WESTWOOD ONE INC /DE/
Form 10-K/A
April 30, 2007

Table of Contents

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

FORM 10-K/A

(Amendment No. 1)

(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, 2006
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	10019
(Address of principal executive offices)	(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	New York Stock Exchange

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 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. þ

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

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

The aggregate market value of Common stock held by non-affiliates of the registrant was approximately $529.2 million based on the last reported sales price of the registrant s Common stock on June 30, 2006 (the last business day of the most recently completed second quarter) 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 15, 2007, 86,328,261 shares (excluding treasury shares) of Common stock, par value $0.01 per share, were outstanding and 291,796 shares of Class B Stock, par value $0.01 per share, were outstanding.

Explanatory Note

This Amendment No. 1 on Form 10-K/A amends our Annual Report on Form 10-K for the year ended December 31, 2006 filed with the SEC on March 7, 2007 (the Original 10-K). This amendment replaces the information previously incorporated by reference in Part III of the Original 10-K with the actual text for Part III of Form 10-K and updates Part IV (Item 15: Exhibits, Financial Statement Schedules) of the Original 10-K.

Except for the information described above, the Company has not modified or updated disclosures provided in the Original 10-K in this Form 10-K/A. Accordingly this Form 10-K/A does not reflect events occurring after the filing of the Original 10-K or modify or update those disclosures affected by subsequent events. Information not affected by this amendment is unchanged and reflects the disclosures made at the time the Original 10-K was filed.

TABLE OF CONTENTS

Table of Contents

PART I

Item 1. Business

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

General

Westwood One supplies radio and television stations with information services and programming. The Company is one of the largest domestic outsource provider of traffic reporting services and one of the nation s largest radio network, 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.

The Company derives substantially all of its revenues from the sale of :10 second, :30 second and :60 second commercial airtime to advertisers. The Company obtains the commercial airtime it sells to advertisers from radio and television affiliates, or other distribution partners, in exchange for the programming or information services it provides to them. The Company often supplements the commercial airtime it receives from programming and information services by providing affiliates with compensation to obtain additional commercial airtime. That commercial airtime is sold to local/regional advertisers (typically :10 second commercial airtime) and to national advertisers (typically :30 or :60 second commercial airtime). By purchasing commercial airtime from the Company, advertisers are able to have their commercial messages broadcast on radio and television stations throughout the United States, reaching demographically defined listening audiences.

The Company provides local traffic and information broadcast reports in over 95 of the top 100 Metro Survey Area markets (referred to herein as MSA markets) in the United States. The Company also offers radio stations traditional news services, including CBS Radio news and CNN Radio news, in addition to weekday and weekend news and entertainment features and programs. These programs include: major sporting events, including the National Football League, Notre Dame football and other college football and basketball games, the National Hockey League, the Masters and the Olympics, live personality intensive talk shows, live concert broadcasts, countdown shows, music and interview programs and exclusive satellite simulcasts with cable networks.

The Company continues to develop alternative revenue streams generally by leveraging its existing resources and creating new distribution channels for its extensive content. The Company provides programming to satellite radio services, services to complimentary distribution channels, data for digital map and automotive navigation systems, and for distribution into all electronic mediums.

Westwood One is 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 the Company and CBS Radio (then Infinity) which expires on March 31, 2009 (the Management Agreement).

On November 9, 2006, the Company announced that its Board of Directors established a Strategic Review Committee comprised of independent directors to evaluate means by which Westwood may be able to enhance shareholder value. The Committee s principal task at this time is to seek to modify and extend the Company s various agreements with CBS Radio Inc. and its affiliates, including the Company s management agreement and programming and distribution arrangements with CBS Radio. The Company s principal agreements with CBS Radio currently expire on March 31, 2009. The Committee and CBS Radio are currently engaged in discussions relating to these matters. There can be no assurance that this process will result in any modification or extension to these agreements.

Industry Background

Radio Broadcasting

There are approximately 11,000 commercial radio stations in the United States.

Table of Contents

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.

A radio station has two principal ways of effectively competing for revenues. 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 Westwood One, not available to its competitors within its format. National programming broadcast on an exclusive geographic 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. Currently, there are a number of satellite-based broadcasters with programming very similar to traditional radio. Additionally, the radio industry has begun to roll out HD High Definition channels which may effectively increase the number of radio stations in the United States.

Radio Advertising

Radio advertising time 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 audience, nationally, on a cost-efficient basis. 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, the Company s 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

The Company s business strategy is to provide for the programming needs of radio stations by supplying to radio stations programs and services that individual stations may not be able to produce on their own on a cost effective basis. The Company offers radio stations traffic and news information as well as a wide selection of regularly scheduled and special event syndicated programming. The information and programs are produced by the Company and, therefore, the stations typically have virtually no production costs. With respect to the Company s programs, each program is offered for broadcast by the Company exclusively to one station in its geographic market, which assists the station in competing for audience share in its local marketplace. In addition, except for news programming, Westwood One s programs contain available commercial airtime that the stations may sell to local advertisers. Westwood One typically distributes promotional announcements to the stations and occasionally places advertisements in trade and consumer publications to further promote the upcoming broadcast of its programs.

In 1996, the Company expanded its product offerings to include providing local traffic, news, sports and weather programming to radio stations and other media outlets in selected cities across the United States. This expansion gave the Company s advertisers the ability to easily supplement their national purchases with local and regional purchases from the Company. It also allowed the Company to develop relationships with local and regional advertisers. In 1996 and 1998, the Company acquired the operating assets of Shadow Traffic in a total of 14 major metropolitan markets (4 in 1996 and 10 in 1998). In 1999, Westwood One significantly expanded its local and regional reach through its merger with the country s largest traffic service provider, Metro Networks, Inc., which broadcast information reports in 67 of the 75 largest MSA markets in the United States. Since then, the Company has expanded its reach to more than 95 of the top 100 MSA markets. In late 2000, the Company continued its expansion of products with its acquisition of the operating assets of SmartRoute Systems, Inc. (SmartRoute), a company which collects, organizes and distributes a database of advanced traveler information through various electronic media and telecommunications.

Westwood One enters into affiliation arrangements with radio stations which require the affiliate to provide the Company with a specific number of commercial positions which it aggregates by similar day and time periods and resells to its advertisers. Some affiliation agreements also require a station to broadcast the Company s programs and to use a portion of the program s commercial slots to air 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. Westwood One requires that each station complete and promptly return to the Company 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. The Company has agreements with over 5,000 radio stations, many of which have more than one arrangement.

The Company has personnel responsible for station sales and marketing its programs to radio stations. The Company s staff develops and maintains close, professional relationships with radio station personnel to provide them with quick programming assistance.

Local Traffic and Information Programming

The Company, through its Traffic and Information Division, provides traffic reports and local news, weather and sports information programming to radio and television affiliates.

The Company gathers traffic and other data utilizing the Company s 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. The Company also gathers information from various third-party news and information services. The information is processed, converted into broadcast copy and entered into the Company s computer systems by the Company s local writers and producers. This permits the Company 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. The Company s professional announcers read the customized reports on the air. The Company s information reports (including the length of report, content of report, specific geographic coverage area, time of broadcast, number of reports aired per day, broadcaster s style, etc.) are customized to meet each individual affiliate s requirements. The Company typically works closely with the program directors, news directors and general managers of its affiliates to ensure that the Company s services meet its affiliates goals and standards. The Company and its affiliates jointly select the on-air talent to ensure that each on-air talent s style is appropriate for the station s format. The Company s on-air talent often become 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, the Company endeavors to utilize its professional on-air talent on multiple affiliate stations within a particular market.

The Company believes that its extensive fleet of aircraft and other information-gathering technology and broadcast equipment have allowed the Company to provide high quality programming, enabling it to retain and expand its affiliate base. In the aggregate, the Company utilizes approximately: 85 helicopters and fixed-wing aircraft; 25 mobile units; 30 airborne camera systems; 125 fixed-position proprietary cameras; 62 broadcast studios and 1,272 broadcasters and producers. The Company also maintains a staff of computer programmers and graphics experts to supply customized graphics and other visual programming elements to television station affiliates. In addition, the Company s operations centers and broadcast studios have sophisticated computer technology, video and broadcast equipment and cellular and wireless technology, which enables the Company s on-air talent to deliver reports to its affiliates. The infrastructure and resources dedicated to a specific market by the Company are determined by the size of the market, the number of affiliates the Company serves in the market and the type of services being provided. The Company believes its long-standing and continued investment in incident data and traffic gathering infrastructure differentiates the Company from its competitors.

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

As a result of its extensive network of operations and talent, the Company regularly reports breaking and important news stories and provides its affiliates with live coverage of these stories. The Company is able to customize and personalize its reports of breaking stories using its individual affiliates call letters from the scene of news events. Past examples have included, among others, providing live airborne coverage of the September 11 terrorist attack on the World Trade Center and Hurricane Katrina. By using our news helicopters, the Company feeds live video to television affiliates around the country. Moreover, by leveraging our infrastructure, the same reporters provide live customized airborne reports for the Company s radio affiliates via the Company s Metro Source service, which is described below. The Company believes that it is 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 the Company s news affiliates to receive via satellite and view, write, edit and report the latest news, features and show preparation material. With this product, the Company provides continuously updated and breaking news, weather, sports, business and entertainment information to its affiliate stations which have subscribed to the service. Information and content for Metro Source is primarily generated from the Company s staff of news bureau chiefs, state correspondents and professional news writers and reporters.

Local, regional and national news and information stories are fed to the Company s national news operations center in Phoenix, Arizona where the information is verified, edited, produced and disseminated via satellite to the Company s internal Metro Source workstations located in each of its 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.

As part of its efforts to expand its inventory and commercial footprint, in 2005 the Company entered into a strategic sales representation agreement with the Associated Press (AP). The AP agreement gives the Company the exclusive right to represent all of the AP s :10 second news sponsorship inventory on over 150 AP radio affiliates. The Company believes the AP agreement provides it with an opportunity to procure inventory from the AP s nearly 4,000 affiliates.

Television Programming Services

The Company supplies Television Traffic Services (MetroTV Services) to over 200 television stations. Similar to its radio programming services, the Company supplies with its MetroTV Services customized information reports which are generally delivered on air by its reporters to its television station affiliates. In addition, the Company supplies customized graphics and other visual programming elements to its television station affiliates.

The Company utilizes live studio cameras in order to enable its traffic reporters to provide its Video News Services on television from the Company s local broadcast studios. In addition, the Company provides its Video News Services from its aircraft and fixed-position based camera systems. The Video News Services include: (i) live video coverage from strategically located fixed-position camera systems; (ii) live video news feeds from the Company s aircraft; and

(iii) full-service, 24 hours per day/7 days per week video coverage from the Company s camera crews using broadcast quality camera equipment and news vehicles.

SmartRoute Systems

In 2000, the Company acquired the operating assets of SmartRoute (SRS) which develops non-broadcast traffic information. SRS develops innovative techniques for gathering local traffic and transportation information, as well

Table of Contents

as new methods of distributing such information to the public. The Company believes that in order to remain competitive and to continue to provide an information product of the highest quality to its affiliates, it is necessary to invest in and participate in the development of new technology. The Company is currently working with several public and private entities across the United States to improve dissemination of traffic and transportation information. SRS revenues are not presently a significant source of revenues to the Company.

The Company, through SmartRoute, collects, organizes and distributes a database of advanced traveler information to automobiles, homes and offices through various electronic media and telecommunications. The Company delivers its information under the SRS brand name. In addition, the Company has participated in a number of Federal and State funded Intelligent Transportation System projects, including various operational 511 Interactive Voice Response (IVR), advanced web sites, and combined advanced traveler and transit information systems for Massachusetts, Florida, North Carolina, Virginia, Missouri and New Jersey Departments of Transportation. SRS also operates Traffic Management Centers for Jacksonville, Florida; Massachusetts; South East Florida; and New Jersey Departments of Transportation.

The Company has been working with a variety of private companies to deploy commercial products and services involving traveler information. These relationships allow for the provision of information on a personalized basis through numerous delivery mechanisms, including the internet, paging, FM subcarrier, traditional cellular and newly-developed and evolving wireless systems. Information can be delivered to a wide array of devices including pagers, computers, and in-vehicle navigation and information systems. In particular, the Company has been aggressively working to expand its Real-Traffic product line primarily by adding real-time traffic information on the internet.

National Radio Programming

The Company 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.

The Company controls most aspects of the production of its programs, thereby being able to tailor its programs to respond to current and changing listening preferences. The Company produces 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 the Company s in-house facilities located in Culver City, California, and New York, New York. The long-form programs include shows produced primarily at the Company s in-house production facilities and recordings of live concert performances and sports events made on location.

Westwood One also produces and distributes special event syndicated programs. In 2006, the Company 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.

Westwood One obtains most of the programming for its 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. The Company may also obtain interviews with the recording artist and retain a copy of the recording of the concert and the interview for use in its radio programs and as additions to its extensive tape library. The agreements provide the artist with master recordings of their concerts and nationwide exposure on affiliated radio stations. In certain cases, the artists may receive compensation.

Westwood One s syndicated programs are primarily produced at its in-house production facilities. The Company determines the content and style of a program based on the target audience it wishes to reach. The Company assigns a producer, writer, narrator or host, interviewer and other personnel to record and produce the programs. Because Westwood One controls the production process, it can refine the programs content to respond to the needs of its affiliated stations and national advertisers. In addition, the Company can alter program content in response to current and anticipated audience demand.

The Company believes that its tape library is a valuable resource for use in its future programming and revenue generating capabilities. The library contains previously broadcast programs, live concert performances, interviews,

Table of Contents

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.

Advertising Sales and Marketing

The Company packages its 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 the Company generally sells its commercial airtime on a network basis rather than station-by-station, the Company does not compete for advertising dollars with its individual local radio station affiliates. The Company believes that this is a key factor in maintaining its affiliate relationships. The Company packages its television commercial airtime on a local, regional and national network basis. The Company has developed a separate sales force to sell its television commercial airtime and to optimize the efforts of the Company s national internal structure of sales representatives. The Company s advertising sales force is comprised of approximately 160 sales representatives and sales managers, who are part of a larger sales workforce.

In most of the markets in which the Traffic and Information Division conducts operations, the Company maintains an advertising sales office as part of its operations center. The Company s advertising sales force is able to sell available commercial airtime in any and all of the Company s markets in addition to selling such airtime in each local market, which the Company believes affords its sales representatives an advantage over certain of its competitors. For example, an airline advertiser can purchase sponsorship advertising packages in multiple markets from the Company s local sales representative in the city in which the airline is headquartered.

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

The Company believes that the positioning of advertisements within or adjacent to its 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 the Company demonstrate that because the Company s customized information reports are related to topics of significant interest to listeners, listeners often seek out the Company s information reports. Since advertisers messages are embedded in the Company s 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). Most of the Company s advertisements are read live by the Company s on-air talent, providing the Company s advertisers with the added benefit of an implied endorsement for their product.

Westwood One s 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 its 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 the Company. 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. The Company, on occasion, supports its national sponsors with promotional announcements and advertisements in trade and consumer publications. This support promotes the upcoming broadcasts of Company programs and is designed to increase the advertisers target listening audience.

In most cases, the Company provides its MetroTV Services to television stations in exchange for thirty-second commercial airtime that the Company packages and sells on a national basis. The amount and placement of the commercial airtime that the Company receives from television stations varies by market and the type of service provided by the Company. As the Company has provided enhanced television video services, it has been able to

Table of Contents

acquire more valuable commercial airtime. The Company believes that it offers advertisers significant benefits because, unlike traditional television networks, the Company often delivers more than one station in major markets and advertisers may select specific markets.

The Company has established a morning TV news network for its advertisers commercials to air during local news programming and local news breaks in most dayparts. Because the Company has affiliated a large number of network television stations in major markets, its morning news network delivers a significant national household rating in an efficient and compelling local news environment. As the Company continues to expand its service offerings for local television affiliates, it plans to create additional news networks to leverage its television news gathering infrastructure.

Competition

In the MSA markets in which it operates, the Company competes 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 the Company is 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 and other station owners, to gather information on their own.

In marketing its programs to national advertisers, the Company directly competes with other radio networks as well as with independent radio syndication producers and distributors. More recently, 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, the Company competes for advertising revenue with network television, cable television, print and other forms of communications media. The Company believes that the quality of its programming and the strength of its station relations and advertising sales forces enable it to compete effectively with other forms of communication media. Westwood One markets its programs to radio stations, including affiliates of other radio networks that it believes will have the largest and most desirable listening audience for each of its programs. The Company often has different programs airing on a number of stations in the same geographic market at the same time. The Company believes that in comparison with any other independent radio syndication producer and distributor or radio network it has a more diversified selection of programming from which national advertisers and radio stations may choose. In addition, the Company both produces and distributes programs, thereby enabling it 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). Westwood One, as a producer and distributor of radio programs and information services, is 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, 2006, Westwood One had approximately 2,013 employees, including 723 part-time employees. In addition, the Company maintains continuing relationships with numerous independent writers, program hosts, technical personnel and producers. Approximately 554 of the Company s employees are covered by collective bargaining agreements. The Company believes relations with its employees, unions and independent contractors are satisfactory.

Available Information

The Company is 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.

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 Financial Condition and Results of Operations, 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 made by or on the behalf of the Company. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company 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 the Company does 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 the Company does not have any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances.

Item 1A. Risk Factors

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

The Company is party to a Management Agreement, a Representation Agreement and other related programming agreements and arrangements with CBS Radio, which expire on March 31, 2009. While the Company provides programming to all major radio station groups, the Company has affiliation agreements with most of the radio stations owned and operated by CBS Radio which, in the aggregate, provide the Company with a significant portion of the audience and/or commercial inventory that it sells to advertisers. While the Company is currently involved in discussions with CBS Radio regarding the modification and/or extension of such agreements and arrangements, there can be no assurance the Company and CBS Radio will be able to agree on extensions or modifications to such agreements on similar economic terms. If the Company is unable to secure agreements with CBS Radio beyond March 31, 2009, the Company s operations and financial condition could be materially affected.

Under the terms of the Management Agreement, CBS Radio manages the business and operations of the Company, including by providing individuals to serve as the CEO and CFO of the Company (CBS Radio employs the CEO and reimburses to the Company the cash compensation of the CFO, who is employed directly by the Company). CBS Radio receives a management fee for its management services. The Management Agreement also includes certain non-competition provisions in favor of the Company and a right of first refusal on syndication opportunities to the Company where CBS Radio determines, in its sole discretion, to syndicate programming. Two executives of CBS Radio serve on the Company s Board of Directors, and CBS Radio owns approximately 18.6% of the Company s common stock. In addition, CBS Radio competes with the Company in advertising sales and most of the radio stations owned and operated by CBS Radio have affiliation agreements with the Company. The foregoing could create, or appear to create, potential conflicts of interest for CBS Radio in its decisions regarding the day-to-day operation of its business and in providing its management services to the Company under the Management Agreement. The foregoing could materially adversely impact the Company s future business, financial condition and operating performance.

While the Company provides programming to all major radio station groups, the Company has affiliation agreements with most of CBS Radio s owned and operated radio stations which, in the aggregate, provide the Company with a significant portion of the audience and/or commercial inventory that it sells to advertisers. In addition, the Company operates the CBS Radio Network and syndicates and/or distributes several other programs from CBS and its affiliates. In 2006, the Company experienced a material decline in the amount of audience and quantity and quality of commercial inventory delivered by the CBS Radio owned and operated radio stations. Reasons for the decline include: (1) the cancellation of, and loss of syndication opportunities associated with, key national programming; (2) the sale of CBS radio stations as described in more detail below and (3) the reduction of commercial inventory levels, including certain RADAR inventory, provided to the Company under affiliation agreements. At the same time, other than for reductions in compensation paid to CBS Radio to reflect reduced commercial inventory levels, the economic arrangement between the Company and CBS Radio has remained substantially fixed pursuant to the terms of many of the existing agreements between the Company and CBS Radio. At this time, it is unclear whether such decline is permanent. To the extent the decline is permanent or new economic terms to its agreements with CBS Radio and its affiliates cannot be negotiated, the Company s operating performance could be materially adversely impacted by this decline in audience and commercial inventory.

As a result of deterioration in the Company s operating performance, the Company amended its senior loan agreement in October 2006 with a syndicate of banks in order to remain in compliance with the covenants under such agreement, including the total debt ratio covenant which was amended to 4.00 to 1 through March 31, 2008. Further changes in the Company s operating performance may cause the Company to seek further amendments to the covenants under the senior loan agreement or to seek to replace the senior loan agreement, which matures on February 28, 2009. The Company s ability and timing to obtain, if needed, additional amendments or additional financing, or to refinance the existing senior loan agreement, may be adversely impacted by the timing of the Company s ability, if at all, to extend its relationship with CBS Radio beyond the March 31, 2009 expiration of the Management Agreement and related agreements.

In connection with its agreements with CBS Radio dating back to 1994, the Company has benefited from the historical practice of long-term distribution relationships for its programming, including pursuant to affiliation agreements with most of CBS s owned and operated radio stations, many of which operate on a month-to-month basis or contain 90-day termination provisions which historically have not been exercised by the CBS radio stations. During 2006, CBS Radio reached agreements to sell 39 radio stations in ten of its smaller markets; to date, the sale of 15 of those stations have been completed. To the extent CBS Radio continues to sell and/or restructure its portfolio of radio assets and these existing distribution arrangements are terminated and/or not continued on a long-term basis by the new owners of the former CBS radio stations, as was the case with certain of the radio stations sold by CBS in 2006, there is a greater likelihood that the Company will not be able to continue to benefit from the long-term distribution relationship it has with CBS Radio on substantially similar economic terms and conditions or at all. If a significant number of additional radio stations or radio stations in key markets affiliated with the Company are sold by CBS Radio, and the new owners of such stations terminate and/or do not continue the affiliation agreements with the Company on a long-term basis, or if the Company cannot enter into new affiliation agreements with other radio stations in such markets on similar terms and conditions, the Company s operating performance would be materially adversely impacted.

The Company and CBS Radio are presently seeking to resolve a dispute as to whether the manner of sale of certain short duration commercial inventory conducted by or on behalf of radio stations owned by CBS Radio is permitted under the terms of existing agreements between the parties, including the non- competition provisions of the Management Agreement. If this dispute cannot be resolved, the Company s relationship with CBS Radio could be adversely affected, which could, in turn, have a material adverse impact on the Company.

Table of Contents

The Company competes in a highly competitive business. Its radio programming competes for audiences and advertising revenues directly with radio and television stations and other syndicated programming, as well as with such other media as newspapers, magazines, cable television, outdoor advertising and direct mail. 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 the Company s ability to attract not only advertisers in that region, but national advertisers as well. Future operations are further subject to many factors, which could have an adverse effect upon the Company s financial performance. These factors include:

- economic conditions, both generally and relative to the broadcasting industry;
- advertiser spending patterns, including the notion that orders are being placed in close proximity to air, limiting visibility of demand;
- the level of competition for advertising dollars, including by new entrants into the radio advertising sales market, including Google;
- new competitors or existing competitors with expanded resources, including as a result of consolidation (as described below), NAVTEQ s purchase of Traffic.com or the recently announced proposed merger between XM Satellite Radio and Sirius Satellite Radio;
- lower than anticipated market acceptance of new or existing products;
- technological changes and innovations;
- fluctuations in programming costs;
- shifts in population and other demographics;
- changes in labor conditions; and
- changes in governmental regulations and policies and actions of federal and state regulatory bodies.

There can be no assurance that the Company will be able to maintain or increase the current audience ratings and advertising revenues.

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 in 2006 by key players in the radio industry (*e.g.,* Clear Channel, Citadel, ABC, CBS Radio). In connection therewith, certain major station groups have: (1) recently 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 the Company. To the extent similar initiatives are adopted by other major station groups, this could adversely impact the amount of commercial inventory made available to the Company 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 the Company or, alternatively, they could seek to obtain programming from the Company s competitors. Any such occurrences, or merely the threat of such occurrences, could adversely affect the Company s ability to negotiate favorable terms with its station affiliates, to attract audiences and to attract advertisers.

Changes in U.S. financial and equity markets, including market disruptions and significant interest rate fluctuations, could impede the Company s access to, or increase the cost of, external financing for its operations and investments

As otherwise discussed in this report, including Item 7 (Management s Discussion and Analysis of Financial Condition and Results of Operations), the Company, in connection with its annual impairment test, recorded an impairment of goodwill of $515,916 in the fourth quarter of 2006. Goodwill represents the residual value remaining after ascribing estimated fair values to a reporting unit s tangible and intangible assets and liabilities. In order to estimate the fair values of assets and liabilities the Company is required to make important assumptions and judgments about future operating results, cash flows, discount rates, and the probability of various event scenarios, as well as the proportional contribution of various assets to results and other judgmental allocations. If actual future conditions or events differ from the Company s estimates, an additional impairment charge may be necessary to reduce the carrying value of goodwill, which charge could be material to the Company s operations. The Company believes it is possible it may have a further impairment of goodwill in the future as further discussed in Critical Accounting Policies and Estimates Valuation of Goodwill .

