radio provider of certain NCAA Championship games, including "March Madness" and the Men's NCAA Basketball Championship Tournament, since 1981. 2012 marks our 57th year broadcasting the Masters Tournament and our 13th broadcast of the Olympic Games since 1988. We have been the exclusive radio network distributor of CBS News since 1994 and of NBC since 1987. In Entertainment and Talk, we

have partnered with Viacom/MTV on various programming for 18 years and with the National Academy of Recording Arts & Sciences and the GRAMMYS since 1998.

Strategy

Our long-term operating strategy is focused on expanding the products and services that we provide to our client/customer base. We believe there is a growing need across the industry for a provider of affordable quality programming, as well as a proven sales network. As the radio industry continues to consolidate, there is an existing opportunity to provide greater and more diverse services to our customers. We are focused on expanding our industry presence and servicing our customers and will continue to identify opportunities to expand our business through organic means and potential mergers and acquisitions.

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We believe we are a unique company that brings together a diverse portfolio of programming, complemented by a range of additional services, and supported by sales networks with exceptional market coverage and powerful targeting capabilities. We believe we are among the leaders in identifying and utilizing industry-leading technologies, such as our distribution platforms, STORQ and EZ Local, that promote efficiency for radio stations and improve ease of use. Our business is driven in part by our heightened focus on customer service, which has allowed us to develop and maintain long-standing relationships with radio stations, advertisers, programming partners and independent content providers. Our commitment to serving our clients/customers and providing a high level of accountability is the core of our business model, and will continue to be so as we look for opportunities to expand our programming offerings and the services we provide.

Operations

Programs

Dial Global maintains leadership positions in a range of programming categories, supported by a diverse portfolio of iconic brand partners that reach over 200 million listeners. This portfolio includes, but is not limited to the following:

- Sports: NFL, NCAA Football and Basketball, the Masters, the Olympic Games and Motor Racing Network (NASCAR and ISC);
- News: CBS, NBC, CNBC, Dow Jones and AP Radio;
- Music, Events and Entertainment: GRAMMYS, Academy of Country Music Awards, John Tesh and The Lia Show;
- Talk: Charles Osgood, Dennis Miller, Ed Schultz, Stephanie Miller and Clark Howard; and
- 24/7 Radio Formats: Our radio programmers and consultants provide a broad menu of ten music formats (e.g., country, AC, contemporary, rock) to 1,600 radio stations which include programming 24 hours a day, 7 days a week. We call this a "turn-key" service because a radio station obtains a complete, ready-to-use service, including music, personalities, promotions and imaging, which a station may customize based on its needs and preferences. The service is adaptable and a station can use as much or as little as it desires to complement its local programming or enhance its overnight and weekend programming.

In addition to our programming (we provide over 200 programs and services), our content and services provided through our TM Studios include prep services, music libraries, radio and TV station imaging packages, production music, jingles and our digital properties, a brief summary of which follows.

Services

Programming Services. We provide radio stations with a wide variety of products and services to assist them in their business and the creation of programming. Examples include our DJ prep services, covering a broad spectrum of music and entertainment reporting, jingles and imaging to be incorporated into stations' websites, and digital content. Our prep services can be targeted by genre and can include everything from music, entertainment, hard news, film bites, gossip, comic clips and special event coverage. Our sports prep product includes topical sports stories and headlines.

Digital. Our digital properties include 17 owned and operated websites that range from dedicated program sites (www.osgoodfile.com and www.dennismillerradio.com), a destination sports site (www.dialglobalsports.com) and most recently, www.goradio.com, a "radio magazine" which we launched in February 2012. In 2012, we will transmit our March Madness NCAA play-by-play coverage on www.dialglobalsports.com. Our mobile applications include applications for our top programming and over 1 million persons have signed up for our social media accounts on Twitter, Facebook and Google+. We also represent (i.e., perform ad sales) Triton and a variety of its digital properties, such as Slacker Radio, StickyFish and Digital Ivy.

Radio Voodoo. Our Interactive Voice Response (IVR) phone system helps radio stations answer the phones and facilitates call-ins, contesting, text messaging and polling. The system can be customized to be format and demo specific and assists stations in providing information their listeners are interested in hearing.

Based on Arbitron's Spring 2011 ratings book, Dial Global reaches more than 40 million consumers in “morning drive” every week. (Source: Arbitron Spring 2011 Nationwide P12+ MF 6a10a Cume Persons). The Arbitron data and report quoted herein is copyrighted by Arbitron and is subject to all limitations and qualifications disclosed in such report.