This list of factors that may affect future performance and the accuracy of forward-looking statements 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

The Company owns 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 its two traffic and news reporting divisions, Metro Networks and Shadow Broadcast Services; and (3) a 6,500 square-foot building which contains its production facilities. In addition, the Company leases operation centers/broadcast studios and marketing and administrative offices across the United States consisting of over 300,000 square feet in the aggregate, pursuant to the terms of various lease agreements.

The Company believes that its facilities are adequate for its 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 the Company and certain of its 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 former directors and executives of the Company. Plaintiff seeks judgment against the individual defendants in favor of the Company 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 former directors and executives of the Company 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, the Company filed a motion to dismiss the suit.

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

None.

PART II

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

On February 14, 2007, there were approximately 345 holders of record of the Company s Common stock, several of which represent street accounts of securities brokers. Based upon the number of proxies requested by brokers in conjunction with its 2007 shareholders meeting, the Company estimates that the total number of beneficial holders of the Company s Common stock exceeds 5,000.

Since December 15, 1998, the Company s 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.

2006	High	Low
First Quarter	$ 16.58	$ 10.85
Second Quarter	11.00	7.43
Third Quarter	7.94	6.44
Fourth Quarter	8.40	6.50

2005	High	Low
First Quarter	$ 26.65	$ 19.96
Second Quarter	20.75	18.30
Third Quarter	20.93	19.06
Fourth Quarter	19.84	16.02

The last sales price for the Company s Common stock on the NYSE on February 15, 2007 was $7.09.

On April 29, 2005, August 3, 2005 and November 2, 2005, the Company s Board of Directors declared cash dividends of $0.10 per share for each issued and outstanding share of Common stock and $0.08 per share for each issued and outstanding share of Class B stock. On February 2, 2006, April 18, 2006 and August 7, 2006, the Company s Board of Directors declared cash dividends of $.10 per share for each issued and outstanding share of Common stock and $.08 per share for each issued and outstanding share of Class B stock. On November 7, 2006, the Company s 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.

The payment of dividends is restricted by the terms of its loan agreements, to the extent that such a payment would cause an event of default. The Company expects to continue to use its cash flows and available bank borrowings to pay quarterly dividends; however, the payment of future dividends, including the establishment of record and payment dates, is subject to the final determination by the Company s Board of Directors.

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 1, 2007, there were three holders of record of the Company s Class B Stock.

Table of Contents

Equity Compensation Plan Information

The following table contains information regarding the Company s equity compensation plans as well as regarding warrants issued to CBS Radio under the Management Agreement as of December 31, 2006:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders			
Options(1)(2)	6,085,794	$ 23.84	
Warrants(3)	3,500,000	51.63	N/A
Restricted Stock Units(2)	226,461	N/A	
Restricted Stock(2)	326,326	N/A	
Equity compensation plans not approved by security holders			
Total	10,138,581		6,761,411

(1) Options included herein were granted or are available for grant as part of the Company s 1989, and/or 1999 stock option plans that were approved by shareholders of the Company. The Compensation Committee of the Board of Directors approves periodic option grants to executive officers and other employees based on their contributions to the operations of the Company. On May 19, 2005, the stockholders of the Company approved the Company s 2005 Equity Compensation Plan (the 2005 Plan) at the Company s annual meeting of stockholders. Among other things, the 2005 Plan provides for the granting of restricted stock and restricted stock units (RSUs) of the Company. A maximum of 9,200,000 shares of Common stock of the Company is authorized for the issuance of awards under the 2005 Plan. Pursuant to the 2005 Plan, beginning on May 19, 2005, the date of the Company s 2005 annual meeting of stockholders, outside directors automatically receive a grant of RSUs equal to $100 in value on the date of each Company annual meeting of stockholders. 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 the Company s Board. Recipients of RSUs are entitled to receive dividend equivalents on the RSUs (subject to vesting) when and if the Company pays a cash dividend on its 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 the Company. 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 the Company s Common stock. For a more complete description of the provisions of the 2005 Plan, refer to the Company s proxy statement in which the 2005 Plan and a summary thereof are included as exhibits,

filed with the SEC on April 29, 2005.

(2) A maximum of 9,200,000 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. At December 31, 2006, there were 6,761,411 authorized shares remaining available for future issuance.

(3) Warrants included herein were granted to CBS Radio in conjunction with the Management Agreement, and were approved by shareholders of the Company on May 29, 2002. Of the seven warrants issued, two warrants to purchase an aggregate of 2,000,000 shares of Common stock each have an exercise price of $43.11 and $48.36, respectively, and become exercisable: (A) if the average price of the Company s Common stock reaches a price of $64.67 and $77.38, respectively, for at least 20 out of 30 consecutive trading days for any period throughout the ten year term of the warrants or (B) upon the termination of the Management Agreement by the Company in certain circumstances as described in the terms of such warrants. Of the remaining five warrants to purchase an aggregate of 2,500,000 shares of Common stock, the exercise price for each of the five warrants is equal to $38.87, $44.70, $51.40, $59.11, and $67.98, respectively. The five warrants have a term of 10 years (only if they

become exercisable) and become exercisable on January 2, 2005, 2006, 2007, 2008, and 2009, respectively. However, in order for the warrants to become exercisable, the average price of the Company s Common stock for each of the 15 trading days prior to January 2 of such year (commencing on January 2, 2005 with respect to the first 500,000 warrant tranche and each January 2 thereafter for each of the remaining four warrants) must be at least equal to both the exercise price of the warrant and 120% of the corresponding prior year 15 day trading average. In the case of the $38.87 warrants, the Company s average stock price for the 15 trading days prior to January 2, 2005 was required to equal or exceed $40.66 for the warrants to become exercisable. The average stock price for the 15 trading days prior to January 2, 2005 did not equal or exceed $40.66, and, therefore, the warrants did not become exercisable. In the case of the $44.70 warrants, the Company s average stock price for the 15 trading days prior to January 2, 2006 must equal or exceed $44.70 for the warrants to become exercisable. The Company s average stock price for the 15 trading days prior to January 2, 2006 did not exceed $44.70, and therefore the warrants did not become exercisable. In the case of the $51.40 warrants, the Company s average stock price for the 15 trading days prior to January 2, 2007 must equal or exceed $51.40 for the warrants to become exercisable. The Company s average stock price for the 15 trading days prior to January 2, 2007 did not exceed $51.40, and therefore the warrants did not become exercisable.

Table of Contents

The performance graph below compares the performance of the Company s Common stock to the Dow Jones US Total Market Index and the Dow Jones US Media Index for the Company s last five calendar years. The graph assumes that $100 was invested in the Company s Common stock and each index on December 31, 2001.

The following table sets forth the closing price of the Company s Common stock at the end of each of the last five years.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Westwood One, Inc., The Dow Jones US Total Market Index
And The Dow Jones US Media Index

* $100 invested on 12/31/01 in stock or index-including reinvestment of dividends.
Fiscal year ending December 31.

CUMULATIVE TOTAL RETURN	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**
Westwood One, Inc.	100.00	124.33	113.84	89.62	55.10	24.74
Dow Jones US Total Market Index	100.00	77.92	101.88	114.12	121.34	140.23
Dow Jones US Media Industry Index	100.00	68.50	89.96	91.47	80.97	102.39
Westwood One Closing Stock Price	30.05	37.36	34.21	26.93	16.30	7.06

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 Programs(A)**	
10/1/06	10/31/06	0	n/a	21,001,424	$	290,490,000
11/1/06	11/30/06	0	n/a	21,001,424	$	290,490,000
12/1/06	12/31/06	0	n/a	21,001,424	$	290,490,000
		0	n/a			

(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. The Company s existing stock purchase program was publicly announced on September 23, 1999.

Table of Contents

Item 6. Selected Financial Data

(In thousands except per share data)

	2006	2005(1)	2004(1)	2003(1)	2002(1)
OPERATING RESULTS FOR YEAR ENDED DECEMBER 31:					
Net Revenues	$ 493,995	$ 557,830	$ 562,246	$ 539,226	$ 550,751
Operating and Corporate Costs, Excluding Depreciation and Amortization and Goodwill Impairment	393,303	393,026	392,693	371,206	373,577
Goodwill Impairment	515,916				
Depreciation and Amortization	20,756	20,826	18,429	11,513	11,464
Operating (Loss) Income	(435,980)	143,978	151,124	156,507	165,710
Net (Loss) Income	$ (469,453)	$ 77,886	$ 86,955	$ 91,983	$ 101,717
(Loss) Income Per Basic Share					
Common stock	$ (5.46)	$ 0.86	$ 0.90	$ 0.91	$ 0.97
Class B stock	$ 0.26	$ 0.24	$	$	$
(Loss) Income Per Diluted Share					
Common stock	$ (5.46)	$ 0.85	$ 0.88	$ 0.86	$ 0.93
Class B stock	$ 0.26	$ 0.24	$	$	$
Dividends Declared					
Common stock	$ 0.32	$ 0.30	$	$	$
Class B stock	$ 0.26	$ 0.24	$	$	$
BALANCE SHEET DATA AT DECEMBER 31:					
Current Assets	$ 149,222	$ 172,245	$ 174,346	$ 165,495	$ 153,628
Working Capital	29,313	72,094	93,005	86,484	68,314
Total Assets	696,701	1,239,646	1,262,495	1,280,737	1,281,205
Long-Term Debt	366,860	427,514	359,439	300,366	232,135
Total Shareholders Equity	202,931	704,029	800,709	859,704	922,705

(1) Effective January 1, 2006 the Company adopted Financial Accounting Standards Board 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.

No cash dividend was paid on the Company s Common stock or Class B stock during the periods 2002 to 2004. In 2005, the Company s 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, the Company s 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. The Company s 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.

Table of Contents

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 supplies radio and television stations with content, information services, and programming. The Company is the largest domestic outsource provider 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. 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.

The radio broadcasting industry has experienced a significant amount of consolidation in recent years. As a result, certain major radio station groups, including Clear Channel Communications and CBS Radio, have emerged as powerful forces in the industry. Westwood One is managed by CBS Radio under a Management Agreement, which expires on March 31, 2009. While Westwood One provides programming to all major radio station groups, the Company has affiliation agreements with most of CBS Radio s owned and operated radio stations, which in the aggregate, provide the Company with a significant portion of the audience and/or commercial inventory that it sells to advertisers. Accordingly, the Company s operating performance could be materially adversely impacted by its inability to continue to renew its affiliate agreements with CBS Radio stations.

On November 9, 2006, the Company announced that its Board of Directors has established a Strategic Review Committee comprised of independent directors to evaluate means by which Westwood may be able to enhance shareholder value. The Committee s principal task at this time is to seek to modify and extend the Company s various agreements with CBS Radio Inc. and its affiliates, including the Company s management agreement and programming and distribution arrangements with CBS Radio. The Company s principal agreements with CBS Radio currently expire on March 31, 2009. The Committee and CBS Radio are currently engaged in discussions relating to these matters. There can be no assurance that this process will result in any modification or extension to these agreements.

The Company derives substantially all of its revenues from the sale of :10 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 :10 second 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. Generally, the greater amount of programming we provide our affiliates the greater amount of commercial airtime becomes available for the Company to sell. Additionally, over an extended period of time an increase in the listening audience results in our ability to generate more revenues. Our goal is to maximize the yield of our available commercial airtime to optimize revenues.

In managing our business, we develop programming and exploit the commercial airtime by concurrently taking into consideration the demands of our advertisers on both a market specific and national basis, the demands of the owners and management of our radio station affiliates, and the demands of our programming partners and talent. Our continued success and prospects for growth are dependent upon our ability to manage the aforementioned factors in a cost effective manner. 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 the Company s revenues on a periodic basis including but not limited to: (i) economic conditions and the relative strength or weakness in the United States economy; (ii) advertiser spending patterns and the timing of the broadcasting of our programming, principally the seasonal nature of sports programming; (iii) advertiser demand on a local/regional or national basis for radio related advertising products; (iv) increases or decreases in our portfolio of program offerings and related audiences, including changes in the demographic composition of our audience base; and (v) competitive and alternative programs and advertising mediums, including, but not limited to, radio.

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. It should be noted, however, that the Company closely monitors advertiser commitments for the current calendar year, with particular emphasis placed on a prospective three-month period. Factors impacting the pricing of commercial airtime include, but are not limited to: (i) the dollar value, length and breadth of the order; (ii) the desired reach and audience demographic; (iii) the quantity of commercial airtime available for the desired demographic requested by the advertiser for sale at the time their order is negotiated; and (iv) the proximity of the date of the order placement to the desired broadcast date of the commercial airtime. Our commercial airtime is perishable, and accordingly, our revenues are significantly impacted by the commercial airtime available at the time we enter into an arrangement with an advertiser.

The principal critical components of our operating expenses are programming, production and distribution costs (including affiliate compensation and broadcast rights fees), selling expenses (including bad debt expenses, commissions and promotional 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, personnel costs, and other administrative expenses, including those associated with corporate governance matters.

We consider the Company s operating cost structure to be predominantly fixed in nature, and as a result, the Company needs at least several months lead-time to make significant modifications to its cost structure to react to what it believes are more than temporary increases or decreases in advertiser demand. This factor is important in predicting the Company s performance in periods when advertiser revenues are increasing or decreasing. In periods where advertiser revenues are 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 revenues, operating income will decrease by a greater percentage than the decline in revenue because of the lead-time needed to reduce the Company s operating cost structure. Furthermore, if the Company perceives a decline in revenue to be temporary, it may choose not to reduce its fixed costs, or may even increase its fixed costs, so as to not limit its future growth potential when the advertising marketplace rebounds. The Company carefully considers matters such as credit and inventory risks, among others, in assessing arrangements with its programming and distribution partners. In those circumstances wherein the Company functions as the principal in the transaction, the revenues and associated operating costs are presented on a gross basis in the consolidated statement of operations. In those circumstances wherein the Company functions as an agent or sales representative, the Company s effective commission is presented within Revenues with no corresponding operating expenses. Although no individual relationship is significant, the relative mix of such arrangements should be considered when elevating operating margin and/or increases and decreases in operating expenses.

Note: in connection with the adoption of SFAS 123R effective January 1, 2006 the Company has restated all prior periods to reflect stock based compensation in accordance with SFAS 123R. Refer to Note 9 Equity-Based Compensation to the consolidated financial statements for further information.

Revenues

Revenues presented by type of commercial advertisements are as follows for the years ending December 31:

	2006		2005		2004	
	$	% of Total	$	% of Total	$	% of Total

Local/Regional	$	256,700	52%	$	300,560	54%	$	299,307	53%
National		237,295	48%		257,270	46%		262,939	47%
Total(1)	$	493,995	100%	$	557,830	100%	$	562,246	100%

(1) As described above, the Company currently aggregates revenue data based on the type of commercial airtime sold. A number of advertisers purchase both local/regional and national commercial airtime. Accordingly, this factor should be considered in evaluating the relative revenues generated on a local/regional versus national basis. Our objective is to optimize total revenues from those advertisers.

Fiscal Year 2006 as compared to Fiscal Year 2005

Revenues for the year ended December 31, 2006 decreased $63,835, or 11.4%, to $493,995 compared with $557,830 in the year ended 2005. In 2006, revenues aggregated from the sale of local/regional airtime decreased approximately 14.6%, or approximately $43,860, and national-based revenues decreased approximately 7.8%, or $19,975, compared with the year ended 2005. An estimated 93% of revenues were derived from terrestrial radio sources, while 7% of revenues were derived from sources other than terrestrial radio, including satellite, data, television and new media.

The decrease in local/regional revenues was a result of reduced demand for our :10 second commercial airtime from prior year levels, and increased competition. The reduced demand was experienced in virtually all markets and all advertiser categories, primarily in the Auto Dealers, Drug Products, Retail, Gambling, Utilities and TV Tune-in categories.

The decline in our aggregated national-based revenue was primarily a result of decreases in revenue originating from music, talk and news programming offset by increased revenue related to our exclusive broadcast of the 2006 Winter Olympic games, as well as an increase in our other sports programming.

Fiscal Year 2005 as compared to Fiscal Year 2004

Revenues for the year ended December 31, 2005 decreased $4,416, or 0.8%, compared with the year ended December 31, 2004. During the year ended December 31, 2005, revenues aggregated from the sale of local/regional airtime increased approximately 0.4%, or approximately $1,253, while national-based revenues decreased approximately 2.2%, or $5,669.

The increase in local/regional revenues was facilitated by a combination of an increase in the quantity of commercial airtime available for sale, improved inventory utilization and management and the increased demand for information services and data by terrestrial and non-terrestrial users. Further, the increase in demand for our local/regional commercial airtime was greatest in the Western region. Revenues primarily increased in the Auto Dealers and Manufacturers, Business Services, Quick Service Restaurant, Internet, Utilities and Energy categories.

The decline in our aggregated national-based revenues was primarily a result of an estimated $6,000 of non-comparable revenues associated with the Company s exclusive 2004 Summer Olympics radio broadcast and a decrease in news programming offset by increases in the music, talk and sports programming categories.

Operating Costs

Operating costs for the years ended December 31:

	2006		2005		2004	
	$	% of Total	$	% of Total	$	% of Total
Programming, production and distribution expenses	$ 284,303	75%	$ 279,364	73%	$ 278,232	73%
Selling expenses	47,271	12%	52,089	14%	53,246	14%
Stock-based compensation	6,345	2%	6,721	2%	9,463	3%

Other operating expenses	40,600	11%	40,824	11%	38,156	10%
	$ 378,519	100%	$ 378,998	100%	$ 379,097	100%

Fiscal Year 2006 as compared to Fiscal Year 2005

Operating costs decreased to $378,519 from $378,998 in 2005. The decrease was due to lower stock-based compensation expense, and a decrease in discretionary expenses including advertising and promotional, travel and entertainment expenses, lower distribution and payroll and related benefit costs. Such declines were offset by net increases in existing and new program offerings, and an estimated $7.8 million in costs associated with our exclusive broadcast of the 2006 Winter Olympic Games.

Fiscal Year 2005 as compared to Fiscal Year 2004

Operating costs decreased to $378,998 from $379,097 in 2004. The decrease was due to lower stock-based compensation expense, a decrease in selling expenses (primarily as a result of decreases in promotional and travel and entertainment expenses, but also because of slightly reduced selling related labor costs correlated with a decline in revenue) reduced distribution expenses, and the non-comparable costs in 2004 associated with our exclusive broadcast of the 2004 Summer Olympic games. These decreases were offset by an increase in programming, production and distribution expenses resulting from increased costs in connection with the development of new and expanded program offerings, new and expanded traffic and information markets and higher broadcast rights fees resulting from increases in existing and new program commitments. Operating costs also increased due to an increase of 7% in other operating expenses, primarily labor, but also including facilities and other fees.

Depreciation and Amortization

Depreciation and amortization was $20,756 in 2006 and $20,826 in 2005, effectively constant year over year. The Company s complement of productive assets and related service periods has not changed. Depreciation and amortization increased 13% to $20,826 in 2005 from $18,429 in 2004. The decrease in 2006 was principally attributable to a decrease in amortization expense related to the historical acquisition of certain service agreements. The increase in 2005 was principally attributable to the amortization of warrants issued to CBS Radio as part of the extension of the Management Agreement which was effective in the second quarter of 2004, over four quarters in 2005 as compared to three quarters in 2004.

Goodwill Impairment

In connection with its annual goodwill impairment testing for the year ended December 31, 2006, the Company determined there was an impairment and recorded a non-cash charge of $515,916. The goodwill impairment, the majority of which is not deductible for income tax purposes, is primarily due to our declining operating performance in fiscal 2006 and the reduced valuation multiples in the radio industry. Such negative factors are reflected in our stock price and market capitalization.

Corporate, General and Administrative Expenses

Corporate, general and administrative expenses increased 5.4% to $14,784 in 2006 from $14,028 in 2005, and increased 3.2% in 2005 from $13,596 in 2004. The 2006 increase was principally attributable to higher expenses associated with our corporate governance, business development and compliance initiatives, including approximately $1,200 in professional fees associated with the activities of the Strategic Review Committee. The 2005 increase was principally attributable to higher expenses associated with our corporate governance, business development and certain compliance initiatives.

Operating (Loss) Income

Operating (loss) income decreased 402.8% to $(435,980) in 2006 from $143,978 in 2005, and decreased 4.7% in 2005 from $151,124 in 2004. The 2006 decrease was principally attributable to a $515,916 charge for the impairment of goodwill, as well as the decline in net revenues and higher operating costs. The 2005 decrease was principally attributable to the decline in net revenues and higher operating and depreciation and amortization costs.

Interest Expense

Interest expense was $25,590, $18,315 and $11,911 in 2006, 2005 and 2004, respectively. The 2006 and 2005 increase was attributable to higher outstanding borrowings throughout the year under our credit facilities and higher average interest rates. Our average effective interest rate for 2006, 2005 and 2004 was 5.9%, 4.29% and 3.1%, respectively. The increase in the 2006 and 2005 debt levels during the year result from share repurchases pursuant to the Company s stock repurchase program, as well as dividend payments made quarterly throughout 2006 and 2005, which are further described below.

Table of Contents

Other (Income) Expense

Other (income) expense was $926, $1,440 and $948 in 2006, 2005 and 2004, respectively. In 2006, the Company received $529 in connection with a recapitalization transaction of its investee, POP Radio, LP (POP Radio). In 2005, the Company sold a building in Culver City, California and consolidated the operations of that facility into another Company owned property. The pre-tax gain recognized on the sale of the property was $1,022. For the period ending December 31, 2004, the Company recognized a net gain of $787 in other income, as a result of the sale of its interest in SportsLine.

Provision for Income Taxes

The income tax provision was $8,809, $49,217 and $53,206 in 2006, 2005 and 2004, respectively. The 2006 income tax provision was impacted by the goodwill impairment and related deferred tax attributes. The Company s effective rate increased to 38.7% in 2005 from 38.0% in 2004 as a result of recent tax developments in states in which we operate. For the years ended December 31, 2006, 2005 and 2004, a portion of the Company s current income tax expense is not paid in cash as a result of windfall tax benefits related to stock option exercises (the amount by which a realized tax benefit for an option exercised exceeds the compensation expense previously recognized, net of tax) of $12, $861 and $10,518 respectively.

Net (Loss) Income

Net (loss) income in 2006 decreased 702.7% to ($469,453) ($5.46) per basic and diluted Common share and $0.26 per basic and diluted Class B share) from $77,886 ($0.86 per basic and $0.85 per diluted Common share, and $0.24 per basic and diluted Class B share) in 2005 and decreased 10.4% in 2005 from $86,955 ($0.90 per basic and $0.88 per diluted Common share and $0.00 per basic and diluted Class B share) in 2004.

Earnings per share

Weighted average shares outstanding for purposes of computing basic earnings per Common share were 86,013,000, 90,714,000 and 96,722,000 in 2006, 2005 and 2004, respectively. The decreases in each of the previous two periods were primarily attributable to Common stock repurchases under the Company s stock repurchase program partially offset by additional share issuances as a result of stock option exercises. Weighted average shares outstanding for purposes of computing diluted earnings per Common share were 86,013,000, 91,519,000 and 99,009,000 in 2006, 2005 and 2004, respectively. The changes in weighted average diluted Common shares are due principally to the decrease in basic shares and the effect of the decrease in the Company s share price, partially offset by the effect of stock option and restricted stock unit grants. Weighted average shares outstanding for purposes of computing basic and diluted earnings per Class B share were 292,000 in 2006 and 2005 and 395,000 in 2004. The decrease in weighted average Class B shares from 2004 to 2005 reflects the conversion of Class B shares to Common shares in 2004.

Liquidity and Capital Resources

The Company continually projects anticipated cash requirements, which include share repurchases, dividends, potential acquisitions, capital expenditures, and principal and interest payments on its outstanding and future indebtedness. Funding requirements have been financed through cash flow from operations and the issuance of long-term debt.

At December 31, 2006, the Company s principal sources of liquidity were its cash and cash equivalents of $11,528 and available borrowings under its bank facility as further described below.

The Company has and continues to expect to generate significant cash flows from operating activities. For the years ended December 31, 2006, 2005 and 2004, net cash provided by operating activities were $104,251, $118,290 and $117,456, respectively. The decrease in 2006 is primarily attributable to a decrease in net income, offset by changes in working capital. For 2005, the increase is primarily attributable to a decrease in cash taxes paid resulting from higher tax benefits from the exercise of stock options in 2005.

On October 31, 2006 the Company amended its existing senior loan agreement with a syndicate of banks led by JP Morgan Chase Bank and Bank of America. The facility, as amended, is comprised of an unsecured five-year $120,000 term loan and a five-year $150,000 revolving credit facility which shall be automatically reduced to $125,000 effective September 28, 2007 (collectively the Facility). In connection with the original closing of the Facility on March 3, 2004, the Company borrowed the full amount of the term loan, the proceeds of which were used to repay the outstanding borrowings under a prior facility. As of December 31, 2006, the Company had available borrowings of $100,000 under the Facility. Interest on the Facility is variable and is payable at a maximum of the prime rate plus an applicable margin of up to .25% or LIBOR plus an applicable margin of up to 1.25%, at the Company s option. The applicable margin is determined by the Company s Total Debt Ratio, as defined. The Facility contains covenants relating to dividends, liens, indebtedness, capital expenditures and restricted payments, as defined, interest coverage and leverage ratios. The Company also has issued, through a private placement, $150,000 of ten year Senior Unsecured Notes due November 30, 2012 (interest at a fixed rate of 5.26%) and $50,000 of seven year Senior Unsecured Notes due November 30, 2009 (interest at a fixed rate of 4.64%). In addition, the Company entered into a seven-year interest rate swap agreement covering $25,000 notional value of its outstanding borrowing to effectively float 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 its outstanding borrowing to effectively float the interest rate at three-month LIBOR plus 80 basis points. In total, the swaps cover $100,000 which represents 50% of the notional amount of Senior Unsecured Notes. The Senior Unsecured Notes contain covenants relating to dividends, liens, indebtedness, capital expenditures, and interest coverage and leverage ratios. None of the Facility or Senior Unsecured Note covenants are expected to have an impact on the Company s ability to operate and manage its business.

In conjunction with the Company s objective of enhancing shareholder value, the Company s Board of Directors authorized a stock repurchase program in 1999. Most recently, on April 29, 2005, the Company s Board of Directors authorized an additional $300,000 for such stock repurchase program, which gave the Company, as of April 29, 2005, authorization to repurchase up to $402,023 of its Common stock. Under its stock repurchase program, the Company purchased approximately: 750,000 shares of the Company s Common stock, at a total cost of $11,044, in 2006; 8,015,000 shares of the Company s Common stock, at a total cost of $160,604, in 2005 and 8,456,000 shares of the Company s Common stock, at a total cost of $216,503, in 2004. The Company has not repurchased any of its Common stock since February 2006. At the end of December 2006, the Company had authorization to repurchase up to an additional $290,490 of its Common stock.

On April 29, 2005, the Board of Directors declared the Company s first cash dividend of $0.10 per share of issued and outstanding Common stock and $0.08 per share of issued and outstanding Class B stock. The Board declared additional dividends for all issued and outstanding Common stock and Class B stock on the same terms on August 3, 2005 and November 2, 2005. Dividend payments totaling $27,032 were made in 2005. On February 2, 2006, April 18, 2006 and August 7, 2006, the Company s Board of Directors declared cash dividends of $.10 per share for every issued and outstanding share of Common stock and $.08 per share for every issued and outstanding share of Class B stock. On November 7, 2006, the Company s 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. Dividend payments totaling $27,640 were made in 2006.

The Company s business does not require, and is not expected to require, significant cash outlays for capital expenditures.

The Company believes that its cash, other liquid assets, operating cash flows, ability to cease issuing a dividend, and existing and available bank borrowings, taken together, provide adequate resources to fund ongoing operations relative to its current expectations, organizational structure, and operating agreements. If the assumptions underlying our current expectations regarding future revenues and operating expenses change, or if unexpected opportunities arise or strategic priorities change, we may need to raise additional cash by future modifications to our existing debt instruments or seek to obtain replacement financing. The Company s ability to obtain, if needed, amendments to its existing financing or replacement financing may be impacted by the timing of the Company s ability, if at all, to extend its relationship or operating arrangements with CBS Radio beyond March 31, 2009.

Investments

On March 29, 2006, the Company s cost method investment in The Australia Traffic Network Pty Limited (ATN) was converted to 1,540,195 shares of common stock of Global Traffic Network, Inc. (GTN) in connection with the initial public offering of GTN on that date. The Company is subject to a one-year lock-up provision with respect to its shares in GTN. The investment in GTN, valued at $7,917 at December 31, 2006, is classified as an available for sale security and included in other assets in the accompanying Consolidated Balance Sheet. Accordingly, the unrealized gain as of December 31, 2006 is included in unrealized gain on available for sale securities in the accompanying Consolidated Balance Sheet.

GTN is the parent company of ATN, and also of Canadian Traffic Network ULC (CTN) from whom the Company purchased a senior secured note in an aggregate principal amount of $2,000 in November 2005. This note was included in other assets in the accompanying Consolidated Balance Sheet at December 31, 2005. On September 7, 2006, CTN repaid this note in full.

On October 28, 2005, the Company became a limited partner of 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, the Company 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. The Company holds a 20% limited partnership interest in POP Radio. No additional capital contributions are required by any of the limited partners.

As part of the POP Radio transaction, the Company posted a $1,400 bond with the Superior Court of the State of Connecticut as surety for a temporary injunction issued in favor of POP Radio against News America In-Store Marketing, Inc. (NAMI). On October 18, 2006, in connection with the withdrawal of the dispute between POP Radio and NAMI, the Superior Court of the State of Connecticut vacated the temporary injunction against POP Radio and released the $1,400 bond posted by the Company.

On September 29, 2006, the Company, 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 the Company received $529 on November 13, 2006. Pursuant to the terms of the transaction, if and when Alta elects to exercise warrants it received in connection with the transaction, the Company s limited partnership interest in POP Radio will decrease from 20% to 6%.

Contractual Obligations and Commitments

The following table lists the Company s future contractual obligations and commitments as of December 31, 2006:

		Payments due by Period			
Contractual Obligations	Total	<1 Year	1-3 Years	3-5 Years	>5 Years
Long-term Debt(1)	$ 451,439	$ 21,864	$ 254,645	$ 17,095	$ 157,835
Capital Lease Obligations	4,480	960	1,920	1,600	
Operating Leases	38,581	6,968	12,198	7,778	11,637
Other Long-term Obligations	254,497	95,813	117,227	34,357	7,100

Total Contractual Obligations	$ 748,997	$ 125,605	$ 385,990	$ 60,830	$ 176,572

(1) Includes the estimated net interest payments on fixed and variable rate debt and related interest rate swaps. Estimated interest payments on floating rate instruments are computed using the Company s interest rate as of December 31, 2006, and borrowings outstanding are assumed to remain at current levels.

The Company has long-term noncancelable operating lease commitments for office space and equipment. The Company has also entered into 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 $101,343 of payments due

Table of Contents

under the Management Agreement and the Representation Agreement. See below the section entitled Related Parties and Note 2 Related Party Transactions to the consolidated financial statements for further discussion.

On November 9, 2006, the Company announced that its Board of Directors established a Strategic Review Committee comprised of independent directors to evaluate means by which Westwood may be able to enhance shareholder value. The Committee s principal task at this time is to seek to modify and extend the Company s various agreements with CBS Radio Inc. and its affiliates, including the Company s management agreement and programming and distribution arrangements with CBS Radio. The Company s principal agreements with CBS Radio currently expire on March 31, 2009. The Committee and CBS Radio are currently engaged in discussions relating to these matters. There can be no assurance that this process will result in any modification or extension to these agreements.

Related Parties

CBS Radio holds a common equity position in the Company and provides ongoing management services to the Company under the terms of the Management Agreement. In return for receiving services under the Management Agreement, the Company compensates CBS Radio via an annual base fee and provides CBS Radio the opportunity to earn an incentive bonus if the Company exceeds pre-determined targeted cash flows. For the years ended December 31, 2006, 2005 and 2004, CBS Radio earned cash compensation of $3,273, $2,853 and $2,959, respectively, however, no incentive bonus was paid to CBS Radio in such years as targeted cash flow levels were not achieved during such periods.

In addition to the base fee and incentive compensation described above, the Company granted to CBS Radio two fully vested and non-forfeitable warrants to purchase 4,000,000 shares of the Company s Common stock in the aggregate (comprised of one warrant to purchase 2,000,000 shares at an exercise price of $10.00 per share and another warrant to purchase 2,000,000 shares at an exercise price of $12.50 per share) in connection with extending the term of the Management Agreement in March 1999 for an additional term of five years commencing April 1, 1999. Such warrants were only exercisable to the extent the Company s Common stock reached certain market prices, which were subsequently achieved. In 2002, Infinity (now CBS Radio) sold its $12.50 warrant, representing 2,000,000 shares of Common stock, to the Company for cash consideration of $51,070. In 2001, Infinity sold its $10.00 warrant, representing 2,000,000 shares of Common stock, to the Company for cash consideration of $41,350. The repurchase of the CBS Radio warrants for cash consideration has been reflected as a reduction to Additional Paid in Capital during 2002 and 2001.

On May 29, 2002, the Company s shareholders ratified an extension of the Management Agreement for an additional five-year term, which commenced April 1, 2004, and expires on March 31, 2009. In return for receiving services under the Management Agreement, the Company will continue to compensate CBS Radio via an annual base fee and an opportunity to earn an annual incentive bonus provided certain performance objectives are met. Additionally, the Company granted to CBS Radio seven fully vested and nonforfeitable warrants to purchase 4,500,000 shares of the Company s Common stock (comprised of two warrants to purchase 1,000,000 Common shares per warrant and five warrants to purchase 500,000 Common shares per warrant). As of December 31, 2006, 1,000,000 of these warrants were cancelled as the Company s Common stock did not reach the specified price targets necessary for the warrants to become exercisable. For additional information on these warrants see Note 2 Related Party Transactions to our consolidated financial statements.

In addition to the Management Agreement described above, the Company also enters into other transactions with CBS Radio and affiliates of CBS Radio, including Viacom, in the normal course of business. Such arrangements include a representation agreement (including a related news programming agreement, a license agreement and a technical services agreement with an affiliate of CBS Radio collectively referred to in this report as the Representation Agreement) to operate the CBS Radio Networks, affiliation agreements with many of CBS Radio s radio stations and the purchase of programming rights from CBS Radio and affiliates of CBS Radio. The Management Agreement provides that all transactions, other than the Management Agreement and Representation Agreement to operate the CBS Radio Networks which were ratified by the Company s shareholders, between the Company and CBS Radio or its affiliates must be on a basis that is at least as favorable to the Company as if the transaction were entered into with an independent third party. In addition, subject to specified exceptions, all

Table of Contents

agreements between the Company and CBS Radio or any of its affiliates must be approved by the independent members of the Company s Board of Directors. During 2006, the Company incurred expenses aggregating approximately $75,514 for the Representation Agreement, affiliation agreements and the purchase of programming rights from CBS Radio and affiliates ($78,388 in 2005 and $84,338 in 2004). 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 the Company and Viacom because of Viacom s affiliation with CBS Radio. Viacom is the former parent company of CBS Radio and, like CBS Radio, is majority-owned by National Amusements, Inc.

On November 9, 2006, the Company announced that its Board of Directors established a Strategic Review Committee comprised of independent directors to evaluate means by which Westwood may be able to enhance shareholder value. The Committee s principal task at this time is to seek to modify and extend the Company s various agreements with CBS Radio Inc. and its affiliates, including the Company s management agreement and programming and distribution arrangements with CBS Radio. The Company s principal agreements with CBS Radio currently expire on March 31, 2009. The Committee and CBS Radio are currently engaged in discussions relating to these matters. There can be no assurance that this process will result in any modification or extension to these agreements.

Critical Accounting Policies and Estimates

Westwood One s financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires management 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. Management continually evaluates its estimates and judgments including those related to allowances for doubtful accounts, useful lives of property, plant and equipment and intangible assets, and other contingencies. Management bases its 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.

The Company carefully considers matters such as credit and inventory risks, among others, in assessing arrangements with its programming and distribution partners. In those circumstances wherein the Company functions as the principal in the transaction, the revenues and associated operating costs are presented on a gross basis in the consolidated statement of operations. In those circumstances wherein the Company functions as an agent or sales representative, the Company s effective commission is presented within Revenues with no corresponding operating expenses.

Barter transactions represent the exchange of commercial announcements for 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 the Company to increase or decrease the amount of assets and liabilities and related revenue and expenses recorded from prospective barter transactions.

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 Goodwill represents the residual value remaining after ascribing estimated fair values to a reporting unit s tangible and intangible assets and liabilities. In order to estimate the fair values of assets and liabilities the Company may use various methods including probability-weighted discounted cash flows, excess earnings, profit split and income methods. Utilization of any of these methods requires that the Company make important assumptions and judgments about future operating results, cash flows, discount rates, and the probability of various event scenarios, as well as the proportional contribution of various assets to results and other judgmental allocations. In arriving at these estimates and judgments the Company considers internal budgets and strategic plans, expected long term growth rates, and the potential effects of possible external factors and market conditions. If actual future conditions or events differ from the Company s estimates, an additional impairment charge may be necessary to reduce the carrying value of goodwill which charge could be material to the Company s operations.

Allowances for doubtful accounts We maintain allowances for doubtful accounts for estimated losses which may result from the inability of our customers to make required payments. We base our allowances 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, we would be required to increase our allowances 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. Our bad debt expense approximated $2,323, or 0.5% of revenue, in 2006, $2,035, or 0.4% of revenue, in 2005 and $874, or 0.2% of revenue, in 2004. 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 significant bad debts.

Estimated useful lives of property, plant and equipment, and intangible assets We estimate the useful lives of property, plant and equipment and intangible assets in order to determine the amount of depreciation and amortization 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.

The Company reviews the recoverability of its long-lived assets and finite-lived identifiable intangible assets for recoverability whenever events or changes in circumstances indicated that the carrying amount of an asset may not be recoverable in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long Lived Assets. Westwood s intangible asset balance is material ($4,225 at December 31, 2006), and the evaluation of intangible assets requires that the Company make important assumptions and judgments about future operating results and cash flows as well as discount rates. In estimating future operating results and cash flows, the Company considers internal budgets and strategic plans, expected long term growth rates, and the effects of external factors and market conditions. If actual future operating results and cash flows or external conditions differ from the Company s judgments, or if changes in assumed discount rates are made, an impairment charge may be necessary to reduce the carrying value of intangible assets, which charge could be material to the Company s operations.

Valuation of stock options and warrants For purposes of computing the value of stock options and warrants, various valuation methods and assumptions can be used. The selection of a different valuation method or use of different assumptions may result in a value that is significantly different from that computed by the Company. In certain circumstances, usually depending on the complexity of the calculation, we may employ the services of a valuation expert. Additionally, a change in the estimated rate of forfeitures may result in a significant change in stock-based compensation expense for a given period. For further information on assumptions used refer to Note 9 Equity-Based Compensation to the consolidated financial statements.

Recent Accounting Pronouncements Affecting Future Results

In May 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 154 (SFAS 154), Accounting Changes and Error Corrections, which replaces Accounting Principles Board No. 20 (APB 20), Accounting Changes, and Statement of Financial Accounting Standards No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS 154 applies to all voluntary changes in accounting principle and changes the requirements for accounting for and reporting a change in accounting principle. SFAS 154 requires a voluntary change in accounting principle to be applied retrospectively to all prior period financial statements so that those financial statements are presented as if the current accounting principle had always been applied, unless it is impracticable. APB 20 previously required that most voluntary changes in accounting principle be recognized with a cumulative effect adjustment in net income of the period of the change. SFAS 154 is effective for accounting changes made in annual periods beginning after December 15, 2006. The Company does not expect the adoption of SFAS 154 to have a material impact on the Company s consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, an interpretation of SFAS No. 109, (SFAS No. 109), Accounting for Income Taxes. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with SFAS No. 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with this Interpretation is a two-step process. The first step is recognition, in which the enterprise determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step is measurement. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 on January 1, 2007 and does not presently expect that it will have a material effect on the consolidated financial position or results of operations.

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. The Company is currently assessing the impact of adopting SFAS No. 157, but does not presently expect that it will have a material effect on the consolidated financial position or results of operations.

In September 2006, the SEC staff issued Staff Accounting Bulletin (SAB) 108 Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108). SAB 108 requires that public companies utilize a dual-approach to assess the quantitative effects of financial misstatements. This dual approach includes both an income statement focused assessment and a balance sheet focused assessment. The guidance in SAB 108 must be applied to annual financial statements for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material effect on the consolidated financial position or results of operations.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business, the Company employs established policies and procedures to manage its exposure to changes in interest rates using financial instruments. The Company uses derivative financial instruments (fixed-to-floating interest rate swap agreements) for the purpose of hedging specific exposures and holds 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, in December 2002, the Company entered into a seven-year interest rate swap agreement covering $25,000 notional value of its outstanding borrowing to effectively float 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 its outstanding borrowing to effectively float the interest rate at three-month LIBOR plus 80 basis points. In total, the swaps cover $100,000 which represents 50% of the notional amount of Senior Unsecured Notes.

These swap transactions allow the Company to benefit from short-term declines in interest rates. The instruments meet all of the criteria of a fair-value hedge. The Company has the appropriate documentation, including the risk management objective and strategy for undertaking the hedge, identification of the hedging instrument, the hedged 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 or variability in cash flows attributable to the hedged risk.

With respect to the borrowings pursuant to the Company s Facility the interest rate on the borrowings is 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 chosen by the Company. Historically, the Company has 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, 2006, the Company had $170,000 outstanding under the Facility.

The Company continually monitors its positions with, and the credit quality of, the financial institutions that are counterparties to its financial instruments, and does not anticipate non-performance by the counterparties.

The Company s receivables do not represent a significant concentration of credit risk due to the wide variety of customers and markets in which the Company operates.

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.

The Company maintains 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.

The Company s 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 not employees of the Company, 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 the Company s independent accountants. The independent accountants have full and free access to the Audit Committee with and without management s presence. Further, as a result of changes in the listing standards for the New York Stock Exchange and as a result of the Sarbanes-Oxley Act of 2002, members of the Audit Committee will be required to meet stringent independence standards and at least one member must have financial expertise. The majority of our Audit Committee members satisfy the new independence standards and the Audit Committee also has at least one member with financial expertise.

The consolidated financial statements and the related notes and schedules of the Company are indexed on page F-1 of this report, and attached hereto as pages F-1 through F-28 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

The Company s management, under the supervision and with the participation of the Company s Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of the Company s disclosure controls and procedures as of December 31, 2006 (the Evaluation). Based upon the Evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms.

Management s Report on Internal Control over Financial Reporting

The Company s management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company s internal control over financial reporting is a process designed under the supervision of its Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company s financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America. Management evaluated the effectiveness of the Company s 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 the Company s Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company s internal control over financial reporting as of December 31, 2006 and concluded that it is effective.

The Company s independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of the Company s internal control over financial reporting and management s assessment of the effectiveness of the Company s internal control over financial reporting as of December 31, 2006, and has expressed unqualified opinions in their report which appears on page F-2.

Changes in Internal Control over Financial Reporting

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

Item 9B. Other Information

None.

Table of Contents

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Directors

The directors of the Company, as of April 15, 2007 are listed below. The Company s Board of Directors (referred to in this Part III only as the Board) is divided into three classes (Class I, II, and III), each class serving for three-year terms, which terms are staggered and expire as indicated below. Each director s class and the year he became a director of the Company is indicated below.

Director	Age	Director Since	Class	Term Expires
Walter Berger	51	2006	II	2009
Albert Carnesale(I)	70	2005	II	2009
David L. Dennis(I)	58	1994	II	2009
Gerald Greenberg(I)	64	1994	III	2008
Peter Kosann	37	2006	I	2007
Grant F. Little, III(I)	42	2006	II	2009
H. Melvin Ming(I)	60	2006	III	2008
Norman J. Pattiz	64	1974	I	2007
Joseph B. Smith(I)	79	1994	I	2007

I = Independent

The principal occupations and professional background of the nine directors are as follows:

Mr. Berger has been a director of the Company since April 4, 2006. Mr. Berger has been the Executive Vice President and Chief Financial Officer of CBS Radio Inc. since January 2006. Mr. Berger was the Executive Vice President, Chief Financial Officer, and a member of the Board of Directors of Emmis Communications Corporation from 1999 to 2005. Prior to Emmis, Mr. Berger served as Group President of the Energy Marketing Division for LG&E Energy Corporation, where he previously served as Executive Vice President and Chief Financial Officer. Mr. Berger is a *cum laude* graduate of the University of Massachusetts, Amherst, with a degree in business administration. He is also a C.P.A. who serves on numerous civic boards and committees.

Dr. Carnesale has been a director of the Company since August 3, 2005. Dr. Carnesale is Chancellor Emeritus and Professor at the University of California, Los Angeles (UCLA). He served as Chancellor of UCLA from July 1, 1997 through June 20, 2006. Prior to joining UCLA, Dr. Carnesale served for 23 years as Professor of Public Policy and Administration at Harvard University s John F. Kennedy School of Government. During that period, Dr. Carnesale also served as Provost of the University (October 1994 June 1997) and Dean of the Kennedy School (November 1991 December 1995). Dr. Carnesale is a director of Teradyne, Inc.

Mr. Dennis has been a director of the Company since May 24, 1994. Mr. Dennis has been a Managing Director of Pacific Venture Group, a healthcare venture capital firm, since November 2004. Mr. Dennis was a private investor and consultant from December 2002 to November 2004. Mr. Dennis served as Vice Chairman, Co-President, Chief

Corporate Officer and Chief Financial Officer of Tenet Healthcare, a hospital owner and healthcare provider, from March 2000 through November 2002. Mr. Dennis served as Managing Director, Investment Banking for Donaldson, Lufkin & Jenrette Securities Corporation from April 1989 to February 2000.

Mr. Greenberg has been a director of the Company since May 24, 1994. Since February 2001, Mr. Greenberg has been President of Mirage Music Entertainment, a company which owns the Mirage Record label. From April 1993 to January 2001, Mr. Greenberg served as President of MJJ Music, a Michael Jackson/Sony owned record label.

Mr. Kosann was appointed to the Board of Directors of the Company on January 1, 2006, when he became President and Chief Executive Officer of the Company. Prior to such time, Mr. Kosann was President, Sales of the Company since May 2003 and Co-Chief Operating Officer since April 2005. Mr. Kosann was the Company s Executive Vice President Network Advertising Sales from January 2001 to May 2003; Senior Vice President

Affiliate Sales and New Media from December 1999 to January 2001 and Vice President Affiliate Sales from May 1999 to December 1999. Mr. Kosann was employed by Bloomberg Financial Markets from November 1992 to May 1999 in several media sales and business development capacities.

Mr. Little has been a director of the Company since March 14, 2006. Mr. Little is the Chief Executive Officer and Founder of Hudson Advisory Partners (Hudson). Founded in August 2005, Hudson assists companies and entrepreneurs on business and capital strategy with a long-term orientation and alignment of interests. Prior to Hudson, Mr. Little spent thirteen years (1987-2000) with Donaldson, Lufkin & Jenrette Securities Corporation in its investment banking division, until it was acquired by Credit Suisse First Boston (CSFB) in late 2000. Mr. Little was a Managing Director in the Investment Banking Division of CSFB based in Los Angeles from late 2000 to August 2005. He served as a consultant to CSFB until December 2005. During his investment banking career, Mr. Little worked with companies in various stages of development (start-up, high-growth, mature and restructuring), executed a multitude of products (*e.g.,* capital raising including debt and equity in public and private markets, buy and sell-side M&A and restructurings) and worked with companies in a variety of industries (*e.g.,* retail, manufacturing, healthcare, real estate, gaming and media) in executing their capital strategies.

Mr. Ming has been a director of the Company since July 7, 2006. Since October 2002, Mr. Ming has been the Chief Operating Officer of Sesame Workshop, the producers of Sesame Street and other children s educational media. Mr. Ming joined Sesame Workshop in 1999 as the Chief Financial Officer. Prior to joining Sesame Workshop, Mr. Ming was the Chief Financial Officer of the Museum of Television and Radio in New York from 1997 to 1999; Chief Operating Officer at WQED in Pittsburgh from 1994-1996; and Chief Financial Officer and Chief Administrative Officer at Thirteen/WNET New York from 1984 to 1994. Mr. Ming is a C.P.A. and graduated from Temple University in Philadelphia, PA.