Our goal is to maximize the yield of our available commercial airtime to optimize revenue and profitability.

We derive substantially all of our revenue from the sale of 60 second and 30 second commercial airtime to advertisers. Our

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advertisers who target national audiences generally find that a cost effective way to reach their target consumers is to purchase 30 or 60 second advertisements, which are principally broadcast in our news, talk, sports, music and entertainment-related programming and content.

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 the audiences of our programs, including changes in the demographic composition of our audience base; and (5) competitive and alternative programs and advertising mediums.

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

Digital Services Business Spin-Off

The Digital Services business provides streaming, measurement, advertising management and monetization and audience engagement solutions. As described in more detail under Note 4 — Discontinued Operations, on July 29, 2011, the then Board of Directors approved a spin-off of the Digital Services business to a related entity owned by our sole shareholder at that time. For all periods presented in this report, the results of the Digital Services business are presented as a discontinued operation and will continue to be presented as discontinued operations in all future filings in accordance with generally accepted accounting principles in the United States. The Digital Services business provides streaming, measurement, advertising management and monetization and audience engagement solutions, which cover database, audience and web management systems, to thousands of radio stations worldwide.

Competition

In the markets in which we operate, we compete for advertising revenue with other radio networks and other forms of communications media, including network and cable television, digital, out-of-home, direct response and point-of-sale.

As the radio industry has consolidated, companies owning large groups of stations have competing radio networks, which have resulted in increased competition for local, regional, national and network radio advertising expenditures. Our primary competitors are Clear Channel's Premiere Radio Networks division and Cumulus Media (which purchased Citadel Media in 2011). To a lesser degree, we also compete against smaller regional peers in certain of our markets. Unlike our primary competitors, we do not own radio stations and are an independent radio network that is not affiliated with or controlled by a major media company. This operating model affords us distinct advantages, including the ability for us to provide our primary competitors with programming content and services. We market our programs to radio stations (affiliates) that we believe will have the largest and most desirable listening audience for our programs. Given the breadth of our programming, we routinely have different programs airing in the same time

frame on multiple stations in the same geographic market. As a result we have a diversified group of radio stations that carry our programming formats (news, sports, music, entertainment and talk) from which national advertisers and radio stations may choose. Since we produce and distribute many of the programs that we syndicate, we are able to respond effectively and efficiently to the preferences and needs of our advertisers and radio station clients.

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

We believe that the quality, diversity and breadth of our programming and services, our independence and the strength of our affiliate relations and advertising sales forces, enable us to compete effectively with other forms of media.

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CBS Agreement

Our Master Agreement with CBS Radio documents a long-term distribution arrangement in which CBS Radio will broadcast certain of our commercial inventory through March 31, 2017 in exchange for certain programming and/or cash compensation. This agreement is particularly important to us given our competitors have guaranteed and varied distribution channels. As an independent radio network we provide programming to all major radio station groups, however, our extended affiliation agreements with most of CBS Radio's owned and operated radio stations provide us with guaranteed distribution to a significant portion of audience that we sell to advertisers in top radio markets which helps us compete with our competition, some of whom own hundreds of stations.

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, but not an owner and operator of radio stations, we are generally not subject to regulation by the FCC.

Employees

On December 31, 2011, we had approximately 600 employees, including approximately 100 part-time employees. In addition, we maintain continuing relationships with numerous independent writers, program hosts, technical personnel and producers. Approximately 60 of our employees are covered by collective bargaining agreements. We believe relations with our employees, unions and independent contractors are good.

Available Information

We are a Delaware corporation. (Westwood was 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.dialglobal.com; directly from us in print at no charge and upon request to Dial Global, Inc., 220 West 42nd Street, New York NY, 10036, Attn: Secretary or from the SEC's website at www.sec.gov free of charge 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 of Results of Operations and Financial Condition, contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements we make or others make on our behalf. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are not based on historical fact but rather are based on management's views and assumptions concerning future events and results at the time the statements are made. No assurances can be given that management's expectations will come to pass. There may be additional risks, uncertainties and factors that we do not currently view as material or that are not necessarily

known. Any forward-looking statements included in this document are only made as of the date of this document and we do not have any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances.