Mr. Pattiz founded the Company in 1976 and has held the position of Chairman of the Board since that time. He also was the Company s Chief Executive Officer until February 3, 1994. From May 2000 to March 2006, Mr. Pattiz served on the Broadcasting Board of Governors (BBG) of the United States of America, which oversees all U.S. non-military international broadcast services. As chairman of BBG s Middle East Committee, Mr. Pattiz was the driving force behind the creation of Radio Sawa and Alhurra Television, the U.S. Government s Arabic-language radio and TV services to the 22 countries of the Middle East. Mr. Pattiz has served as a Regent of the University of California since September 2001, and chairs the Regents Oversight Committee of the Department of Energy Laboratories. He also serves on the Board of the Annenberg School of Communication at the University of Southern California, the Board of Trustees of the Museum of Television & Radio and is past president of the Broadcast Education Association. He is a member of the Council on Foreign Relations and the Pacific Council on International Policy.

Mr. Smith has been a director of the Company since May 24, 1994. He was previously a director of the Company from February 1984 until February 3, 1994. Since April 1993, Mr. Smith has been the President of Unison Productions, Inc., through which he serves as an industry consultant involved in a number of projects in the entertainment business.

Named Executive Officers

The following is a list of the Company s Chief (Principal) Executive Officer, Chief (Principal) Financial Officer, and the three most highly compensated of the Company s executive officers (excluding the CEO and CFO) using the SEC s methodology for determining total compensation . Such individuals are referred to in this report as the Company s named executive officers (or NEOs) for 2006:

Named Executive Officer	Position

Norman J. Pattiz	Chairman of the Board
Peter Kosann	Chief Executive Officer and President
Andrew Zaref	Executive Vice President and Chief Financial Officer
David Hillman	Executive Vice President, Business Affairs and General Counsel
Paul Gregrey	Executive Vice President, Sales, Network Division

Table of Contents

The professional background of the executive officers who are not also directors of the Company follows:

Andrew Zaref

Andrew Zaref (age 41) serves as the Company s Executive Vice President and Chief Financial Officer and is responsible for the Company s financial affairs. Prior to joining the Company in such position in January 2004, Mr. Zaref served as an Audit Partner in the Information, Communications and Entertainment practice of KPMG LLP. While at KPMG, Mr. Zaref played a key role in advising numerous high profile media and technology clients. Mr. Zaref is a CPA licensed in New York State.

David Hillman

David Hillman (age 38) serves as the Company s Executive Vice President, Business Affairs and General Counsel. Mr. Hillman joined the Company in June 2000 as Vice President, Labor Relations and Associate General Counsel, which positions he held through September 2004, and thereafter became Senior Vice President, General Counsel in October 2004. He became an Executive Vice President in February 2006.

Paul Gregrey

Paul Gregrey (age 47) serves as the Company s Executive Vice President, Sales, Network Division, a position he has held since May 2003. Mr. Gregrey joined the Company in 1999 as a Vice President in the Network, Western Sales division in Los Angeles and from June 2000 to May 2003, served as a Senior Vice President in the Network, Eastern Sales division in New York.

There is no family relationship between any Company director and executive officer.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the Company s executive officers and directors and persons who own more than ten percent of a registered class of the Company s equity securities to file reports of ownership and changes in ownership with the SEC. Officers, directors and more than ten percent shareholders are required by SEC regulation to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by it, or written representations from its directors and executive officers, the Company believes that during 2006 its executive officers, directors and more than ten percent beneficial owners complied with all SEC filing requirements applicable to them.

Code of Ethics

The Company has a written policy entitled Code of Ethics that is applicable to all employees, officers and directors of the Company. In addition to its Code of Ethics, the Company has a Supplemental Code of Ethics for its Chief Executive Officer and Chief Financial Officer. Both the Code of Ethics and the Supplemental Code of Ethics are available on the Company s website (www.westwoodone.com) and are available in print at no cost to any shareholder upon request.

Changes to Director Nomination Procedures

No material changes have been made to the Company s procedures regarding how security holders may recommend nominees to the Company s Board.

Audit Committee

The Board has an Audit Committee and has adopted a written charter for such committee, a copy of which is available on the Company s website at www.westwoodone.com and available in print at no cost to any shareholder upon request. Such committee is composed entirely of non-employee, independent members of the Board. The current members of the Audit Committee are Messrs. Little (Chair), Greenberg, Ming and Smith. Pursuant to the Sarbanes-Oxley Act of 2002 (SOX) and the NYSE listing standards, Messrs. Greenberg, Little, Ming and Smith meet the requirements of independence proscribed thereunder. In addition, the Board has determined that Mr. Little is an audit committee financial expert pursuant to SOX and the NYSE listing standards. For further information concerning Mr. Little s qualifications as audit committee financial expert , see his biography which appears above under the heading entitled Directors in this Item 10.

Item 11. Executive Compensation

Compensation Discussion and Analysis

The following narrative is a description of how the Company determines compensation for its named executive officers (referred to as NEOs or executives below), including the elements of their compensation and how the levels of their compensation are determined and by whom. This description will help further explain the disclosure listed in the compensation tables that follow the narrative. When references are made to key employees , we are referring to a broader group of senior managers, such as department heads, who may be eligible for a particular compensation element. Finally, references to the executive team or management mean the Chief Executive Officer, Chief Financial Officer and General Counsel.

Overview

The Company s Compensation Committee (referred to in this narrative as the Committee), which is comprised of three independent directors, is primarily responsible for determining the compensation of the Company s NEOs on an annual basis. The Committee exercises its responsibility primarily by determining two key discretionary components of NEO compensation: the discretionary annual bonus, payable in cash, if any, and the annual equity compensation award, if any, based on management s recommendation (in the case of the CEO, based on CBS Radio s recommendation) to the Committee. Depending on the circumstances, the Committee may be involved in determining NEOs base salaries, which typically are set when a NEO enters into an employment agreement with the Company. The Committee is aided in its decision-making process by its independent, nationally recognized compensation consultant, the Semler Brossy Consulting Group (SBCG), which reports directly to the Committee Chair and performs no other work for the Company. SBCG has been the adviser to the Committee since 2003. When appropriate the Committee also directly receives legal advice from Proskauer Rose LLP. CBS Radio, Inc., which owns 18.4% of the Company and which under a long standing management agreement manages the Company, plays a significant role in reviewing, recommending and establishing NEO s compensation, as described below. In particular, in the case of the CEO, CBS Radio determined the CEO s base salary and potential discretionary annual bonus pursuant to the CEO s employment agreement with CBS Radio.

In general, the Committee seeks to provide appropriate and reasonable levels of compensation to its NEOs. The Company strives to be competitive with pay opportunities of comparable companies in the media industry, while accounting for individual performance and the overall performance of the Company. The Company provides minimal perquisites, consisting mainly of reimbursements for parking and car allowances. The Company does not provide to its executives any other types of perquisites, including supplemental pension plans or other deferred compensation arrangements.

Objectives

The objective of the Company s executive compensation policy (which affects NEOs) is to attract, retain and motivate management in a manner that is in the best interests of the Company s shareholders. Compensation for NEOs and other key employees is primarily comprised of three elements: a base salary, a discretionary annual bonus and discretionary annual grants of equity compensation awards. While annual bonuses and equity compensation awards may be addressed in NEOs employment agreements, the awards of either or both are wholly discretionary and subject to the sole determination of the Committee (as stated in such employment agreements). The Committee believes that equity compensation awards are important contributors to the attraction, retention and motivation of the Company s executives and more closely aligns the interest of executives and management to the interests of the Company s shareholders.

The Committee has established the following objectives when determining the compensation for NEOs:

Pay for Performance. Corporate goals and objectives, and the progress made in achievement thereof, both as such goals and objectives have been presented by management and as expressed by CBS Radio, as manager of the Company, and the Board, should be a key consideration in any pay decisions;

Be Competitive. Total compensation opportunities for the NEOs generally should be competitive with comparable companies in the industry, to be able to continue to maintain and attract needed managerial talent;

Align Long-term Interests of Executives with Shareholder Interests. Elements of compensation should be structured to give substantial weight to the future performance of the Company in order to better align the interests of the Company s shareholders and NEOs; and

Attract and Retain Key Employees. In the midst of a challenging business environment, the Committee believes that the best interests of the shareholders are served by remembering that an effective compensation program also reflects the value of attracting and retaining key employees and talent.

The Company generally establishes a NEO s base salary in the individual s employment contract, based generally on competitive pay levels and appropriate fixed pay to compensate sufficiently the NEOs for performing his/her duties and responsibilities.

What are the duties and responsibilities of the Committee in establishing compensation?

The Committee has the following responsibilities pursuant to its Charter (a copy of which is available on the Company s website at www.westwoodone.com):

Establish, oversee and recommend to the Board the implementation of overall compensation policies for executive officers as well as for compensation provided to officers (pursuant to the Management Agreement) and the Chairman of the Board;

Review and approve corporate goals and objectives relative to the compensation of executive officers;

Review the results of and procedures for the evaluation of other executive officers by the Chief Executive Officer;

At the direction of the Board, establish compensation for the Company s non-employee directors; and

Oversee the administration of all qualified and non-qualified employee compensation and benefit plans, including stock incentive plans.

Each of the members of the Committee is independent within the meaning of the Company s Corporate Governance Guidelines and the listing standards of the NYSE.

In carrying out its responsibilities, the Committee is authorized to engage outside advisors to consult with the Committee as it deems appropriate.

Process

What is the timeline for establishing NEOs discretionary compensation?

The Committee generally discusses NEOs discretionary compensation during the period beginning with the last Board meeting of the year (customarily held in December) and ending with the first Board meeting after the announcement of Company s earnings for the full year (customarily held in March). Between those meetings, the Company reports its year-end financial results and prepares a preliminary budget setting forth goals and objectives for the upcoming year. The CEO makes recommendations to the Committee for other NEOs discretionary annual bonuses and equity compensation awards, including the suggested allocation between stock options, on the one hand, and restricted stock or restricted stock units (RSUs), on the other. Before management makes its recommendations to the Committee, the CEO reviews them with a representative of CBS Radio. The CEO does not make recommendations, review or otherwise participate in the process of determining his own discretionary compensation. Any proposal regarding the CEO s discretionary compensation is made by CBS Radio.

What are the roles of the various parties involved in the compensation process?

While the Committee ultimately is responsible for making most of the compensation decisions related to NEOs, it believes it is advisable to obtain management s insight and input as well as the independent guidance of a third-party compensation adviser. Since the middle of 2003, the SBCG has acted as such adviser to the Committee and has attended several of the Committee meetings as needed. SBCG advises the Committee as to the appropriateness and reasonableness of the awards of discretionary compensation, including with respect to companies comparable in size or otherwise similar to the Company. Its analysis may include such considerations as the form of award (cash, stock options, restricted stock or RSUs), the aggregate percentage of the Company s stock being allocated (including how much stock remains issuable under the shareholder approved 2005 Plan) and the present value of the award. The Committee receives significant input from management, as appropriate, and the Committee meets separately with CBS Radio, to understand and factor into its decisions as full a picture of the relevant facts and circumstances as possible.

How large a role is played by CBS Radio, as manager of the Company, in determining compensation to NEOs?

CBS Radio is involved in reviewing management s recommendations regarding discretionary annual bonuses and equity compensation awards to key employees, including NEOs, prior to the submission of such proposal to the Committee. CBS Radio is then included in future dialogue among the Committee, the Board and management regarding management s recommendations. CBS Radio plays a particularly significant role in the CEO s and CFO s compensation, as: (i) the Company s CEO is compensated pursuant to an employment agreement with CBS Radio, and not the Company, and (ii) the current CFO s salary and bonus is paid by the Company but is reimbursed by CBS Radio, and such employment agreement is with, and was negotiated by, the Company in conjunction with CBS Radio.

Prior to 2004, the Company s CEO, Joel Hollander (CEO from October 1998 to May 2003), and CFO, Jacques Tortoroli (CFO from July 2002 to December 2003), were both employees of CBS Radio. During such time period, neither individual received any salary or bonus from the Company. When Mr. Zaref became CFO in January 2004, the Committee assumed responsibility for the determination of the CFO s salary and bonus, as well as continuing to determine any equity compensation awards.

When do NEOs receive their discretionary compensation awards?

The Company makes its annual discretionary compensation awards (*i.e.,* annual bonus and equity compensation) to NEOs after the performance of the immediately preceding fiscal year, including year-end earnings, has been publicly reported and is known by Board members, including the Committee. The Committee has, in certain limited circumstances, chosen to make equity compensation awards at an earlier time to a broader group of key employees when retention and other considerations made such actions advisable. While the Committee does not have a formal written policy on awarding equity compensation based on material non-public information, it has acted to ensure that it does not do so. General awards of annual equity compensation (i.e., those not tied to a special event such as a promotion or extension of an employment agreement) for 2005 and 2006 were made by the Committee in February 2006 and March 2007.

What are the elements of compensation to NEOs and how are levels of compensation determined?

There are three main components of compensation: (1) base salary; (2) discretionary annual bonus; and (3) equity compensation. While two NEOs received a cash retention bonus in connection with executing their employment agreements, such is not considered a major component of compensation. Messrs. Hillman and Gregrey received retention bonuses, in the amount of $100,000 each, for their respective commitments to multi-year contracts. All of the NEOs have employment agreements with the Company (with the exception of the CEO whose agreement is with CBS Radio) and such employment agreements cover, to varying degrees, the elements of compensation comprising the Company s compensation policy as described below in more detail under the heading employment agreements .

Table of Contents

Base Salary

In determining base salary, the Committee considers an individual s performance, experience and responsibilities, as well as the base salary levels of similarly-situated employees at comparable companies in the media industry. A base salary is meant to create a secure base of cash compensation, which is competitive in the industry. The Company relies to a large extent on the CEO s evaluation and recommendation based on his assessment of the NEO s performance.

Salaries generally are reviewed at the time a NEO enters into a new or amended employment agreement, which typically occurs upon the assumption of a new position and/or new responsibilities or the termination of the agreement. Any increase in salary is based on a review of the factors set forth above.

As stated in the Overview the Committee customarily is not involved in the structuring of employment agreements which set forth a NEO s base salary. Two recent exceptions were the amendments to the employment agreements for the Company s Chairman and the CFO. The Committee took an active role, along with its compensation adviser, in structuring the amendments to Mr. Pattiz s employment agreement in 2005 based on the recommendation of the Board to the Committee. The Committee, along with its advisor, similarly took an active role in structuring the amendment to Mr. Zaref s employment agreement in 2006, based on the CEO s recommendation to the Committee and the input of CBS Radio.

The employment agreements of the General Counsel and EVP, Network Sales were negotiated by the Company s CEO. Both individuals have been employed by the Company for several years (since 2000 and 1999, respectively) and the base salaries negotiated for them increased annually.

Discretionary Annual Compensation Bonus

In 2006, with the exception of the Company s Chairman, NEOs were eligible to receive discretionary annual bonuses and their employment agreements provide a target amount for which they are eligible (Mr. Pattiz s employment agreement does not provide for such a bonus). While the bonus amounts differ from agreement to agreement, all such bonuses are in the sole and absolute discretion of the Board of Directors or its Committee or their designee.

Each year, management makes a recommendation regarding discretionary bonuses and equity compensation for key employees to the Committee. Upon receipt of management s recommendations, the Committee reviews with management its suggestions about the management team, and then confers with its compensation consultant and with CBS Radio. After reviewing its decisions with the full Board and taking into account the views expressed by members of the Board, the Committee makes its final determination. The Committee also takes into account a NEO s base salary and views cash compensation as a whole when making its bonus determinations.

In 2006, the Company experienced a 34.9% decrease in EBITDA when compared to 2005 and a significant decline in its stock price, which played a significant role in the levels of annual (cash) discretionary bonuses awarded to NEOs. The actual bonuses paid to the NEOs for 2006 performance were substantially below their target amounts, reflecting the Committee s view of the Company s 2006 performance, as more specifically indicated below:

NEO	Target Bonus(1)	Bonus Paid	% of Target
Norman Pattiz	n/a	n/a	n/a

Peter Kosann	$	600,000	$	150,000	25.0%
Andrew Zaref	$	275,000	$	120,000	43.6%
David Hillman	$	125,000	$	100,000	80.0%
Paul Gregrey	$	250,000	$	17,500	7.0%

(1) As set forth in such NEO s employment agreement. Mr. Pattiz s employment agreement does not specify a target bonus.

While the Committee does not have a written policy regarding bonuses payable upon attaining certain financial metrics, all members of management were judged on the basis of the Company s overall performance and to the extent applicable, on the performance of departments over which they exercise substantial control. The Committee

Table of Contents

took into account the Company s revenues, net income, cash flow and stock price when analyzing Company performance, while simultaneously recognizing the current challenges in the radio industry and the ongoing discussions with CBS Radio to modify and extend the various agreements between CBS Radio and the Company. In the case of Mr. Hillman, the Committee also took into account the increased responsibilities assumed by Mr. Hillman in 2006 in connection with his promotion to Executive Vice President.

Equity Compensation

Equity is a critical component of the Company s compensation plan. Equity compensation awards are made under the Westwood One, Inc. 2005 Equity Compensation Plan (referred to herein as the 2005 Plan), customarily on an annual basis. The Company and the Committee believe that equity compensation provides the greatest long-term value potential to both the Company and its employees in creating long-term growth and success for employees and shareholders alike. Aside from promoting retention and incentivizing management, the Company, where appropriate, uses equity rather than cash as a signing bonus to management-level individuals hired by the Company. The Company believes that equity compensation serves as a critical tool for attracting and retaining key talent. A total of 9.2 million shares are available for issuance under the 2005 Plan. As of December 31, 2006 (which does not include the shares awarded in March 2007), approximately 2,438,589 of such shares have been issued by the Company under the 2005 Plan.

In 2007 (for services rendered in 2006), the Committee determined that retaining key employees below the NEO level was important to the future success of the Company, and agreed to make equity grants for the non-NEOs solely in restricted stock this year, and not all or part in stock options as has historically been the case. For exclusively NEOs, the Committee chose to incentivize core management by tying a significant portion of their equity compensation to stock options over restricted stock. In general, the Committee felt each of the CEO, CFO and GC is more able to affect the Company s performance and stock price and believed it was appropriate to tie a roughly equivalent value of each individual s equity compensation between stock options and restricted stock. In March 2007, Mr. Kosann received 41,667 shares of restricted stock and 125,000 stock options and Mr. Zaref received 25,000 shares of restricted stock and 75,000 stock options. While each of Mr. Kosann and Mr. Zaref received the same number of shares of stock options and restricted stock in March 2007 as they had received in the first quarter of 2006 (with the exception that they received restricted stock, not RSUs, in 2007), the value of such awards was approximately $899,587 less in the case of Mr. Kosann and $427,500 less in the case of Mr. Zaref than the value of the awards made to such individuals in February 2006, as the Company s stock price (at which price the awards were granted) declined from $14.27 to $6.17 during such time period.

In December 2006, Mr. Pattiz received 8,333 RSUs and 25,000 stock options pursuant to his employment agreement. In March 2007, Mr. Hillman received 20,000 shares of restricted stock and 40,000 stock options and Mr. Gregrey received 39,000 shares of restricted stock. Notwithstanding the increased amount of shares awarded to Mr. Hillman and Mr. Gregrey, the value of the March 2007 awards to such individuals also was approximately $205,778 less in the case of Mr. Hillman and $84,020 less in the case of Mr. Gregrey than the value of the awards made to them in February 2006 as a result of the decline in the Company s stock price as described above. The value of Mr. Pattiz s December 1, 2006 award, when compared to his December 1, 2005 award, was $117,246 less.

Payments Upon Termination

Certain NEOs are entitled to cash payments upon their Termination, including upon a Change in Control and in the case of Messrs. Pattiz and Zaref, upon their death or disability. These payments are more particularly described under the headings entitled Employment Agreements ; Potential Payments upon Change in Control and Payments upon Disability or Death . The Company does not have any arrangements with its NEOs, written or otherwise, for 280G gross-up or similar type payments.

Vesting

All equity compensation awarded to employees in 2006 was subject to a four-year vesting period. In March 2007, the Committee made a decision for the 2007 awards only, to shorten the vesting period to three years, in large part to

Table of Contents

help retain critical talent, recognizing that our key employees have experienced a significant decline in the value of their equity compensation as the Company s stock price has declined and have received low annual bonuses in the last two years. Once granted, an employee is entitled to the benefits of such award upon vesting, provided, such employee remains employed by the Company for the duration of the vesting period.

Stock Options

Stock options only have value if the Company s stock price increases after the date the stock options are granted, and their value is measured only by the increase in the stock price. Under the 2005 Plan, various forms of full value share equity compensation awards are available, including restricted stock, restricted stock units, performance shares and deferred stock. For all such full value shares, each share granted is worth more than an option share, since the value of such share is measured by the actual stock price, not just the increase in the stock price. For this reason, the 2005 Plan calls for the share authorization to be reduced by three option shares for every full value share issued. The Committee believes that stock options remain a useful management incentive tool, but for the annual 2007 grant, the Committee limited their use to NEOs, so that more retention-oriented restricted stock would be the primary component of other employees grants. Unvested stock options generally are forfeited upon an employee s Termination, including by death or disability. By the terms of the awards, all outstanding options vest upon a participant s Termination within a 24-month period after a Change in Control (as such term is defined in the 2005 Plan) has occurred.

Restricted Stock, RSUs

As mentioned above, the Company began to include restricted stock and RSUs in its equity compensation awards in May 2005, after the 2005 Plan was approved by Company shareholders. In general, only NEOs and the directors have received RSUs which gives the recipient the right to defer the receipt/payment of the restricted stock; all other key employees, including NEOs, have received restricted stock. Generally speaking, restricted stock and RSUs are substantially similar awards, except that while a participant receives full voting and economic rights of the shares of restricted stock upon receipt of the grant, a participant does not receive such rights upon the grant of a RSU because the payment of shares underlying a RSU is deferred until vesting. While dividends, if any, begin to accrue on the date a RSU is granted, a participant s right to the underlying restricted shares and dividend equivalents are not received by a participant until the related RSU vest. Furthermore, if a participant elects to defer receipt of RSUs, the shares and accumulated dividends thereon, if any, are not distributed until the date of deferment. A decision to defer must be made a minimum of twelve (12) months prior to the initial vesting date and a participant generally may choose to defer his award until the last vesting date applicable to such award or his date of Termination.

Awards of restricted stock and RSUs are valued at the closing market price of the Company s Common stock on the date of the grant of the award.

Any unvested awards generally are forfeited upon an employee s Termination, including by death or disability. By the terms of the awards, all outstanding RSUs and restricted stock shares vest upon a participant s Termination within a 24-month period after a Change in Control (as such term is defined in the 2005 Plan) has occurred. In Mr. Pattiz s case only, all of his outstanding RSUs vest automatically upon a Change in Control or his Retirement (as such term is defined in the 2005 Plan). Mr. Pattiz is entitled to certain rights under the terms of his employment agreement as described in more detail below under the heading Change of Control Provisions . In addition, if Mr. Pattiz s employment agreement is not renewed, Mr. Pattiz shall become a part-time employee and/or consultant of the Company for six years through November 30, 2015 and his option shares will continue to vest throughout such term.

How does the Committee determine the allocation between the elements of compensation?

In certain circumstances, the Company awards retention bonuses to retain the services of NEOs for multi-year periods. Discretionary annual bonuses may be used to reward a NEO s outstanding individual performance. The Committee believes NEOs are more appropriately compensated, motivated and rewarded (and more likely to remain at the Company) when bonuses are paid in cash in a lump sum after the year has ended. Equity compensation

Table of Contents

awards, on the other hand, are intended to provide a potential for upside should the Company s performance improve over the long-term. In recent years, a large portion of NEO s compensation has been their salary.

The following table shows the compensation awarded to each NEO for the 2006 performance year:

	Elements of Compensation(1)			
NEO	**Salary**	**Bonus(2)**	**Equity Awards(3)**	**Total Compensation**
Norman Pattiz	$ 400,000		$ 125,748	$ 525,748
Peter Kosann	$ 600,000	$ 150,000	$ 573,335	$ 1,323,335
Andrew Zaref	$ 475,000	$ 120,000	$ 344,000	$ 939,000
David Hillman	$ 319,231	$ 133,333	$ 224,600	$ 677,164
Paul Gregrey	$ 344,237	$ 48,269	$ 240,630	$ 633,136

(1) All amounts reported in this table have been rounded to the nearest dollar. Because perquisites are *de minimus*, such have not been included in the table above.

(2) The amounts listed in the table under Bonus above reflect discretionary bonuses awarded in 2007 for 2006 performance. These also include, in the case of Mr. Hillman, a $33,333.36 retention bonus and in the case of Mr. Gregrey, a $30,769.20 retention bonus earned in 2006 as further described in footnotes (3) and (4) of the Summary Compensation Table.

(3) The value listed in the table under Equity Awards above contains only the value of the equity awards granted to the NEOs in March 2007 for 2006 performance. This amount is not the same amount disclosed in the Summary Compensation Table. As discussed in footnote 5 to the Summary Compensation Table, the amounts reported in columns (e) and (f) of such table represent the portion of total value ascribed to all stock and option awards, including those made in prior years, that was expensed by the Company in 2006 in accordance with FAS 123R.

What other factors does the Committee consider when making its decisions regarding compensation to NEOs?

Section 162(m) of the Internal Revenue Code of 1986, as amended (along with related regulations, the Code), limits the annual tax deduction a Company may take on compensation its pays to the CEO and the four other most highly compensated executive officers (in this case, the NEOs) to covered pay of $1 million per executive in any given year. The Committee s general policy is to structure compensation programs that allow the Company to fully deduct the compensation under Section 162(m) requirements. However, the Committee seeks to maintain the Company s flexibility to meet its incentive and retention objectives, even if the Company may not deduct all of the compensation.

In 2005, the Committee began granting RSUs and restricted stock to NEOs. The Committee determined that although the amount of RSUs and restricted stock that qualifies for a deduction under Section 162(m) may be limited, the equity-based awards are a significant component of compensation that promotes long-term Company performance and management retention, and strengthen the mutuality of interests between the awardees and shareholders.

The Committee also considers the accounting cost and the dilutive effect of equity compensation awards when granting such awards.

To the extent permitted by the Committee, a participant may elect to defer the payment of RSUs in a manner that complies with Section 409A of the Code.

What role does the Committee play in establishing compensation for directors?

The Committee reviews and evaluates compensation for the Company s non-employee directors on an annual basis, in consultation with its outside compensation adviser prior to making a recommendation to the Board. The elements of director compensation and more particulars regarding the elements are described below under the table appearing below the header Director Compensation .

SUMMARY COMPENSATION TABLE

The following table and accompanying footnotes set forth the compensation earned, held by, or paid to, each of the Company s named executive officers for the year ended December 31, 2006.

me and Principal sition (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($) (e)(5)	Option Awards ($) (f)(5)	Non-Equity Incentive Plan Compensation ($) (g)	Pension Value and Nonqualified Deferred Compensation Earnings ($) (h)	All Other Compensation ($) (i)(6)	Total ($) (j)
URRENT OFFICERS:									
orman J. Pattiz, airman of the Board	2006	$ 400,000		$ 196,409	$ 294,384		N/A		$ 890,97
ter Kosann, esident and CEO(1)	2006	$ 600,000	$ 150,000	$ 173,034	$ 675,955		N/A	$ 12,000(6)	$ 1,610,98
idrew Zaref, /P and CFO(2)	2006	$ 475,000	$ 120,000	$ 108,126	$ 370,238		N/A		$ 1,073,36
ivid Hillman, /P Business Affairs and eneral Counsel(3)	2006	$ 319,231	$ 133,333	$ 57,110	$ 185,639		N/A		$ 695,31
ul Gregrey, /P Sales, Network vision(4)	2006	$ 344,237	$ 48,269	$ 50,097	$ 266,190		N/A		$ 708,79

(1) Peter Kosann is employed by CBS Radio pursuant to the terms of the Management Agreement.

(2) Andrew Zaref earned base salary at an annual rate of $450,000 from January 1, 2006 through June 30, 2006 and $500,000 from July 1, 2006 through December 31, 2006. In April 2007, Mr. Zaref received a discretionary bonus of $120,000 for services rendered in 2006. CBS Radio reimburses the Company for Mr. Zaref s salary and bonus.

(3) David Hillman earned base salary at an annual rate of $300,000 from January 1, 2006 through March 31, 2006 and $325,000 from April 1, 2006 through December 31, 2006. In April 2007, Mr. Hillman received a discretionary bonus of $100,000 for services rendered in 2006. He also received a $100,000 retention bonus at the time he entered into his employment agreement, of which $33,333.36 was earned in 2006. Such amount is earned over the stated term of his employment ($2,777.78 per month) and any unearned portion must be repaid if Mr. Hillman leaves the Company prior to the expiration thereof.

(4) Paul Gregrey received a discretionary bonus of $17,500 in February 2007 for services rendered in 2006 and a $100,000 retention bonus at the time he entered into his employment agreement, of which $30,769.20 was earned in 2006. Such amount is earned over the stated term of his employment ($2,564.10 per month) and any unearned portion must be repaid if Mr. Gregrey leaves the Company prior to the expiration thereof.

(5) The amounts reported in columns (e) and (f) represent the portion of total value ascribed to all stock and option awards, including those made in prior years, that was expensed by the Company in 2006 in accordance with FAS 123R. In accordance with FAS 123R, the Company expenses the estimated fair value of stock based compensation awards over the related vesting period. In the case of restricted stock and restricted stock units, estimated fair value is calculated as the fair market value of the shares on the date of grant. The estimated fair value of options is measured on the date of grant using the Black-Scholes option pricing model. For a more detailed discussion of the assumptions used by the Company in estimating fair value, refer to Note 9 (Equity-Based Compensation) of the Notes to the Consolidated Financial Statements. The vesting terms of the stock awards and option awards reported in the table above are described under the table entitled Grants of Plan-Based Awards in 2006 which appears below.

(6) Mr. Pattiz receives perquisites which do not exceed $10,000 in the aggregate and accordingly are not described above as permitted by applicable SEC rules. The only perquisites provided by the Company to its other named executive officers in 2006 were: (i) for each of Messrs. Kosann and Zaref only parking allowances; (ii) in the case of Mr. Kosann only, a monthly car allowance and (iii) Company matches to the contributions made by such individuals to their 401(k) accounts. The Company matches 25% of all employees contributions to their 401(k) Plan in an amount not to exceed 6% of an employee s salary. Any employee vests in such Company match based on his years of service with the Company as follows: 20% for one year of service; 40% for two years of

Table of Contents

service; 60% for three years of service; 80% for four years of service and 100% for five years of service. Until December 31, 2006, the Company made such matches in Company stock; as of January 1, 2007, the matches are made in cash. None of the perquisites for the Company s named executive officers exceed in the aggregate $10,000, except in the case of Mr. Kosann, who receives a $500 monthly car allowance and a $500 monthly reimbursement for parking. Accordingly, except for Mr. Kosann, such amounts have not been included above as allowed by applicable SEC rules. Under the terms of his employment agreement, Mr. Pattiz has the right to purchase at any time the Company car he uses at the fair market value as such is reported in the Kelly Blue Book.

GRANTS OF PLAN-BASED AWARDS IN 2006 (1)

The following table provides information for awards of stock options, restricted stock and restricted stock units made to each of the Company s named executive officers during the year ended December 31, 2006.

			Estimated Future Payouts Under Non-Equity Incentive Plan Awards			Estimated Future Payouts Under Equity Incentive Plan Awards			All Other Stock Awards: Number of Shares of Stock or Units	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value of Stock and Option Awards
Name	**Grant Date**	**Approval Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**	**(#)**	**(#)**	**($/Sh)**	**($)**
(a)	**(b)**	**(b) (6)**	**(c)**	**(d) (7)**	**(e)**	**(f)**	**(g)**	**(h)**	**(i)**	**(j)**	**(k)**	**(l)(8)**
Norman J. Pattiz(2)	12/1/06	11/28/05								25,000	$ 6.57	$ 71,000
	12/1/06								8,333*			$ 54,748
Peter Kosann(3)	1/3/06	12/19/05								125,000	$ 16.42	$ 788,750
	1/3/06								41,667*			$ 684,172
Andrew Zaref(4)	2/10/06								25,000*		$ 14.27	$ 414,750
	2/10/06									75,000		$ 356,750
	6/30/06	6/29/06							25,000			$ 187,500
David Hillman(5)	2/10/06									33,700	$ 14.27	$ 186,361
	2/10/06								17,100			$ 244,017
Paul Gregrey(5)	2/10/06									20,000	$ 14.27	$ 110,600
	2/10/06								15,000			$ 214,050

(1) All awards disclosed in the table above awarded on February 10, 2006 vest over four years, commencing on a date eleven (11) months after the date of grant (i.e., January 10, 2007, 2008, 2009 and 2010). While other awards granted under the 2005 Plan vest commencing on the first anniversary of the date of grant, the awards made on February 10, 2006 were the first awards made to a group of employees after the adoption of the 2005 Plan in May 2005, and upon the recommendation of Company management, the Compensation Committee determined a

slightly accelerated vesting schedule was reasonable. Awards with an exercise price noted in column (k) are options; awards denoted with an asterisk (*) are RSUs and all other awards are shares of restricted stock.

(2) Pursuant to an amendment to his employment agreement, effective November 28, 2005, beginning on December 1, 2005 and on each subsequent December 1 of his term of employment, Mr. Pattiz is entitled to a non-qualified option to purchase 25,000 shares of Common stock of the Company and 8,333 RSUs (which vest over a three-year period), each pursuant to the terms of the 2005 Plan. Such agreement was approved by the Board on November 28, 2005. As disclosed below under the heading Right to Defer; Mandatory Deferral in 2005 , any RSU awarded in 2005 was automatically deferred by the Company. Beginning in 2006, the decision whether to defer a RSU award was given to participants. Mr. Pattiz chose not to defer the RSUs granted to him in 2006.

(3) On January 3, 2006 (the first business day of the year), Mr. Kosann received 41,667 RSUs and 125,000 options in connection with his appointment to CEO on January 1, 2006. Mr. Kosann s election was approved by the Board on December 19, 2005.

(4) Mr. Zaref received 25,000 shares of restricted stock as a signing bonus in connection with entering into an amendment of his employment agreement on June 30, 2006 (effective July 1, 2006) which extends his term as the Company s Chief Financial Officer through June 30, 2009. Such agreement was approved by the

Table of Contents

Committee on June 29, 2006. He also received 25,000 RSUs and 25,000 options on February 10, 2006, the date equity compensation was awarded by the Company to its key employees.

(5) Received on February 10, 2006, the date equity compensation was awarded by the Company to its key employees.

(6) With respect to all awards of equity compensation that was approved on a date other than the grant date, the grant date of the award was specified in advance of such date.

(7) While no amount has been disclosed above (in accordance with SEC rules), there are target discretionary bonus amounts set forth in each individual s employment agreement which are described above in the Compensation Discussion and Analysis under the heading Discretionary Annual Compensation Bonus .

(8) The value of the awards disclosed in column (l) represents the total value ascribed to all stock and option awards granted in 2006. In the case of restricted stock and restricted stock units, estimated fair value is calculated as the fair market value of the shares on the date of grant. The estimated fair value of options is measured on the date of grant using the Black-Scholes option pricing model. For a more detailed discussion of the assumptions used by the Company in estimating fair value, refer to Note 9 (Equity-Based Compensation) of the Notes to the Consolidated Financial Statements. The vesting terms of the stock awards and option awards are reported below.

The following summary is applicable solely to the equity compensation awarded in 2006 as reported in the table entitled Grants of Plan-Based Awards in 2006 which appears above.

Vesting

The following terms do not apply to Mr. Pattiz s awards. For a description of the terms applicable to his awards, see Mr. Pattiz s Awards below.

All awards of stock options, restricted stock and RSUs listed in the table Grants of Plan-Based Awards in 2006 were granted under the 2005 Plan and vest in equal installments over a four-year period (with the exception of Mr. Pattiz s awards, which vest over three years), commencing on the first anniversary of the date of grant (with the exception of the grants made on February 10, 2006 as described above). Upon a participant s Termination (as such terms are defined in the 2005 Plan), all vested stock options remain exercisable as follows, but in no event later than ten years after the grant date: (i) three years in the event of the participant s Retirement; (ii) one year in the event of the participant s death (in which case the participant s estate or legal representative may exercise such stock option) or (iii) three months for any other Termination (other than for Cause). A participant forfeits any unvested stock options on the date of his Termination (except for Mr. Pattiz as indicated in more detail below).

Undefined terms used herein (such as participant, Termination, Retirement, Cause and Change in Control) have the meaning set forth in the 2005 Plan.

Change of Control Provisions

If an employee is terminated without Cause during the 24-month period following a Change in Control , all unvested options, restricted stock and RSUs shall immediately vest; provided an employee is still a participant.

Mr. Pattiz s Awards

Mr. Pattiz, who receives the same type of RSU and restricted stock award as Company directors, receives equity compensation which vests over three years and all such shares of restricted stock and RSUs vest in their entirety upon a Change in Control. Under the terms of his Employment Agreement, as amended, Mr. Pattiz is entitled to exercise at any time: (i) one-half of his outstanding option awards which have not yet become exercisable upon a Partial Event of Change and (ii) 100% of his outstanding option awards which have not yet become exercisable upon an Event of Change (as such terms are defined in his Employment Agreement). If any event constituting an Event of Change is not consummated, the options will immediately revert back to their original vesting schedule, except to the extent Mr. Pattiz has already exercised his option to purchase some or all of such options.

Table of Contents

Dividends; Transfer Restrictions; Voting Rights

RSUs and restricted stock accrue dividend equivalents when dividends are paid, if any, on the Company s Common stock beginning on the date of grant. Such dividend equivalents are credited to a book entry account, and are deemed to be reinvested in common shares on the date the cash dividend is paid. Dividend equivalents are payable, in shares of Common stock, only upon the vesting of the related restricted shares. Until the stock vests, shares of restricted stock and RSUs may not be sold, pledged, or otherwise transferred; however, once a grant of such is made, the holder is entitled to receive dividends thereon (as described above). In the case of restricted stock only (*i.e.,* not RSUs), a holder is entitled to vote the shares once he has been awarded such shares. A holder may not vote shares associated with RSUs until the shares underlying such award have been distributed (which occurs upon vesting, unless the RSUs have been deferred as described below).

Right to Defer; Mandatory Deferral in 2005

A participant may elect to defer receipt of his RSUs in which case shares and any dividend equivalents thereon, are not distributed until the date of deferment. A decision to defer must be made a minimum of twelve (12) months prior to the initial vesting date and a participant may choose to defer his award until the last vesting date applicable to such award or his date of Termination. In 2005, the deferral of equity compensation awards until a participant s Termination was mandatory. Accordingly, the grants made to all directors on May 19, 2005 and the grants made to Mr. Pattiz in December 2005 have been deferred until such individual s Termination.

Table of Contents

OUTSTANDING EQUITY AWARDS AT 2006 FISCAL YEAR-END

The following table sets forth, on an award-by-award basis, the number of shares covered by exercisable and unexercisable stock options and unvested restricted stock and restricted stock units outstanding to each of the Company s named executive officers as of December 31, 2006.

	Option Awards(1)					Stock Awards(2)			
Name (a)	**Number of Securities Underlying Unexercised Options (#) Exercisable (b)**	**Number of Securities Underlying Unexercised Options (#) Unexercisable (c)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)**	**Option Exercise Price ($) (e)**	**Option Expiration Date (f)**	**Number of Shares or Units of Stock That Have Not Vested (#) (g)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (h)(3)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)**	**Equity Incentive Plan Awards: Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)**
Norman J. Pattiz(4)	308,000			$ 14.07	04/29/08		$		$
	4,000			12.69	03/10/09				
	50,000			30.99	12/01/13				
	33,333	16,667		23.16	12/01/14				
	8,333*	16,667		18.27	12/01/15				
	4,167*	8,333		18.27	12/07/15				
		25,000		6.57	12/01/16				
						5,555*	39,221		
						3,099*	21,877		
						8,357	59,000		
Peter Kosann	20,000			22.57	09/30/09				
	50,000			32.25	03/08/10				
	15,000			20.25	09/28/10				
	24,000			21.46	09/20/11				
	40,000	10,000		35.19	09/25/12				
	45,000	30,000		30.19	09/30/13				
	30,000	45,000		20.50	10/05/14				

	10,000	40,000	20.97	03/14/15		
		125,000	16.42	01/03/16		
					43,273	305,507
Andrew Zaref	20,000	30,000	30.97	04/05/14		
	30,000	45,000	20.50	10/05/14		
	10,000	40,000	20.97	03/14/15		
		75,000	14.27	02/10/16		
					25,963	183,299
					25,418	179,451
David Hillman	600		20.25	09/28/10		
	9,000		21.46	09/20/11		
	9,600	2,400	35.19	09/25/12		
	7,200	4,800	30.19	09/30/13		
	12,000	18,000	20.50	10/05/14		
	5,000	20,000	20.97	03/14/15		
		33,700	14.27	02/10/16		
					17,758	125,371
Paul Gregrey	12,000		22.57	09/30/09		
	30,000		32.25	03/08/10		
	20,000		22.06	02/21/11		
	10,000		21.46	09/20/11		
	28,000	7,000	35.19	09/25/12		
	24,000	16,000	30.19	09/30/13		
	20,000	30,000	20.50	10/05/14		
	3,000	9,000	19.93	05/19/15		
		20,000	14.27	02/10/16		
					15,579	109,988

Table of Contents

(1) All options listed in the above table were granted pursuant to the terms of the 1999 Plan and are subject to five-year vesting terms in equal installments, commencing on the first anniversary of the date of grant, except in the case of: (i) the third and fourth option entries for Mr. Pattiz (expiring on December 1, 2013 and December 1, 2014, respectively), which options were modified by a letter agreement dated as of May 25, 2005 and vest over three years in equal installments and (ii) all option entries in the table above with an expiration date on or after May 19, 2015 which options were granted pursuant to the terms of the 2005 Plan, which options vest in equal installments over four years (except for Mr. Pattiz s options which have a three-year vesting term) commencing on the first anniversary of the date of grant. As discussed elsewhere in this report, options granted on February 10, 2006 had an initial vesting date of January 10, 2007 (11 months after the grant date).

(2) All stock awards listed in the above table were granted pursuant to the terms of the 2005 Plan and are subject to four-year vesting terms (except for Mr. Pattiz s stock awards which have a three-year vesting term) commencing on the first anniversary of the date of grant. As discussed elsewhere in this report, restricted stock granted on February 10, 2006 had an initial vesting date of January 10, 2007 (11 months after the grant date). The numbers disclosed in column (g) above include all dividend equivalents that have accrued on such shares.

(3) The value of the awards disclosed in column (h) above is based on a per share closing stock price on the NYSE for the Company s Common stock of $7.06 on December 29, 2006 (the last business day of 2006).

(4) The entries for Mr. Pattiz denoted above by an asterisk (*) represent awards made to Mr. Pattiz in December 2005, which although reported in columns (b) and (g) respectively because such shares have vested, the payment of such shares were deferred at the time of their award until Termination (as such term is defined in the 2005 Plan). Included in the above table is an award of 4,167 RSUs and 12,500 options which Mr. Pattiz was awarded on December 7, 2005, which awards are in addition to the awards he received on December 1, 2005 pursuant to the terms of his employment agreement as discussed above and were also automatically deferred until Termination.

OPTIONS EXERCISED AND STOCK VESTED

During the year ended December 31, 2006, none of our named executive officers exercised any stock options and none of the restricted stock or RSUs previously awarded to them were acquired.

	Options Awards		Stock Awards	
Name (a)	**Number of Shares (#) (b)**	**Value Realized on Exercise(1) ($) (c)**	**Number of Shares Acquired on Vesting (#) (d)**	**Value Realized on Vesting(1) ($) (e)**
Norman J. Pattiz			(1)	(1)
Peter Kosann				
Andrew Zaref				
David Hillman				
Paul Gregrey				

(1) As previously discussed, Mr. Pattiz received two grants of restricted stock in December 2005, which although reported in column (g) of the table entitled Outstanding Equity Awards at 2006 Fiscal Year-End , are not reported in the table above because although such shares have vested, such shares have not been acquired by Mr. Pattiz (and thus no value was realized by Mr. Pattiz in 2006) because the receipt of such awards was mandatorily deferred at the time of grant and will not be distributed until Mr. Pattiz s Termination (as such term is defined in the 2005 Plan). If the award had not been deferred, 4,327 shares of restricted stock would have vested in December 2006 and the value of such shares as of December 31, 2006 would have been $30,549 based on a per share closing stock price on the NYSE for the Company s Common stock of $7.06 on December 29, 2006 (the last business day of 2006).

PENSION BENEFITS

None of our named executive officers are covered by a pension plan or similar benefit plan that provides for payment or other benefits at, following, or in connection with retirement.

NONQUALIFIED DEFERRED COMPENSATION(1)

Except for Mr. Pattiz, none of our named executive officers are covered by a deferred contribution or other plan that provides for the deferral of compensation on a basis that is not tax-qualified.

Name (a)	Executive Contributions in 2006 ($) (b)	Registrant Contributions in 2006 ($) (c)	Aggregate Earnings in 2006 ($) (d)	Aggregate Withdrawals/ Distributions ($) (e)	Aggregate Balance at 12/31/06 ($) (f)
Norman J. Pattiz	$ 28,599		$ 1,950		$ 30,549
Peter Kosann					
Andrew Zaref					
David Hillman					
Paul Gregrey					

(1) As disclosed above under the heading Right to Defer; Mandatory Deferral in 2005 , only named executive officers and directors have received RSUs which gives the recipient/participant the right to defer the receipt/payment of the restricted stock underlying such awards. As previously discussed, any RSU awarded in 2005 was automatically deferred by the Company. Beginning in 2006, the decision whether to defer an award was given to participants.

Employment Agreements

The Company has written employment agreements with each of the named executive officers (with the exception of the CEO whose agreement is with CBS Radio), the material terms of which are set forth below (terms applicable to a Change in Control are located below under the heading Potential Payments upon Termination or Change in Control). Compensation terms are presented for 2006 and beyond. All of the following employment agreements contain non-competition and non-solicitation provisions which extend after the termination of such agreements, with the exception of Mr. Pattiz s agreement which contains no such restrictions except during the Continued Engagement Period (as described below). More detailed terms and provisions of equity compensation held by the following named executive officers can be located in the table entitled Outstanding Equity Awards At 2006 Fiscal Year-End which appears above.

Mr. Pattiz, Chairman

Term expires November 30, 2008; provided, that if the Company does not renew the agreement, Mr. Pattiz will continue as a part-time employee and/or consultant (at the Company s option) for six years through November 30, 2015;

Annual salary of $400,000 (2006 through the end of the Term);

Each December 1, Pattiz receives 25,000 options and 8,333 RSUs;

Mr. Pattiz is entitled to full piggy-back registration rights and limited demand registration rights on his shares of Company Common stock;

Terminable by Mr. Pattiz upon 90 days written notice to the Company (or 30 days in the event of a material breach);
Terminable by the Company only in the event of death, permanent and total disability (upon such event), or for Cause (as such term is defined in the employment agreement) upon 90 days notice;

If the agreement is not renewed and Mr. Pattiz becomes a part-time employee and/or consultant as described above, only Section 5 of the Agreement shall continue to apply (non-competition and unfair competition

Table of Contents

provisions), Mr. Pattiz shall be subject to a non-solicitation provision and his option shares will continue to vest throughout his part-time employment/consultancy term (such term, Continued Engagement Period);

If any remuneration to Mr. Pattiz in any given year would not be deductible under Code Section 162(m) and would result in non-deductible payments of over $1 million in any one year, such excess would be deferred until the first year payment of such excess amount would not result in non-deductible remuneration of over $1 million in such year.

Mr. Zaref, EVP and CFO

Term expires June 30, 2009;

Annual salary of $500,000 (effective July 1, 2006 for remainder of Term);

Discretionary annual bonus target of $275,000 for 2006 and $350,000 for each calendar year thereafter in the sole and absolute discretion of the Chief Executive Officer, Board of Directors or its Compensation Committee;

Management to recommend to the Compensation Committee an equity compensation grant equal to 75% of CEO award;

Terminable by Mr. Zaref for good reason (which requires 30 days advance notice); Terminable by the Company in the event of death, permanent and total disability or for Cause ;

If Mr. Zaref is terminated for good reason or other than Cause , Mr. Zaref will receive his base salary and bonus compensation for the remainder of the Term (bonus compensation forfeitable upon Mr. Zaref s securing future employment or consulting work); in the case of a good reason termination only, Mr. Zaref will receive medical and dental coverage via COBRA for the Term or until he is eligible for coverage from a third party. In addition, Mr. Zaref is entitled to certain payments if sufficient notice of the Company s decision not to extend/renew his employment agreement is not provided to Mr. Zaref as further described under Other below;

CBS Radio reimburses the Company for Mr. Zaref s salary and bonus under the Management Agreement.