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. Included below are risk factors arising from our recent Merger with Westwood, which closed on October 21, 2011. The risk factors below should be read in conjunction with other information contained in this report as our business, financial condition or results of operations could be adversely affected if any of these risks actually occur.

Risks Related to Our Business and Industry

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

After the Merger, we have a $155,000 First Lien Credit Agreement; an $85,000 Second Lien Credit Agreement, and a $25,000 revolving credit facility under which $4,600 has been drawn as of December 31, 2011 (collectively our "New Credit Facilities") (not including $2,020 in letters of credit used as security on various leased properties and issued thereunder as of December 31, 2011). We also have $30,000 in aggregate principal amount of PIK Notes outstanding (with additional accrued PIK interest of $875), giving us a total of $264,217 of indebtedness, net of original issue discount of $11,258, as of December 31, 2011. Our ability to service our debt for the next twelve months will depend on our financial performance in an uncertain and unpredictable economic environment, competitive pressures and most significantly, our ability to achieve the cost-savings/synergies predicted as a part of the integration of the companies, which synergies are significant. Also, as was the case with our former indebtedness, our New Credit Facilities include substantial non-financial covenants, including one that restricts our ability to incur additional indebtedness beyond certain minimum baskets. If our operating results decline and we do not meet our financial projections, and we are unable to obtain a waiver to increase our indebtedness and/or successfully raise funds through an issuance of equity, we would lack sufficient liquidity to operate our business in the ordinary course, which would have a material adverse effect on our business, financial condition and results of operations. If we were then unable to meet our debt service and repayment obligations under our New Credit Facilities, we would be in default under the terms of the agreements governing our New Credit Facilities, which if uncured, would allow our lenders to declare all outstanding indebtedness to be due and payable and materially impair our financial condition and liquidity.

We have a history of losses from continuing operations and there can be no assurance that our performance will improve, even after taking into account our Merger with Westwood, which had a history of operating losses. If we were to incur operating losses, we could lack sufficient funds to continue to operate our business in the ordinary course.

Our operating results have been significantly affected by the economic downturn that commenced in 2008. During the economic downturn, advertisers and the agencies that represent them increased pressure on advertising rates, and in some cases, requested steep percentage discounts on ad buys, demanded increased levels of inventory, re-negotiated booked orders and released advertising funds as late as possible in the cycle. Although the economy has shown signs of improvement, the overall economic recovery,
especially in the advertising marketplace, has been slower. Advertisers' demands and advertising budgets have not improved to
pre-recession levels, and we cannot provide any assurance as to whether we will be able to continue to increase our operating performance. If a double-dip recession were to occur or if we do not generate advertising revenue to meet our projections, our financial position could worsen to the point where we would lack sufficient liquidity to continue to operate our business in the ordinary course.

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

As described above, after the Merger, we have a $155,000 First Lien Credit Agreement which currently bears interest at a variable rate of 8.0% per annum; an $85,000 Second Lien Credit Agreement which currently bears interest at a variable rate of 13.0% per annum, $30,000 in aggregate principal amount of PIK Notes outstanding which bear interest at 15.0% per annum and a $25,000 revolving credit facility under which $4,600 is drawn (not including $2,020 in letters of credit as of December 31, 2011) and currently bears interest at a variable rate of 8.75% per annum. As a result at current interest rates, the average annual interest expense on our current debt over the next four years is approximately $34,000 per year (compared to approximately $23,200 in interest expense in 2011 for our long-term debt, excluding prepayment penalties and accelerated amortization of deferred costs). Further, the interest on our debt that is variable such that at December 31, 2011, if interest rates increased or decreased by 100 basis points, annualized interest expense would increase or decrease by approximately $1,220 ($740 after tax), based on our exposure to interest rate changes on debt that is not covered by swaps. As required by the terms of the First Lien Credit Agreement,

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we will pay down $3,875, $7,750, $11,625, and $15,500 of our first lien debt during 2012, 2013, 2014 and 2015, respectively. Additionally, beginning in 2013 (within 5 business days of the delivery of our 2012 annual financial statements), under First Lien Credit Agreement, we will be required to pay down an amount equal to (x) 75% of the Excess Cash Flow (as defined in the agreement) for the preceding fiscal year less (y) any voluntary (optional) prepayments during such fiscal year or voluntary prepayments of revolving loans and swing loans during such fiscal year to the extent the such loans were permanently and concurrently reduced thereby. If the economy does not continue to improve and if advertisers continue to maintain reduced budgets, if our financial results continue to come under pressure, or the variable interest rates on our debt increase, we may be required to delay the implementation or reduce the scope of our business plan and our ability to develop or enhance our services or programs will likely be impacted. Without additional revenue, we may be unable to take advantage of business opportunities, such as acquisition opportunities or securing rights to name-brand or popular programming (or developing new services), or respond to competitive pressures. If any of the foregoing should occur, this could have a material and adverse effect on our business.