Mr. Hillman, EVP, Business Affairs and General Counsel

Term expires December 31, 2008;

Annual salary of $325,000 (effective 4/1/06); $350,000 (2007) and $375,000 (2008);

Retention bonus of $100,000, earned during the period from 1/1/06 to 12/31/08 (subject to repayment in the event of Mr. Hillman s breach of the employment agreement);

Discretionary annual bonus eligibility valued at up to $125,000 (2006), $135,000 (2007) and $150,000 (2008), each in the sole and absolute discretion of the Board of Directors or its Compensation Committee or their designee;

Management to recommend to the Compensation Committee an equity compensation grant equal to 85,000 stock options (2006) and 75,000 stock options (2007);

If Mr. Hillman continues to be employed by the Company after the Term, the agreement is terminable by either party upon 90 days written notice;

In the event of termination without Cause, Mr. Hillman will receive his base salary for the remainder of the Term and any earned but unpaid discretionary bonus.

Mr. Gregrey, EVP, Network Sales

Term expires April 1, 2009;

Annual salary of $345,050 (2006); $370,050 (2007); $395,050 (2008) and $420,050 (2009);

Retention bonus of $100,000, earned during the period from 1/1/06 to 4/1/09 (subject to repayment in the event of Mr. Gregrey s breach of the employment agreement);

Discretionary annual bonus eligibility valued at up to $250,000 (2003) in the sole and absolute discretion of the Board of Directors or its Compensation Committee or their designee, subject to a 10% annual increase at the discretion of management and the Board;

Management to recommend to the Compensation Committee an equity compensation grant in 2006 equal to 20,000 stock options and 15,000 shares of restricted stock (not specified for future years);

If Mr. Gregrey continues to be employed by the Company after the Term, the agreement is terminable by either party upon 30 days written notice.

Potential Payments upon Termination or Change in Control

The Company has entered into employment agreements with Messrs. Pattiz and Zaref that require it to make payments upon a Change in Control as described below. In addition, while Mr. Kosann is employed by CBS Radio, the Company does award Mr. Kosann discretionary equity compensation. Accordingly, the value of the equity compensation payable by the Company upon a Termination following a Change in Control is included below for Mr. Kosann under the heading Change in Control All NEOs . While the Company is not responsible for the payment of Mr. Kosann s base salary and discretionary bonus, or any other cash payments to Kosann upon his termination or a change of control, the amounts payable to Mr. Kosann by CBS Radio upon Mr. Kosann s termination under the terms of his employment agreement with CBS Radio are included herein.

Event of Change Mr. Pattiz

In Mr. Pattiz s case, if an Event of Change (as such term is defined in Section 8.2 of his employment agreement) occurs and the Company terminates either Mr. Pattiz or his employment agreement, Mr. Pattiz shall continue to receive his salary compensation through the end of the term of his employment agreement. In such event Mr. Pattiz would also be entitled to exercise, immediately upon his election, all of his outstanding option awards which have not then become exercisable. Additionally, by their terms, all outstanding unvested RSUs would automatically vest upon a Change of Control (as such term is defined in the 2005 Plan). If Mr. Pattiz had been terminated in connection with an Event of Change on December 31, 2006, Mr. Pattiz would be entitled to his base salary through November 30, 2008 which in the aggregate equals $766,667 payable in accordance with the Company s normal payroll practices. The value of Mr. Pattiz s options on December 31, 2006 (assuming Mr. Pattiz chose to exercise them on such date) would be $12,250. The value of Mr. Pattiz s outstanding RSUs had he been terminated on December 31, 2006 would be $120,098.

Partial Event of Change Mr. Pattiz

If, instead of an Event of Change, a Partial Event of Change (as such term is defined in Section 8.1 of his employment agreement) had occurred, Mr. Pattiz would be entitled, in lieu of the foregoing, to exercise, immediately upon his election one-half of his outstanding unvested option awards which have not yet become exercisable. The value of half of Mr. Pattiz s options on December 31, 2006 (assuming Mr. Pattiz s chose to exercise them on such date) would be $6,125. His outstanding RSUs would not vest upon such an event.

Change in Control Mr. Zaref

Upon a Change in Control, Mr. Zaref is entitled to terminate his employment for Good Reason within 30 days of such event with an effective date not earlier than 30 business days from the date of notice. Mr. Zaref would then be entitled to the payment described above in the summary of his employment agreement. A Change in Control is defined as any merger, consolidation, dissolution or reorganization of the Company with, or any transfer of all or substantially all of the assets of the Company to, an entity other than CBS Corporation. If Mr. Zaref terminated his employment effective December 31, 2006 in connection with a Change in Control (in accordance with the foregoing provisions), Mr. Zaref s termination would constitute good reason . In such event, Mr. Zaref would be entitled to: (i) his base salary through June 30, 2009 which in the aggregate equals $1,250,000 and potential discretionary bonus compensation for 2006, 2007 and 2008 in an aggregate amount of up to $975,000 payable in accordance with the Company s normal payroll practices, assuming Mr. Zaref did not secure future employment or consulting work for such period. Additionally, Mr. Zaref would receive medical and dental coverage via COBRA, which premium would cost the Company approximately $29,796 through June 30, 2009.

Change in Control All NEOs

If a Change in Control occurred and any of Messrs. Kosann, Zaref, Hillman and Gregrey was terminated in connection therewith, each individual s outstanding unvested options, restricted stock and RSUs would immediately vest. Assuming such Change in Control and Termination occurred on December 29, 2006 (the last business day of the year), the value of the equity compensation payable to each of Messrs. Kosann, Zaref, Hillman and Gregrey would be: $305,507, $362,750, $125,371 and $109,988, respectively. As discussed above, the value of Mr. Pattiz s outstanding unvested RSUs had he been terminated on December 31, 2006 would be $120,098. All such values are based on a per share closing stock price on the NYSE for the Company s Common stock of $7.06 on December 29, 2006. Of the foregoing values for Messrs. Kosann, Zaref, Hillman and Gregrey, none is ascribed to the options held by such individuals as all of the options held by such NEOs are underwater (*i.e.,* the exercise price of such options exceed the current Common stock price).

Payments upon Disability or Death

As part of the Company s employment agreement with its named executive officers (or in the case of Mr. Kosann, as part of his employment agreement with CBS Radio), the following terms are in effect in the event of such officer s disability or death.

In the event of permanent and total disability (including death), Mr. Pattiz will receive his base salary for the following twelve months and 75% of his base salary for the remainder of the term of the agreement. He will continue to receive Company benefits, he will be entitled to exercise his equity compensation as described elsewhere in this report and he will continue to be entitled to the registration rights set forth in his employment agreement and described above. Assuming Mr. Pattiz had become disabled on December 31, 2006, Mr. Pattiz would be entitled to: (i) 100% of his 2007 base salary, or $400,000, and (ii) 75% of his 2008 base salary through November 30, 2008, or $275,000, for an aggregate payment of $675,000 payable in accordance with the Company s normal payroll practices.

In the event of his death or loss of legal capacity, Mr. Zaref (or his estate) will be entitled to such payments as if he were terminated without Cause (*i.e.,* his base salary and bonus for the remainder of the term). Assuming such event occurred on December 31, 2006, Mr. Zaref (or his estate) would be entitled to: (i) base salary through June 30, 2009 which in the aggregate equals $1,250,000 and (ii) potential discretionary bonus compensation for 2006, 2007 and 2008 in an aggregate amount of up to $975,000 payable in accordance with the Company s normal payroll practices.

In the event of their death or disability, each of Messrs. Hillman and Gregrey are entitled to any accrued and unpaid salary and any then entitlement under employee benefit plans and stock options, subject to reduction for any disability payments made under the Company s policies.

In the event of his death, Mr. Kosann is entitled to any base salary due and not yet paid through the date of Mr. Kosann s death.

Payments upon Termination Without Cause

If any NEO were terminated without Cause on December 31, 2006, the following amounts would be payable by the Company (or in the case of Mr. Kosann, CBS Radio):

Mr. Pattiz: no provision regarding Termination without Cause is included in Mr. Pattiz s employment agreement, however, the Company estimates the amount payable in such event would be base salary through November 30, 2008 in the aggregate amount of $766,667 payable in accordance with the Company s normal payroll practices;

Mr. Zaref: base salary through June 30, 2009 in the aggregate amount of $1,250,000 and potential discretionary bonus compensation for 2006, 2007 and 2008 in an aggregate amount of up to $975,000 payable in accordance with the Company s normal payroll practices, assuming Mr. Zaref did not secure future employment or consulting work for such period;

Mr. Hillman: base salary through December 31, 2008 in the aggregate amount of $725,000 payable in accordance with the Company s normal payroll practices;

Mr. Gregrey: no provision regarding Termination without Cause is included in Mr. Pattiz s employment agreement, however, the Company estimates the amount payable in such event would be base salary through April 1, 2009 in the aggregate amount of $870,112.50 payable in accordance with the Company s normal payroll practices; and

Mr. Kosann: base salary through December 31, 2008 in the aggregate amount of $1,275,000 payable in accordance with the regular payroll practices of CBS Radio, so long as Mr. Kosann is ready, willing and able to render exclusive services under his employment agreement during such period.

Other

Mr. Zaref is entitled to three months of his salary, payable in accordance with the Company s then current payroll practices, if either: (i) the Company provides Mr. Zaref with notice of its election not to extend or renew his employment agreement and terminates his employment without Cause within three months after the stated term or (ii) his employment is terminated for good reason or death or disability less than three months before the end of the stated term, such payment to be made from the date on which the non-renewal notice is given or Mr. Zaref s employment is terminated, whichever is earlier. If: (A) the Company does not provide a non-renewal notice to Mr. Zaref, (B) Mr. Zaref remains employed through the end of the term (June 30, 2009) and (C) the Company terminates his employment without Cause within three months after the stated term, Mr. Zaref shall be entitled to his base salary for the balance, if any, of the three months after expiration of his term (*i.e.,* until September 30, 2009).

Table of Contents

DIRECTOR COMPENSATION

The following table sets forth the compensation for the Company s directors who served during the year ended December 31, 2006.

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($) (c)(5)	Option Awards ($) (d)(5)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (f)	All Other Compensation ($) (g)	Total ($) (h)
Current directors:							
Walter Berger(1)							
Albert Carnesale	$ 68,750	$ 72,219					$ 140,969
David L. Dennis	$ 111,875	$ 61,063	$ 85,175				$ 258,113
Gerald Greenberg	$ 106,250	$ 66,161	$ 85,175				$ 257,586
Peter Kosann(2)							
Grant F. Little, III	$ 84,375	$ 58,303					$ 142,678
H. Melvin Ming	$ 33,125	$ 25,178					$ 58,303
Norman J. Pattiz(2)							
Joseph B. Smith	$ 94,375	$ 117,988	$ 85,175				$ 297,538
Former directors:(3)							
Robert Herdman	$ 23,125		$ 3,336				$ 26,461
Dennis Holt	$ 10,625	$ 3,767	$ 44,356				$ 58,748
Steve Lerman(1)	$ 30,000		$ 61,199				91,199
George L. Miles, Jr.	$ 11,875		$ 6,472				$ 18,347
Leslie Moonves(1)							
Former directors and executive officers:							
Joel Hollander(1)(4)			$ 1,245,090				$ 1,245,090
Farid Suleman(1)(4)			$ 4,591				$ 4,591

(1) As reflected above, as employees of CBS Radio and/or its affiliates, Messrs. Berger, Hollander and Moonves elected not to receive cash compensation for their services as directors in 2006. Mr. Berger and Mr. Hollander have elected not to receive cash compensation for their services as directors in 2007. Mr. Lerman received only cash compensation, not equity compensation, for his services as director in 2006 and 2007. Mr. Suleman did not receive compensation as no meetings were held prior to his resignation in February 2006.

(2) Messrs. Kosann and Pattiz do not receive compensation for acting as directors.

(3)

Mr. Herdman resigned in April 2006, Mr. Holt in July 2006, Mr. Lerman in January 2007, Mr. Miles in March 2006 and Mr. Moonves in April 2006.

(4) Mr. Hollander resigned in March 2007 and Mr. Suleman in February 2006. Each of Messrs. Hollander and Suleman served as executive officers and directors of the Company and the compensation listed above includes options which were granted in consideration of such service during their tenure as executive officers of the Company.

(5) The value of stock awards and option awards reported in columns (c) and (d) above is based on the estimated fair value of the underlying instrument in accordance with FAS 123R, and is recognized over the related vesting period. In the case of restricted stock and restricted stock units, estimated fair value is calculated as the fair market value of the shares on the date of grant. The estimated fair value of options is measured on the date of grant using the Black-Scholes option pricing model. For a more detailed discussion of the assumptions used by the Company in estimating fair value, refer to Note 9 (Equity-Based Compensation) of the Notes to the

Consolidated Financial Statements. All stock awards and option awards reported in the table above were issued under the terms of the 2005 Plan and are subject to three-year vesting periods (subject to immediate vesting upon a participant s Termination within the 24-month period following a Change in Control as described elsewhere in this report). No director elected to defer the receipt of his RSUs at the time the May 2006 RSU awards were made.

General

The Compensation Committee reviews and evaluates compensation for the Company s non-employee directors (with the exception of Mr. Kosann who does not receive compensation as a director) on an annual basis, in consultation with its outside compensation adviser and the Board prior to making a recommendation to the Board. The Board then considers the recommendation of the Compensation Committee and generally approves such recommendation at the meeting held after the Company s annual meeting of shareholders.

Fees. Directors of the Company who are not officers receive $5,000 per meeting attended for their services as directors and $1,875 per meeting attended for their services as committee members. For the 2006-2007 board term, the Directors of the Company who serve as Chairs of the Compensation Committee, Nominating and Governance Committee and Audit Committee shall receive $10,000, $10,000 and $15,000, respectively, for their services as the Chairs of such committees during the 2006-2007 board term.

Equity Compensation. Beginning on May 19, 2005, the date of the Company s 2005 annual meeting of shareholders, directors of the Company who are not officers receive a mandatory grant of $100,000 in value of RSUs each year, which awards are governed by the terms of the 2005 Plan, which became effective in May 2005. Each grant is made on the date of the Company s annual shareholder meeting. In addition to the foregoing, newly appointed directors who are not officers receive a mandatory grant of $150,000 in value of RSUs on the date such director is appointed to the Company s Board. Recipients of RSUs are entitled to receive dividend equivalents on the RSUs (subject to vesting) when and if the Company pays a cash dividend on its 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 the Company. 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 the Company s Common stock. Messrs. Berger, Hollander (who resigned effective March 30, 2007), Lerman (who resigned effective January 30, 2007) and Moonves (who resigned effective April 4, 2006) elected not to receive in 2006 equity compensation normally provided to non-officer directors. Messrs. Berger, Hollander (who resigned effective March 30, 2007) and Lerman (who resigned effective January 30, 2007) elected not to receive equity compensation in 2007.

Waivers of Compensation

Messrs. Kosann and Pattiz do not receive any remuneration for their services as directors of the Company. Messrs. Berger, Hollander, Lerman and Moonves, as current and former directors of the Company who are/were employed by CBS and/or its affiliates, waived their right to cash and equity compensation, with the exception of Mr. Lerman, who received cash compensation only.

Compensation Committee Interlocks and Insider Participation

The Company s Compensation Committee is comprised solely of independent outside directors, Messrs. Greenberg, Dennis and Smith. The Company has no interlocking relationships or other transactions involving any of our Compensation Committee members that are required to be reported pursuant to applicable SEC rules. None of the members of the Compensation Committee served as an officer or employee of the Company or any of its subsidiaries during the fiscal year ended December 31, 2006. There were no material transactions between the Company and any of the members of the Compensation Committee during the fiscal year ended December 31, 2006.

No member of the Compensation Committee simultaneously served both as a member of the Compensation Committee and as an officer or employee of the Company during 2006. None of the Company s executive officers serves as a member of the Board or the Compensation Committee, or committee performing an equivalent function,

Table of Contents

of any other entity that has one or more of its executive officers serving as a member of the Board or Compensation Committee.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with Company management the Compensation Discussion and Analysis which appears above beginning on page 33 in this report. Based on its review and discussions with management, the Compensation Committee recommended to the Board that it approve the inclusion of the Compensation Discussion and Analysis in this report to be filed by the Company with the SEC on or prior to April 30, 2007.

Submitted by the members of the Compensation Committee:
Gerald Greenberg, Chair
David L. Dennis
Joseph B. Smith

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

Equity Compensation Plan Information

Information regarding securities available for issuance under the Company s equity compensation plans is set forth in Item 5 (Market for Registrant s Common Equity and Related Stockholder Matters) of this report under the heading Equity Compensation Plan Information .

Beneficial Ownership of 5% Holders

The following table shows the amount of the Common stock and Class B stock beneficially owned (unless otherwise indicated) by our largest shareholders (those who own more than 5% of the outstanding class of shares). For purposes of calculating the percentage ownership of each large shareholder, the Company used figures as of March 31, 2007, when there were 87,115,389 shares of Common stock outstanding and 291,796 shares of Class B stock outstanding.

	Aggregate Number of Shares Beneficially Owned(1)			
	Common Stock		Class B Stock	
Name and Address of Beneficial Owner(2)	Number	Percent	Number	Percent
CBS Radio Network Inc., a subsidiary of CBS Radio Inc. 1515 Broadway New York, NY 10036	16,000,000(3)	18.4%		
FMR Corp. 82 Devonshire Street Boston, MA 02109	5,053,774(4)	5.8%		
Hotchkis and Wiley Capital Management, LLC 725 S. Figueroa Street, 39th Floor Los Angeles, CA 90017	7,672,700(5)	8.8%		
Royce & Associates, LLC	6,242,300(6)	7.2%		

1414 Avenue of the Americas
New York, NY 10019

(1) The persons in the table have sole voting and investment power with respects to all shares of Common stock and Class B stock, unless otherwise indicated.

(2) Tabular information for such entities is based on information contained in the most recent Schedule 13D/13G filings made available to the Company.

(3) These shares are owned by CBS Radio Network Inc., a wholly-owned subsidiary of CBS Radio Media Corporation, which in turn is a wholly-owned subsidiary of CBS Radio Inc. (CBS Radio), a wholly-owned

subsidiary of CBS Corporation, but may also be deemed to be beneficially owned by: (a) NAIRI, Inc. (NAIRI), which owns approximately 76% of CBS Corporation s voting stock, (b) NAIRI s parent corporation, National Amusements, Inc. (NAI), and (c) Sumner M. Redstone, who is the controlling shareholder of NAI. Such amount does not include 2,000,000 shares underlying warrants held by CBS Radio. As of December 31, 2006, CBS Radio Network Inc. has shared voting power and shared dispositive power with respect to 16,000,000 shares.

(4) These shares are owned by Fidelity Management & Research Company (Fidelity), a wholly-owned subsidiary of FMR Corp., through one investment company, Fidelity Low Priced Stock Fund. As of December 31, 2006, each of Edward C. Johnson 3d and FMR Corp., through its control of Fidelity, has sole voting power with respect to 0 shares and sole dispositive power with respect to 5,053,774 shares.

(5) As of December 31, 2006 Hotchkis and Wiley Capital Management, LLC has sole voting power with respect to 5,220,400 shares and sole dispositive power with respect to 7,672,700 shares.

(6) As of December 31, 2006 Royce & Associates, LLC has sole voting power with respect to 6,242,300 shares and sole dispositive power with respect to 6,242,300 shares.

Beneficial Ownership of Named Executive Officers and Directors

The following table shows the amount of the Common stock and Class B stock beneficially owned (unless otherwise indicated) by members of our management team, which include the current executive officers named in the Summary Compensation Table (the named executive officers), our directors, and our directors and executive officers as a group. For purposes of calculating the percentage ownership of each such individual, the Company used figures as of March 31, 2007, when there were 87,115,389 shares of Common stock outstanding and 291,796 shares of Class B stock outstanding. All numbers presented below include all shares which would be vested on, or exercisable by, a holder as of May 30, 2007, as beneficial ownership is deemed to include securities that a holder has the right to acquire within 60 days.

	Aggregate Number of Shares Beneficially Owned(1)			
	Common Stock		Class B Stock	
Name of Beneficial Owner	**Number**	**Percent**	**Number**	**Percent**
NAMED EXECUTIVE OFFICERS:				
Norman J. Pattiz(2)	857,833	*	291,710	99.9%
Peter Kosann(3)	286,069	*		
Andrew Zaref(4)	105,563	*		
David Hillman(5)	57,320	*		
Paul Gregrey(6)	155,897	*		
DIRECTORS AND NOMINEES:(7)				
Walter Berger		*		
Albert Carnesale(8)	3,739	*		
David L. Dennis(9)	182,070	*		
Gerald Greenberg(9)	53,860	*		
Grant F. Little, III(8)	8,383	*		
H. Melvin Ming(8)		*		
Joseph B. Smith(9)	80,860	*		
	1,791,594	2.1%	291,710	99.9%

All Current Directors and Executive Officers as a Group
(13 persons)

Table of Contents

* Represents less than one percent (1%) of the Company s outstanding shares of Common stock.

(1) The persons in the table have sole voting and investment power with respects to all shares of Common stock and Class B stock, unless otherwise indicated. The numbers presented above do not include: (i) shares of restricted stock granted under the 2005 Plan that have not vested and (ii) unvested and/or deferred RSUs which have no voting rights until shares are distributed in accordance with their terms. All dividend equivalents on vested RSUs and shares of restricted stock are included in the numbers reported above.

(2) Includes vested stock options for 407,833 shares granted under the Company 1989 Stock Incentive Plan (the 1989 Plan) and the Company 1999 Stock Incentive Plan (the 1999 Plan). Also includes 450,000 Common stock shares pledged by Mr. Pattiz to Merrill, Lynch, Pierce, Fenner & Smith Incorporated (Merrill Lynch) in connection with a prepaid variable forward contract (the Merrill Contract) Mr. Pattiz entered into on September 27, 2004 with Merrill Lynch. Under the Merrill Contract, in exchange for a lump-sum cash payment of $7,182,000, Mr. Pattiz agreed to deliver upon the earlier of September 2009 or the termination of the Merrill Contract, a pre-determined number of shares of Company Common stock pursuant to formulas set forth in the Merrill Contract. Mr. Pattiz may also settle the amount in cash. When Mr. Pattiz entered into the Merrill Contract in September 2004, he converted 411,670 of his shares of Class B stock into Common stock and pledged the aforementioned 450,000 shares of Company Common stock. Because each share of Class B stock has 50 votes, as opposed to one vote for each share of Common stock, Mr. Pattiz s stock holdings represent 15.2% of the total voting power of the Company.

(3) Includes 275,250 vested and unexercised options granted under the 1999 Plan and Westwood One, Inc. 2005 Equity Compensation Plan (the 2005 Plan). Includes 10,819 vested RSUs (including dividend equivalents) granted under the 2005 Plan.

(4) Includes 98,750 vested and unexercised options granted under the 1999 Plan and 2005 Plan. Includes 6,491 vested RSUs (including dividend equivalents) granted under the 2005 Plan and 322 shares of Common stock held in the Company 401(k) account.

(5) Includes 56,825 vested and unexercised options granted under the 1999 Plan and 2005 Plan. Includes 495 shares of Common stock held in the Company 401(k) account.

(6) Includes 155,000 vested and unexercised options granted under the 1999 Plan and 2005 Plan. Includes 897 shares of Common stock held in the Company 401(k) account.

(7) Does not include Norman J. Pattiz and Peter Kosann, who are also named executive officers and listed with the other named executive officers.

(8) Represents 3,739 vested RSUs (Carnesale) and 8,383 vested RSUs (Little) granted under the 2005 Plan. Does not include deferred and/or unvested RSUs which have no voting rights until shares are distributed in accordance with their terms.

(9) Represents 129,000 (Dennis), 50,000 (Greenberg) and 77,000 (Smith) vested and unexercised stock options granted under the 1989 Plan, the 1999 Plan and/or the 2005 Plan. Includes 3,860 vested RSUs (including dividend equivalents) granted under the 2005 Plan for each of Messrs. Dennis, Greenberg and Smith. Does not include deferred and/or unvested RSUs which have no voting rights until shares are distributed in accordance with their terms.

Changes in Control

The Company is not aware of any arrangement which may at a subsequent date result in a change in control of the Company.

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

Related Party Transactions

Except for the transactions with CBS Radio described below, the Company is not aware of any transaction entered into in 2006, or any transaction currently proposed, in which a related person has, or will have, a direct or indirect material interest. As indicated elsewhere in this report, one of the Company s directors, Mr. Berger, is an officer of CBS Radio and pursuant to the terms of the Management Agreement, the Company s CEO is an employee of CBS Radio. As of March 31, 2007, CBS Radio beneficially owned 18.4% of the Common stock of the Company.

Through the Management Agreement, CBS Radio currently provides to the Company the services of a chief executive officer and a chief financial officer. The Management Agreement was entered into in March 1999 and was subsequently amended to, among other things, extend the Management Agreement until March 31, 2009. Pursuant to the Management Agreement, the Company is obligated to pay to CBS Radio an annual base fee (which base fee is $3,000,000, effective April 1, 2004) subject to an annual increase by a percentage amount equal to the increase based on a specified consumer price index. The expense associated with the Management Agreement in 2006 was $3,273,000.

In addition, the Company pays to CBS Radio incentive bonus compensation in an amount equal to 10% of the amount by which the Company s operating cash flow exceeds a target amount for the applicable year, subject to certain adjustments. The Company must also reimburse CBS Radio for certain out-of-pocket expenses incurred by CBS Radio in performing the services contemplated by the Management Agreement consistent with past practice. CBS Radio did not earn an incentive bonus in fiscal 2006 as targeted cash flow levels were not achieved. As additional compensation to CBS Radio under the Management Agreement, CBS Radio was granted seven warrants to purchase an aggregate 4,500,000 shares of the Company s Common stock (comprised of two warrants to purchase 1,000,000 Common stock shares per warrant and five warrants to purchase 500,000 Common stock shares per warrant). Of the seven warrants issued, the two one million share warrants have an exercise price of $43.11 and $48.36, respectively, and become exercisable if (A) if the average price of the Company s Common stock reaches a price of $64.67 and $77.38, respectively, for at least 20 out of 30 consecutive trading days for any period throughout the ten year term of the warrants or (B) upon the termination of the Management Agreement by the Company in certain circumstances as described in the terms of such warrants.

The exercise price for each of the five remaining warrants is equal to $38.87, $44.70, $51.40, $59.11 and $67.98, respectively. These warrants each have a term of 10 years and become exercisable on January 2, 2005, 2006, 2007, 2008, and 2009, respectively, subject to a trading price condition. The trading price condition specifies the average price of the Company s Common stock for each of the 15 trading days prior to January 2 of the applicable year (commencing on January 2, 2005 with respect to the first 500,000 warrant tranche and each January 2 thereafter for each of the remaining four warrants) must be at least equal to both the exercise price of the warrant and 120% of the corresponding prior year 15 day trading average. In the case of the $38.87 warrants, the Company s average stock price for the 15 trading days prior to January 2, 2005 must have equalled or exceeded $40.66 for the warrants to have become exercisable. The average stock price for the 15 trading days prior to January 2, 2005 did not equal or exceed $40.66, and, therefore, the warrants did not become exercisable. In the case of the $44.70 warrants, the Company s average stock price for the 15 trading days prior to January 2, 2006 must equal or exceed $44.70 for the warrants to become exercisable. The Company s average stock price for the 15 trading days prior to January 2, 2006 did not exceed $44.70, and therefore the warrants did not become exercisable. In the case of the $51.40 warrants, the Company s average stock price for the 15 trading days prior to January 2, 2007 must equal or exceed $51.40 for the warrants to become exercisable. The Company s average stock price for the 15 trading days prior to January 2, 2007 did not exceed $51.40, and therefore the warrants did not become exercisable

The Company and CBS Radio also have entered into a registration rights agreement with respect to the shares of Common stock issuable upon exercise of the warrants pursuant to which the Company granted to CBS Radio specified demand and registration rights.

The Company has a Representation Agreement with CBS Radio to operate the CBS Radio Networks until March 31, 2009. The Company retains all revenue and is responsible for all expenses of the CBS Radio Networks. In addition, a number of CBS Radio s radio stations are affiliated with the Company s radio networks and the Company purchases several programs from CBS Radio. During 2006, the Company incurred expenses aggregating approximately $75,514,000 under the Representation Agreement and for CBS Radio affiliations and programs.

In addition to the foregoing, CBS Radio enters into other agreements with the Company in the ordinary course to purchase programming rights and affiliate stations with the Company s network and traffic operations.

Company Review, Approval or Ratification of Related Party Transactions

While the Company does not have a written policy outlining such, it is the Company s practice to review all transactions with its related parties (referred to herein as related party transactions) as they arise. Related parties are identified by the finance, accounts payable and legal departments, who, among other things, review questionnaires submitted to the Company s directors and officers on an annual basis, monitor Schedule 13Ds and 13Gs filed with the SEC, review employee certifications regarding code of ethics and business conduct which are updated annually, and review CBS Radio s listings of affiliates which CBS Radio submits to the Company or files with the SEC. Any related party transaction is reviewed by either the Office of the General Counsel or Chief Financial Officer, who examines, among other things, the approximate dollar value of the transaction and the material facts surrounding the related party s interest in, or relationship to, the related party transaction. With respect to related party transactions that involve an independent director, such parties also consider whether such transaction affects the independence of such director pursuant to applicable rules and regulations, including those of the NYSE and the Company s corporate governance rules. Customarily, the Chief Financial Officer must approve any related party transaction, however, if after consultation, the General Counsel and Chief Financial Officer determine a related party transaction is significant, the transaction is then referred to the Board for its review and approval.

While the foregoing procedures are not in writing, the Company does have written procedures regarding transactions with its manager, CBS Radio, as set forth in the Management Agreement between the Company and CBS Radio (the Management Agreement), which agreement describes the terms and conditions by which CBS Radio manages the business and operations of the Company. Under the terms of the Management Agreement, all transactions (other than the Management Agreement and Representation Agreement (as described below), which agreements were ratified by the Company s shareholders) between the Company and CBS Radio or its affiliates must be on a basis that is at least as favorable to the Company as if the transaction were entered into with an independent third party. In addition, subject to specified exceptions, all agreements between the Company and CBS Radio or any of its affiliates must be approved by the Company s Board. Such exceptions include new or special programming agreements not requiring compensation; the renewal of existing agreements on the same or better terms or affiliation agreements involving compensation terms consistent with those of non-affiliates of CBS Radio involving annual payments of less than $500,000.

Item 14. Principal Accountant Fees and Services

Fees to Independent Auditors

The following table presents fees billed for fiscal years 2006 and 2005 for professional services rendered by PricewaterhouseCoopers LLP for the audit of the Company s financial statements for fiscal years 2006 and 2005 as well as fees billed for audit-related services, tax services and all other services rendered by PricewaterhouseCoopers LLP for 2006 and 2005.

(In thousands)	**2006**	**2005**
(1) Audit Fees(a)	$ 725	$ 646
(2) Audit-Related Fees(b)		
(3) Tax Fees		
(4) All Other Fees		

(a) The amounts reported above reflect, in the case of 2005, the actual amount billed by PricewaterhouseCoopers LLP for 2005 and, in the case of 2006, the amounts agreed to date by the Company for services rendered by PricewaterhouseCoopers LLP related to 2006.

(b) Such services included employee benefit plan audits, audits required by state municipalities, internal control reviews and consultations regarding financial accounting and reporting standards.

As discussed above, all audit-related services were approved by the Audit Committee, which concluded that the provision of such services by PricewaterhouseCoopers LLP did not impair that firm s independence in the conduct of the audit.

Audit Committee Pre-Approval Policies and Procedures

All services provided to the Company by PricewaterhouseCoopers LLP in 2006 were pre-approved by the Audit Committee. Under the Company s pre-approval policies and procedures, the Chair of the Audit Committee is authorized to pre-approve the engagement of PricewaterhouseCoopers LLP to provide certain specified audit and non-audit services, and the engagement of any accounting firm to provide certain specified audit services.

Table of Contents

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) Documents filed as part of this report on Form 10-K

1,2. Financial statements and schedules to be filed hereunder are indexed on page F-1 hereof.

3. Exhibits

EXHIBIT NUMBER(A)	DESCRIPTION
3.1	Restated Certificate of Incorporation, as filed on October 25, 2002.(14)
3.2	Bylaws of Registrant as currently in effect.(6)
4.	Note Purchase Agreement, dated as of December 3, 2002, between Registrant and the Purchasers parties thereto.(15)
10.1	Employment Agreement, dated April 29, 1998, between Registrant and Norman J. Pattiz.(8)*
10.2	Amendment to Employment Agreement, dated October 27, 2003, between Registrant and Norman J. Pattiz.(16)*
10.2.1	Amendment No. 2 to Employment Agreement, dated November 28, 2005, between Registrant and Norman J. Pattiz(7)*
10.3	Form of Indemnification Agreement between Registrant and its directors and executive officers.(1)
10.4	Credit Agreement, dated March 3, 2004, between Registrant, the Subsidiary Guarantors parties thereto, the Lenders parties thereto and JPMorgan Chase Bank as Administrative Agent.(16)
10.4.1	Amendment No. 1, dated as of October 31, 2006, to the Credit Agreement, dated as of March 3, 2004, between Westwood One, Inc., the Subsidiary Guarantors parties thereto, the Lenders parties thereto and JPMorgan Chase Bank, N.A., as Administrative Agent.(23)
10.5	Purchase Agreement, dated as of August 24, 1987, between Registrant and National Broadcasting Company, Inc.(2)
10.6	Agreement and Plan of Merger among Registrant, Copter Acquisition Corp. and Metro Networks, Inc. dated June 1, 1999(9)
10.7	Amendment No. 1 to the Agreement and Plan Merger, dated as of August 20, 1999, by and among Registrant, Copter Acquisition Corp. and Metro Networks, Inc.(10)
10.8	Management Agreement, dated as of March 30, 1999, as amended by Letter Agreement dated April 15, 2002 by and between Registrant and Infinity Broadcasting Corporation.(9)(13)
10.9	Amended and Restated Representation Agreement, dated as of March 30, 1999, by and between Registrant and Infinity Broadcasting Corporation(9)
10.9.1	Letter Agreement, dated April 15, 2002, amending the Amended and Restated Representation Agreement between Registrant and Infinity Broadcasting Corporation(13)
10.10	Registrant Amended 1999 Stock Incentive Plan.(22)*
10.11	Amendment to Registrant Amended 1999 Stock Incentive Plan, effective May 25, 2005(19)*
10.12	Registrant 1989 Stock Incentive Plan.(3)*
10.13	Amendments to Registrant s Amended 1989 Stock Incentive Plan.(4)(5)*
10.14	Leases, dated August 9, 1999, between Lefrak SBN LP and Westwood One, Inc. and between Infinity and Westwood One, Inc. relating to New York, New York offices.(11)
10.15	Form of Stock Option Agreement under Registrant s Amended 1999 Stock Incentive Plan.(17)*

10.16	Employment Agreement, effective January 1, 2004, between Registrant and Andrew Zaref.(18)*
10.16.1	Amendment No. 1 to Employment Agreement, dated as of June 30, 2006, between Westwood One, Inc. and Andrew Zaref(24)*
10.17	Employment Agreement, dated June 1, 1999, between Registrant and Charles I. Bortnick, as amended by Amendment 1 to Employment Agreement, effective January 1, 2002; Amendment 2 to Employment Agreement, effective June 1, 2002; and Amendment 3 to Employment Agreement, dated June 1, 2004.(18)*

EXHIBIT NUMBER(A)	DESCRIPTION
10.17.1	Letter Agreement, dated April 13, 2006, between the Company and Chuck I. Bortnick relating to Mr. Bortnick s separation from the Company.(25)*
10.18	Registrant 2005 Equity Compensation Plan(19)*
10.19	Form Amended and Restated Restricted Stock Unit Agreement under Registrant 2005 Equity Compensation Plan for outside directors(20)*
10.20	Form Stock Option Agreement under Registrant 2005 Equity Compensation Plan for directors.(21)*
10.21	Form Stock Option Agreement under Registrant 2005 Equity Compensation Plan for non-director participants.(21)*
10.22	Form Restricted Stock Unit Agreement under Registrant 2005 Equity Compensation Plan for non-director participants.(20)*
10.23	Form Restricted Stock Agreement under Registrant 2005 Equity Compensation Plan for non-director participants.(20)*
10.24	Employment Agreement, effective May 1, 2003, between Registrant and Paul Gregrey, as amended by Amendment 1 to Employment Agreement, effective January 1, 2006.*
10.25	Employment Agreement, effective October 16, 2004, between Registrant and David Hillman, as amended by Amendment 1 to Employment Agreement, effective January 1, 2006.*
21	List of Subsidiaries.
23	Consent of Independent Registered Public Accounting Firm.
31.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.***
32.2	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.***

* Indicates a management contract or compensatory plan
Filed herewith.
*** Furnished herewith.

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

(1) Filed as part of Registrant s September 25, 1986 proxy statement and incorporated herein by reference.
(2) Filed an exhibit to Registrant s current report on Form 8-K dated September 4, 1987 and incorporated herein by reference.
(3) Filed as part of Registrant s March 27, 1992 proxy statement and incorporated herein by reference.
(4) Filed as an exhibit to Registrant s July 20, 1994 proxy statement and incorporated herein by reference.
(5) Filed as an exhibit to Registrant s April 29, 1996 proxy statement and incorporated herein by reference.
(6) Filed as an exhibit to Registrant s annual report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference.
(7) Filed as an exhibit to Registrant s current report on Form 8-K dated November 28, 2005 and incorporated herein by reference.
(8)

Filed as an exhibit to Registrant s annual report on Form 10-K for the year ended December 31, 1998 and incorporated herein by reference.

(9) Filed as an exhibit to Registrant s current report on Form 8-K dated June 4, 1999 and incorporated herein by reference.

(10) Filed as an exhibit to Registrant s current report on Form 8-K dated October 1, 1999 and incorporated herein by reference.

(11) Filed as an exhibit to Registrant s annual report on Form 10-K for the year ended December 31, 1999 and incorporated herein by reference.

Table of Contents

(12) Filed as an exhibit to Registrant s annual report on Form 10-K for the year ended December 31, 2000 and incorporated herein by reference.
(13) Filed as an exhibit to Registrant s April 29, 2002 proxy statement and incorporated herein by reference.
(14) Filed as an exhibit to Registrant s quarterly report on Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by reference.
(15) Filed as an exhibit to Registrant s current report on Form 8-K dated December 4, 2002 and incorporated herein by reference.
(16) Filed as an exhibit to Registrant s annual report on Form 10-K for the year ended December 31, 2003 and incorporated herein by reference.
(17) Filed as an exhibit to Registrant s current report on Form 8-K dated October 12, 2004 and incorporated herein by reference.
(18) Filed as an exhibit to Registrant s annual report on Form 10-K for the year ended December 31, 2004 and incorporated herein by reference.
(19) Filed as an exhibit to Registrant s current report on Form 8-K dated May 25, 2005 and incorporated herein by reference.
(20) Filed as an exhibit to Registrant s current report of Form 8-K dated March 17, 2006 and incorporated herein by reference.
(21) Filed as an exhibit to Registrant s current report on Form 8-K dated December 5, 2005 and incorporated herein by reference.
(22) Filed as an exhibit to Registrant s April 30, 1999 proxy statement and incorporated herein by reference.
(23) Filed as an exhibit to Registrant s current report on Form 8-K dated November 6, 2006 and incorporated herein by reference.
(24) Filed as an exhibit to Registrant s current report on Form 8-K dated June 30, 2006 and incorporated herein by reference.
(25) Filed as an exhibit to Registrant s quarterly report on Form 10-Q for the quarter ended March 31, 2006 and incorporated herein by reference.

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

WESTWOOD ONE, INC.

Date: April 30, 2007

By: /S/ Andrew Zaref

Andrew Zaref
Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/S/ Peter Kosann Peter Kosann	Director, President and Chief Executive Officer (Principal Executive Officer)	April 30, 2007
/S/ Andrew Zaref Andrew Zaref	Chief Financial Officer (Principal Financial Officer and Chief Accounting Officer)	April 30, 2007
/S/ Norman J. Pattiz Norman J. Pattiz	Chairman of the Board of Directors	April 25, 2007
/S/ Walter Berger Walter Berger	Director	April 26, 2007
/S/ Albert Carnesale Albert Carnesale	Director	April 25, 2007
/S/ David L. Dennis David L. Dennis	Director	April 25, 2007
/S/ Gerald Greenberg Gerald Greenberg	Director	April 25, 2007
/S/ Grant F. Little, III	Director	April 27, 2007

Grant F. Little, III		
/S/ H. Melvin Ming	Director	April 30, 2007
H. Melvin Ming		
/S/ Joseph B. Smith	Director	April 26, 2007
Joseph B. Smith		

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(D) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

No annual report or proxy material has been sent to security holders as of the date of this report. The registrant s annual report and definitive proxy statement for its 2007 annual meeting of shareholders will be filed with the Commission at the time such materials are sent to the security holders.

Table of Contents

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

All other schedules have been omitted because they are not applicable, the required information is immaterial, or the required information is included in the consolidated financial statements or notes thereto.

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Westwood One, Inc.:

We have completed integrated audits of Westwood One, Inc s (Westwood or the Company) consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Westwood One, Inc. and its subsidiaries at December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 9 Equity-Based Compensation to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006.

Internal control over financial reporting

Also, in our opinion, management s assessment, included in Management s Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control Integrated Framework* issued by the COSO. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management s assessment and on the effectiveness of the Company s internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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

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

/s/
PricewaterhouseCoopers LLP
New York, New York
March 7, 2007

Table of Contents

WESTWOOD ONE, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 31, 2006	December 31, 2005 (Restated)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,528	$ 10,399
Accounts receivable, net of allowance for doubtful accounts of $4,387 (2006) and $2,797 (2005)	115,505	130,783
Warrants current portion	9,706	9,706
Prepaid and other assets	12,483	21,357
Total Current Assets	149,222	172,245
PROPERTY AND EQUIPMENT, NET	37,353	41,166
GOODWILL	464,114	982,219
INTANGIBLE ASSETS, NET	4,225	5,007
OTHER ASSETS	41,787	39,009
TOTAL ASSETS	$ 696,701	$ 1,239,646
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 35,425	$ 15,044
Amounts payable to related parties	26,344	21,192
Deferred revenue	8,150	9,086
Income taxes payable	6,149	21,861
Accrued expenses and other liabilities	43,841	32,968
Total Current Liabilities	119,909	100,151
LONG-TERM DEBT	366,860	427,514
OTHER LIABILITIES	7,001	7,952
TOTAL LIABILITIES	493,770	535,617
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Preferred stock: authorized 10,000,000 shares, none outstanding		
Common stock, $.01 par value: authorized, 300,000,000 shares; issued and outstanding, 85,996,019 (2006) and 86,673,821 (2005)	860	867
Class B stock, $.01 par value: authorized, 3,000,000 shares; issued and outstanding, 291,796 (2006 and 2005)	3	3
Additional paid-in capital	291,851	300,419

Unrealized gain on available for sale securities		4,570		
Accumulated (deficit) earnings		(94,353)		402,740
TOTAL SHAREHOLDERS EQUITY		202,931		704,029
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$	696,701	$	1,239,646

See accompanying notes to consolidated financial statements

Table of Contents

WESTWOOD ONE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year Ended December 31, 2006	2005 (Restated)	2004 (Restated)
NET REVENUES	$ 493,995	$ 557,830	$ 562,246
Operating Costs (includes related party expenses of $75,514, $78,388 and $84,338, respectively)	378,519	378,998	379,097
Depreciation and Amortization (includes related party warrant amortization of $9,706, $9,706 and $7,618, respectively)	20,756	20,826	18,429
Goodwill Impairment	515,916		
Corporate General and Administrative Expenses (includes related party expenses of $3,273, $2,853 and $2,959, respectively)	14,784	14,028	13,596
	929,975	413,852	411,122
OPERATING (LOSS) INCOME	(435,980)	143,978	151,124
Interest Expense	25,590	18,315	11,911
Other Income	(926)	(1,440)	(948)
(LOSS) INCOME BEFORE INCOME TAXES	(460,644)	127,103	140,161
INCOME TAXES	8,809	49,217	53,206
NET (LOSS) INCOME	$ (469,453)	$ 77,886	$ 86,955
EARNINGS (LOSS) PER SHARE:			
COMMON STOCK			
BASIC	$ (5.46)	$ 0.86	$ 0.90
DILUTED	$ (5.46)	$ 0.85	$ 0.88
CLASS B STOCK			
BASIC	$ 0.26	$ 0.24	$
DILUTED	$ 0.26	$ 0.24	$
WEIGHTED AVERAGE SHARES OUTSTANDING:			
COMMON STOCK			
BASIC	86,013	90,714	96,722
DILUTED	86,013	91,519	99,009
CLASS B STOCK			

BASIC	292	292	395
DILUTED	292	292	395

See accompanying notes to consolidated financial statements

Table of Contents

WESTWOOD ONE, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS EQUITY
(In thousands)

	Common Stock		Class B Stock		Additional Paid-in	Retained	Unrealized Gain on Available for Sale	Treasury Stock		Total Shareholders C
	Shares	Amount	Shares	Amount	Capital	Earnings	Securities	Shares	Amount	Equity
T 31, 2003	99,057	$ 991	704	$ 7	$ 594,975	$ 264,931		(35)	$ (1,200)	$ 859,704
r 2004						86,955				86,955
e income										
					14,844					14,844
mmon uity based plans	3,788	38	(412)	(4)	45,808					45,842
ll efits on xercises					10,518					10,518
of vested					(651)					(651)
asury								(8,456)	(216,503)	(216,503)
treasury	(8,491)	(85)			(217,618)			8,491	217,703	
T 31, 2004	94,354	$ 944	292	$ 3	$ 447,876	$ 351,886	$	$	$	$ 800,709
r 2005						77,886				77,886
e income										
					11,686					11,686
mmon uity based plans	335	3			1,371					1,374
ll efits on xercises					861					861
					(851)					(851)

of vested										
paid						(27,032)				(27,032)
easury								(8,015)	(160,604)	(160,604)
treasury	(8,015)	(80)			(160,524)			8,015	160,604	
T										
31, 2005	86,674	$ 867	292	$ 3	$ 300,419	$ 402,740	$		$	$ 704,029
06						(469,453)				(469,453)
n on										
le							4,570			4,570
e income										
					12,269					12,269
mmon										
uity based										
plans	72				392					392
ll										
efits on										
xercises					(131)					(131)
of vested										
					(10,351)					(10,351)
f warrants					290					290
paid						(27,640)				(27,640)
easury								(750)	(11,044)	(11,044)
treasury	(750)	(7)			(11,037)			750	11,044	
T										
31, 2006	85,996	$ 860	292	$ 3	$ 291,851	$ (94,353)	$ 4,570		$	$ 202,931

See accompanying notes to consolidated financial statements

Table of Contents

WESTWOOD ONE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31, 2006	2005 (Restated)	2004 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES:			
Net (loss) income	$ (469,453)	$ 77,886	$ 86,955
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	20,756	20,826	18,429
Goodwill Impairment	515,916		
Disposal of property and equipment		60	
Deferred taxes	(20,546)	(7,451)	(5,276)
Non-cash stock compensation	12,269	11,686	14,844
Gain on sale of property		(1,022)	
Amortization of deferred financing costs	359	333	709
	59,301	102,318	115,661
Changes in assets and liabilities:			
Accounts receivable	17,278	6,830	(7,082)
Prepaid and other assets	6,367	(6,787)	1,929
Deferred revenue	(936)	(5,172)	2,043
Income taxes payable and prepaid income taxes	(15,724)	16,376	6,806
Accounts payable and accrued expenses and other liabilities	32,813	3,807	(3,495)
Amounts payable to related parties	5,152	918	1,594
Net Cash Provided By Operating Activities	104,251	118,290	117,456
CASH FLOW FROM INVESTING ACTIVITIES:			
Capital expenditures	(5,880)	(4,524)	(5,920)
Proceeds from sale of property		2,244	
Purchase of loan receivable		(2,000)	
Collection of loan receivable	2,000		
Acquisition of companies and other	75	(181)	6
Net Cash Used in Investing Activities	(3,805)	(4,461)	(5,914)
CASH FLOW FROM FINANCING ACTIVITIES:			
Issuance of common stock under equity based compensation plans	392	3,055	38,595
Borrowings under bank and other long-term obligations	10,000	105,000	195,000
Debt repayments and payments of capital lease obligations	(70,685)	(35,642)	(135,602)
Dividend payments	(27,640)	(27,032)	
Repurchase of common stock	(11,044)	(160,604)	(216,503)
Deferred financing costs	(352)		(1,283)

Excess windfall tax benefits from stock option exercises	12	861	10,518
Net Cash Used in Financing Activities	(99,317)	(114,362)	(109,275)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,129	(533)	2,267
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,399	10,932	8,665
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 11,528	$ 10,399	$ 10,932

See accompanying notes to consolidated financial statements

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

NOTE 1 Summary of Significant Accounting Policies:

Nature of Business

Westwood One, Inc. and its subsidiaries (collectively, the Company) supply radio and television stations throughout the United States with a broad range of programming and information services. The Company is the largest domestic outsource provider of traffic reporting services and the nation s largest radio network, 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.

Westwood One is 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 the Company and CBS Radio (then Infinity) which expires on March 31, 2009 (the Management Agreement).