If our operating results do not achieve our financial projections, we may require additional funding, which if not obtained, would have a material and adverse effect on our business continuity and our financial condition.

We are operating in an uncertain economic environment, where the pace of an advertising recovery is unclear and we are facing increased cost pressures as described above. We have approximately $264,217 in outstanding in indebtedness, as described above. If our operating results fall short of our financial projections, we may need additional funds. If further financing is limited or unavailable to us or if we are forced to fund our operations at a higher cost, these conditions could require us to curtail our business activities or increase our cost of financing, both of which could reduce our profitability or increase our losses. If we were to require additional financing, which could not then be obtained, it would have a material adverse effect on our financial condition and on our ability to meet our obligations.

The nature of the news talk format in network radio programming means our advertisers' commercials may air in or adjacent to programming that is not owned or represented by us, and, as demonstrated by recent events, may be sufficiently controversial that advertisers do not want to be associated with it or with news talk programming at all, which could ultimately have a material impact on our advertising revenue.

Recent events surrounding a nationally syndicated talk personality employed by another company have created issues in news talk formats (like those provided by us) as certain ads by advertisers, not included in controversial programming, have become associated with such controversial talk programming as a result of their proximity to the broadcast. While these events have prompted us to review our internal systems and procedures to determine if processes exist that would allow us to better separate our advertisers' ads from certain controversial programming, such a process will take some time to fully develop and even if developed, advertisers may decide to exit news talk programming altogether. If advertisers in talk radio programming such as ours, reduce their advertising budgets with us as a result of recent events, this could have an adverse effect on our revenue, which if material, could have an adverse effect on our results of operations.

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

While we provide programming to all major radio station groups, we have affiliation agreements with most of CBS Radio's owned and operated radio stations which, in the aggregate, provide us with a significant portion of the audience and commercial inventory that we sell to advertisers, much of which is in the more desirable top 10 radio markets. Although the compensation we pay to CBS Radio under our arrangement is adjustable based on the audience

levels and commercial clearance it delivers (i.e., the percentage of commercial inventory broadcast by CBS Radio stations), any significant loss of audience or inventory delivered by CBS Radio stations, including, by way of example only, as a result of a decline in station audience, commercial clearance levels or station sales that resulted in lower audience levels, would have a material adverse impact on our advertising sales and revenue. There can be no assurance that CBS Radio will maintain audience and clearance levels and these higher levels mean our station compensation payable to CBS Radio has been significantly increased. While our arrangement with CBS Radio is scheduled to continue through 2017, there can be no assurance that such arrangement will not be breached by either party prior to 2017. If our agreement with CBS Radio were terminated as a result of such breach, our results of operations could be materially impacted.

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

Our business operates in a highly competitive environment. Our radio programming competes for audiences and advertising revenue directly with radio stations and other syndicated programming. We also compete for advertising dollars with other media such as television, satellite radio, Internet radio, newspapers, magazines, cable television, outdoor advertising, direct mail and,

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increasingly, digital media. While the overall radio audience has remained stable, these new media platforms have gained an increased share of advertising dollars and their introduction could lead to decreasing revenue for traditional media. Additionally, new or existing competitors may have resources significantly greater than our own. In particular, the consolidation of the radio industry has created opportunities for large radio groups, such as Clear Channel Communications, CBS Radio and Cumulus Media to gather information and produce radio programming on their own. If other content companies were to merge with companies with a distribution network, the demand for our programming could decrease if those content providers elect to broadcast more of their programming on their owned and operated radio stations instead of on stations affiliated with external radio networks, such as our network. While we believe that our recent Merger has provided us with a broader, more robust and more diverse range of programming and services, we do not own and operate radio stations, while each of the aforementioned competitors do, which provides them with a built-in distribution network for their programs and products. As a result, the Merger may not necessarily translate into our ability to increase our programming, services, ratings, reach or advertising revenue, particularly if we are unable to maintain pre-Merger relationships with our customers or if more content providers begin to partn