Principles of Consolidation

The consolidated financial statements include the accounts of all majority and wholly-owned subsidiaries.

Geographic and Segment Information

Statement of Financial Accounting Standards 131, Disclosures about Segments of an Enterprise and Related Information requires disclosure of financial and descriptive information about reportable operating segments, revenues by products or services, and revenues and assets by geographic areas. The Company has determined that it operates in a single reportable operating segment: the sale of commercial airtime. The Company identifies segments based on the Company s organization under one management group. The Company s operations are managed as one unit and resources are allocated without regard to separate functions.

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.

The Company carefully considers matters such as credit and inventory risks, among others, in assessing arrangements with its programming and distribution partners. In those circumstances wherein the Company functions as the principal in the transaction, the revenues and associated operating costs are presented on a gross basis in the consolidated statement of operations. In those circumstances wherein the Company functions as an agent or sales representative, the Company s effective commission is presented within Revenues 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. Revenue is recognized on barter transactions when the advertisements are broadcast. Expenses are recorded when the merchandise or service is utilized. Barter revenue of $22,932, $20,200 and $22,083 has been recognized for the years ended December 31, 2006, 2005 and 2004, respectively and barter expenses of $19,433, $17,038 and $20,808 have been recognized for the years ended December 31, 2006, 2005 and 2004, respectively.

Advertising Costs

The Company expenses advertising costs as incurred. For 2006, 2005 and 2004, total advertising expense was $2,158, $3,318 and $4,601, respectively.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

Equity-Based Compensation

Effective January 1, 2006, the Company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment (SFAS 123R). SFAS 123R eliminates the alternative set forth in APB 25 allowing companies to use the intrinsic value method of accounting and requires that companies record expense for stock compensation on a fair value based method. In connection with the adoption of SFAS 123R, the Company has elected to utilize the modified retrospective transition alternative and has restated all prior periods to reflect stock compensation expense in accordance with SFAS 123.

Depreciation

Depreciation is computed using the straight line method over the estimated useful lives of the assets, as follows:

Buildings	40 years
Leasehold Improvements	Shorter of life or lease term
Recording, broadcasting and studio equipment	5-10 years
Furniture and equipment and other	3-10 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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. Management continually evaluates its estimates and judgments including those related to allowances for doubtful accounts, useful lives of property, plant and equipment and intangible assets, fair value of stock options granted, forfeiture rate of equity based compensation grants, income taxes and other contingencies. Management bases its estimates and judgments on historical experience and other factors that are believed to be reasonable in the circumstances. Actual results may differ from those estimates under different assumptions or conditions.

Cash Equivalents

The Company considers all highly liquid instruments purchased with a maturity of less than three months to be cash equivalents. The carrying amount of cash equivalents approximates fair value because of the short maturity of these instruments.

Allowances for Doubtful Accounts

We maintain allowances for doubtful accounts for estimated losses which may result from the inability of our customers to make required payments. We base our allowances 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, we would be required to increase our allowances 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. Our bad debt expense approximated $2,323, or 0.5% of revenue, in 2006, $2,035, or 0.4% of revenue, in 2005 and $874, or 0.2% of revenue, in 2004. 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 a relatively few but significant bad debts.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

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.

Financial Instruments

The Company uses derivative financial instruments (fixed-to-floating interest rate swap agreements) for the purpose of hedging specific exposures and holds 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. Derivative contracts are entered into with major creditworthy institutions to minimize the risk of credit loss and are structured to be 100% effective. We have designated the interest rate swaps as a fair value hedge. Accordingly and pursuant to SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended, the fair value of the swaps are included in other current assets (liabilities) on the consolidated balance sheet with a corresponding adjustment to the carrying value of the underlying debt at December 31, 2006 and 2005.

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. Fair value is determined based on discounted cash flows, market multiples or appraised values as appropriate. The Company has determined that there was an impairment of goodwill as a result of completing its annual impairment analysis as of December 31, 2006. The results of this review and impact of the impairment are more fully described in Note 4 Goodwill and Intangible Assets .

Intangible assets subject to amortization primarily consist of affiliation agreements that were acquired in prior years. Such affiliate contracts, 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 the Company s historical experience, an accelerated rate of attrition in the affiliate base over the expected life of the affiliate relationships. Accordingly, the Company amortizes the value assigned to affiliate agreements on an accelerated basis (periods 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. The Company reviews the recoverability of its finite-lived intangible assets for recoverability whenever events or circumstances indicated that the carrying amount of an asset may not be recoverable. Recoverability is assessed by comparison to associated undiscounted cash flows.

Income Taxes

The Company uses the asset and liability method of financial accounting and reporting for income taxes required by Statement of Financial Accounting Standards No. 109 (SFAS 109), Accounting for Income Taxes . Under SFAS 109, deferred income taxes reflect the tax impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and the amounts recognized for tax purposes.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

Earnings per Share

Basic earnings per share excludes all dilution and is calculated using the weighted average number of Common shares outstanding in the period. Diluted earnings per share reflects the potential dilution that would occur if all dilutive financial instruments which may be exchanged for equity securities were exercised or converted to Common stock.

Diluted EPS for Common stock is calculated utilizing the if-converted method. All other EPS calculations are calculated, utilizing the two-class method, by dividing the sum of distributed earnings to Common and Class B shareholders and undistributed earnings allocated to Common shareholders by the weighted average number of Common shares outstanding during the period. In applying the two-class method, undistributed earnings are allocated to Common shares and Class B stock in accordance with the cash dividend provisions of the Company s articles of incorporation. Such provision provides that payment of a cash dividend to holders of Common shares does not necessitate a dividend payment to holders of Class B stock. Therefore, in accordance with SFAS 128, Earnings Per Share and Emerging Issues Task Force Issue 03-06, the Company has allocated all undistributed earnings to Common shareholders in the calculations of net income per share.

The following is a reconciliation of the Company s Common and Class B shares outstanding for calculating basic and diluted net income per share:

	Year Ended December 31,		
	2006	2005	2004
Net Income	$ (469,453)	$ 77,886	$ 86,955
Less: distributed earnings to Common shareholders	27,565	26,962	
Less: distributed earnings to Class B shareholders	75	70	
Undistributed earnings	$ (497,093)	$ 50,854	$ 86,955
Earnings Common stock			
Basic			
Distributed earnings to Common shareholders	$ 27,565	$ 26,962	$
Undistributed earnings allocated to Common shareholders	(497,093)	50,854	86,955
Total Earnings Common stock, basic	$ (469,528)	$ 77,816	$ 86,955
Diluted			
Distributed earnings to Common shareholders	$ 27,565	$ 26,962	$
Distributed earnings to Class B shareholders		70	
Undistributed earnings allocated to Common shareholders	(497,093)	50,854	86,955
Total Earnings Common stock, diluted	$ (469,528)	$ 77,886	$ 86,955

Weighted average Common shares outstanding, basic	86,013,000	90,714,000	96,722,000
Share-based compensation		513,000	1,892,000
Warrants			
Weighted average Class B shares		292,000	395,000
Weighted average Common shares outstanding, diluted	86,013,000	91,519,000	99,009,000

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

	Year Ended December 31,		
	2006	2005	2004
Earnings per Common share, basic			
Distributed earnings, basic	$ 0.32	$ 0.30	$
Undistributed earnings basic	(5.78)	0.56	0.90
Total	$ (5.46)	$ 0.86	$ 0.90
Earnings per Common share, diluted			
Distributed earnings, diluted	$ 0.32	$ 0.29	$
Undistributed earnings diluted	(5.78)	0.56	0.88
Total	$ (5.46)	$ 0.85	$ 0.88
Earnings per share Class B Stock			
Basic			
Distributed earnings to Class B shareholders	$ 75	$ 70	$
Undistributed earnings allocated to Class B shareholders			
Total Earnings per share Class B Stock, basic	$ 75	$ 70	$
Diluted			
Distributed Earnings to Class B shareholders	$ 75	$ 70	
Undistributed earnings allocated to Class B shareholders			
Total Earnings Class B Stock, diluted	$ 75	$ 70	$
Weighted average Class B shares outstanding, basic	292,000	292,000	395,000
Share-based compensation			
Warrants			
Weighted average Class B shares outstanding, diluted	292,000	292,000	395,000
Earnings per Class B share, basic			
Distributed earnings, basic	$ 0.26	$ 0.24	$
Undistributed earnings basic			
Total	$ 0.26	$ 0.24	$
Earnings per Class B share, diluted			
Distributed earnings, diluted	$ 0.26	$ 0.24	$
Undistributed earnings diluted			

Total	$	0.26	$	0.24	$

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

Common equivalent shares are excluded in periods in which they are anti-dilutive. The following options, restricted stock, restricted stock units and warrants (see Note 2 Related Party Transactions for more information) were excluded from the calculation of diluted earnings per share because the exercise price was greater than the average market price of the Company s Common stock for the years presented:

	2006	2005	2004
Options	6,993,414	8,003,000	4,677,500
Restricted Stock	326,326		
Restricted Stock Units	226,461	100,683	
Warrants	3,500,000	4,000,000	4,500,000

The per share exercise prices of the options excluded were $9.13-$38.34 in 2006, $20.50-$38.34 in 2005 and $30.19-$38.34 in 2004. The per share exercise prices of the warrants excluded were $43.11-67.98 in 2006, $43.11-$67.98 in 2005 and $38.87-$67.98 in 2004.

Recent Accounting Pronouncements

In May 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 154 (SFAS 154), Accounting Changes and Error Corrections, which replaces Accounting Principles Board No. 20 (APB 20), Accounting Changes, and Statement of Financial Accounting Standards No. 3, Reporting Accounting Changes in Interim Financial Statements. SFAS 154 applies to all voluntary changes in accounting principle and changes the requirements for accounting for and reporting a change in accounting principle. SFAS 154 requires a voluntary change in accounting principle to be applied retrospectively to all prior period financial statements so that those financial statements are presented as if the current accounting principle had always been applied, unless it is impracticable. APB 20 previously required that most voluntary changes in accounting principle be recognized with a cumulative effect adjustment in net income of the period of the change. SFAS 154 is effective for accounting changes made in annual periods beginning after December 15, 2006. The Company does not expect the adoption of SFAS 154 to have a material impact on the Company s consolidated financial statements.

In June 2006, the FASB issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, an interpretation of SFAS No. 109, (SFAS No. 109), Accounting for Income Taxes. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise s financial statements in accordance with SFAS No. 109 and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The evaluation of a tax position in accordance with this Interpretation is a two-step process. The first step is recognition, in which the enterprise determines whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The second step is measurement. A tax position that meets the more-likely-than-not recognition threshold is measured to determine the amount of benefit to recognize in the financial statements. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 on January 1, 2007 and does not presently expect that it will have a material effect on the consolidated financial position or results of operations.

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. The Company is currently assessing the impact of adopting SFAS No. 157, but does not presently expect that it will have a material effect on the consolidated financial position or results of operations.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

In September 2006, the SEC staff issued Staff Accounting Bulletin (SAB) 108 Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108). SAB 108 requires that public companies utilize a dual-approach to assess the quantitative effects of financial misstatements. This dual approach includes both an income statement focused assessment and a balance sheet focused assessment. The guidance in SAB 108 must be applied to annual financial statements for fiscal years ending after November 15, 2006. The adoption of SAB 108 did not have a material effect on the consolidated financial position or results of operations.

Reclassification

Certain amounts reported in prior years have been reclassified to conform to the current year presentation.

NOTE 2 Related Party Transactions:

CBS Radio holds a common equity position in the Company and provides ongoing management services to the Company under the terms of the Management Agreement. In return for receiving services under the Management Agreement, the Company compensates CBS Radio via an annual base fee and provides CBS Radio the opportunity to earn an incentive bonus if the Company exceeds pre-determined targeted cash flows. For the years ended December 31, 2006, 2005 and 2004, CBS Radio earned cash compensation of $3,273, $2,853 and $2,959, 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 May 29, 2002, the Company s shareholders ratified an extension of the Management Agreement for an additional five-year term which commenced April 1, 2004 and expires on March 31, 2009. In return for receiving services under the Management Agreement, the Company will continue to compensate CBS Radio via an annual base fee and an opportunity to earn an annual incentive bonus provided certain performance objectives are met. Additionally, the Company granted to CBS Radio seven fully vested and non-forfeitable warrants to purchase 4,500,000 shares of the Company s Common stock in the aggregate (comprised of two warrants to purchase 1,000,000 shares of Common stock per warrant and five warrants to purchase 500,000 shares of Common stock per warrant). Of the seven warrants issued, the two 1,000,000 share warrants have an exercise price of $43.11 and $48.36, respectively, and become exercisable: (A) if the average price of the Company s Common stock reaches a price of $64.67 and $77.38, respectively, for at least 20 out of 30 consecutive trading days for any period throughout the ten year term of the warrants or (B) upon the termination of the Management Agreement by the Company in certain circumstances as described in the terms of such warrants.

The exercise prices for the five remaining warrants are equal to $38.87, $44.70, $51.40, $59.11 and $67.98, respectively. These warrants each have a term of 10 years (only if they become exercisable) and become exercisable on January 2, 2005, 2006, 2007, 2008, and 2009, respectively, subject to a trading price condition. The trading price condition specifies that the average price of the Company s Common stock for each of the 15 trading days prior to January 2 of the applicable year (commencing on January 2, 2005 with respect to the first 500,000 warrant tranche and each January 2 thereafter for each of the remaining four warrants) must be equal to at least both the exercise price of the warrant and 120% of the corresponding prior year 15 day trading average. In the case of the $38.87 warrants, the Company s average stock price for the 15 trading days prior to January 2, 2005 was required to equal or exceed $40.66 for the warrants to become exercisable. The Company s stock price did not equal or exceed $40.66 for the 15 trading days prior to January 2, 2005 and therefore, the warrants did not become exercisable. In connection with the cancellation of these warrants the Company reduced the related deferred tax asset, resulting in a reduction of additional paid in capital of $1,682. In the case of the $44.70 warrants, the Company s average stock price for the 15 trading days prior to January 2, 2006 did not exceed $44.70 (the price required for the warrants to become exercisable), and therefore the warrants did not become exercisable. In connection with the cancellation of these warrants the Company reduced the related deferred tax asset, resulting in a reduction of additional paid in capital of $1,611. Subsequent to December 31, 2006, in the case of the $51.40 warrants, the Company s average

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

stock price for the 15 trading days prior to January 2, 2007 did not exceed $51.40 (the price required for the warrants to become exercisable), and therefore the warrants did not become exercisable.

In connection with the May 2002 issuance of warrants to CBS Radio for management services to be provided to the Company in the future, the Company originally reflected the fair value of the warrant issuance of $48,530 as a component of Other Assets with a corresponding increase to Additional Paid in Capital in the accompanying Consolidated Balance Sheet. Upon commencement of the term of the service period to which the warrants relate (April 1, 2004), the Company commenced amortizing the cost of the warrants issued ratably over the five-year service period. At December 31, 2006, the unamortized value of the May 2002 warrants was $21,838 of which $9,706 was included as a component of Prepaid and Other Assets and $12,132 was included as a component of Other Assets in the accompanying Consolidated Balance Sheet. Related Amortization Expense was $9,706 and $9,706 in 2006 and 2005, respectively.

In addition to the Management Agreement described above, the Company also enters into other transactions with CBS Radio and affiliates of CBS Radio, including Viacom, in the normal course of business. Such arrangements include a Representation Agreement (including a related news programming agreement, a license agreement and a technical services agreement with an affiliate of CBS Radio collectively referred to as the Representation Agreement) to operate the CBS Radio Networks, affiliation agreements with many of CBS Radio s owned and operated radio stations and the purchase of programming rights from CBS Radio and affiliates of CBS Radio. The Management Agreement provides that all transactions between the Company and CBS Radio or its affiliates, other than the Management Agreement and Representation Agreement which were ratified by the Company s shareholders, must be on a basis that is at least as favorable to the Company as if the transactions were entered into with an independent third party. In addition, subject to specified exceptions, all agreements between the Company and CBS Radio or any of its affiliates must be approved by the Company s Board of Directors.

The Company incurred the following expenses relating to transactions with CBS Radio or its affiliates for the following years:

Nature	2006	2005	2004
Representation Agreement	$ 27,142	$ 25,699	$ 25,093
Programming and Affiliations	48,372	52,689	59,245
Management Agreement (excluding warrant amortization)	3,273	2,853	2,959
Warrant Amortization	9,706	9,706	7,618
	$ 88,493	$ 90,947	$ 94,915

Expenses incurred for the Representation Agreement and programming and affiliate arrangements are included as a component of Operating Costs in the accompanying Consolidated Statement of Operations. Expenses incurred for the Management Agreement (excluding warrant amortization) and amortization of the warrants granted to CBS Radio under the Management Agreement are included as a component of Corporate, General and Administrative Expenses and Depreciation and Amortization, respectively, in the accompanying Consolidated Statement of Operations. The description and amounts regarding related party transactions set forth in these consolidated financial statements and related notes also reflect transactions between the Company and Viacom because of Viacom s affiliation with CBS Radio. Viacom is the former parent company of CBS Radio and, like CBS Radio, is majority-owned by National Amusements, Inc.

The Company also has a related party relationship, including a sales representation agreement, with its investee, POP Radio, LP, which is described in Note 5 Investments and Note Receivable .

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

NOTE 3 Property and Equipment:

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

	December 31, 2006	December 31, 2005
Land, buildings and improvements	$ 12,278	$ 11,719
Recording, broadcasting and studio equipment	77,927	72,997
Furniture and equipment and other	11,641	11,747
	101,846	96,463
Less: Accumulated depreciation and amortization	64,493	55,297
Property and equipment, net	$ 37,353	$ 41,166

Depreciation expense was $9,693, $9,412 and $9,085 for the year ended December 31, 2006, 2005 and 2004, respectively. In 2001, the Company entered into one capital lease totaling $6,723. Accumulated amortization related to the capital lease was $3,586 and $2,913 as of December 31, 2006 and 2005, respectively.

In December 2005, the Company sold property with a net book value of approximately $1,222 resulting in a pre-tax gain of approximately $1,022. This pre-tax gain has been included in Other Income in the accompanying Consolidated Statement of Operations for the year ended December 31, 2005.

NOTE 4 Goodwill and Intangible Assets:

In connection with its annual goodwill impairment testing for the year ended December 31, 2006, the Company determined there was an impairment and recorded a non-cash charge of $515,916. The goodwill impairment, the majority of which is not deductible for income tax purposes, is primarily due to our declining operating performance in fiscal 2006 and the reduced valuation multiples in the radio industry. Such negative factors are reflected in our stock price and market capitalization.

The impairment charge reflects the amount by which the carrying value of goodwill exceeded the residual value remaining after ascribing fair values to the Company s tangible and intangible assets. In performing the related valuation analyses, the Company, with the assistance of a valuation specialist, used various methods including probability-weighted discounted cash flows, excess earnings, profit split and income methods to determine whether goodwill is impaired.

The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. As a result, the Company allocated the fair value of the reporting unit to all of the assets and liabilities of the Company as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the price paid to acquire the reporting unit. The excess of the fair value of the reporting unit over the amounts assigned to its assets and liabilities is the implied fair value of the goodwill.

The changes in the carrying amount of goodwill for the years ended December 31, 2006 and 2005 are as follows:

	2006	2005
Balance at January 1,	$ 982,219	$ 981,969
Contingent consideration paid		250
Pre-acquisition contingencies related to income taxes and other	(2,189)	
Impairment	(515,916)	
Balance at December 31,	$ 464,114	$ 982,219

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

At December 31, 2006, the gross value of the Company s amortizable intangible assets was approximately $28,380 with accumulated amortization of approximately $24,155. At December 31, 2005, the gross value of the Company s amortizable intangible assets was approximately $28,380 with accumulated amortization of approximately $23,373. Amortization expense was $783, $1,170 and $1,449 for the year ended December 31, 2006, 2005 and 2004, respectively. The Company s estimated aggregate amortization expense for intangibles for fiscal year 2007, 2008, 2009, 2010 and 2011 are $783, $783, $783, $734 and $634 respectively.

NOTE 5 Investments and Note Receivable:

On March 29, 2006, the Company s cost method investment in The Australia Traffic Network Pty Limited (ATN) was converted to 1,540,195 shares of Common stock of Global Traffic Network, Inc. (GTN) in connection with the initial public offering of GTN on that date. The Company is subject to a one-year lock-up provision with respect to its shares in GTN. The investment in GTN, valued at $7,917 at December 31, 2006, is classified as an available for sale security and included in other assets in the accompanying Consolidated Balance Sheet. Accordingly, the unrealized gain as of December 31, 2006 is included in unrealized gain on available for sale securities in the accompanying Consolidated Balance Sheet.

GTN is the parent company of ATN, and also of Canadian Traffic Network ULC (CTN) from whom the Company purchased a senior secured note in an aggregate principal amount of $2,000 in November 2005. This note was included in other assets in the accompanying Consolidated Balance Sheet at December 31, 2005. On September 7, 2006, CTN repaid this note in full.

On October 28, 2005, the Company 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, the Company 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. The Company holds 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 the Company s equity in earnings of POP Radio through December 31, 2006 was de minimis.

As part of the POP Radio transaction, the Company posted a $1,400 bond with the Superior Court of the State of Connecticut as surety for a temporary injunction issued in favor of POP Radio against News America In-Store Marketing, Inc. (NAMI). This guarantee is accounted for in accordance with FASB Interpretation 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others . The fair value of the liability, measured using expected present value was de minimis at December 31, 2005.

On October 18, 2006, in connection with the withdrawal of the dispute between POP Radio and NAMI, the Superior Court of the State of Connecticut vacated the temporary injunction against POP Radio and released the $1,400 bond posted by the Company.

On September 29, 2006, the Company, 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 the Company 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, the Company s limited partnership interest in POP Radio will decrease from 20% to 6%.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

NOTE 6 Debt:

Long-term debt consists of the following at:

	December 31, 2006	December 31, 2005
Revolving Credit Facility/Term Loan	$ 170,000	$ 230,000
4.64% Senior Unsecured Notes due on November 30, 2009	50,000	50,000
5.26% Senior Unsecured Notes due on November 30, 2012	150,000	150,000
Fair market value of Swap	(3,140)	(2,486)
	$ 366,860	$ 427,514

On October 31, 2006 the Company amended its existing senior loan agreement with a syndicate of banks led by JP Morgan Chase Bank and Bank of America. The facility, as amended, is comprised of an unsecured five-year $120,000 term loan and a five-year $150,000 revolving credit facility which shall be automatically reduced to $125,000 effective September 28, 2007 (collectively the Facility). In connection with the original closing of the Facility on March 3, 2004, the Company borrowed the full amount of the term loan, the proceeds of which were used to repay the outstanding borrowings under a prior facility. As of December 31, 2006, the Company had available borrowings of $100,000 under the Facility. Interest on the Facility is variable and is payable at a maximum of the prime rate plus an applicable margin of up to .25% or LIBOR plus an applicable margin of up to 1.25%, at the Company s option. The applicable margin is determined by the Company s Total Debt Ratio, as defined in the underlying agreements. The Facility contains covenants relating to dividends, liens, indebtedness, capital expenditures and restricted payments, as defined, interest coverage and leverage ratios. On December 3, 2002, the Company also issued, through a private placement, $150,000 of ten year Senior Unsecured Notes due November 30, 2012 (interest at a fixed rate of 5.26%) and $50,000 of seven year Senior Unsecured Notes due November 30, 2009 (interest at a fixed rate of 4.64%, collectively referred to as Senior Unsecured Notes). Interest on the Notes is payable semi-annually in May and November. The Notes, which are unsecured, contain covenants relating to indebtedness and interest coverage ratios that are identical to those contained in the Company s Facility. The Notes may be prepaid at the option of the Company upon proper notice and by paying principal, interest and an early payment penalty.

In addition, the Company entered into a seven-year interest rate swap agreement covering $25,000 notional value of its outstanding borrowings under the Senior Unsecured Notes 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 its outstanding borrowings under the Senior Unsecured Notes to effectively float the majority of the interest rate at three-month LIBOR plus 80 basis points. In total, the swaps cover $100,000 which represents 50% of the notional amount of Senior Unsecured Notes. The Senior Unsecured Notes contain covenants relating to dividends, liens, indebtedness, capital expenditures, and interest coverage and leverage ratios.

At December 31, 2006, the Company had available borrowings under the Facility of $100,000. Additionally, at December 31, 2006, the Company had borrowed $170,000 under the Facility at a weighted-average interest rate of 6.3% (including the applicable margin of LIBOR plus 1.125%). As of December 31, 2005, the Company had borrowed $230,000 under the Facility at a weighted-average interest rate of 4.0% (including applicable margin).

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

The aggregate maturities of debt for the next five years and thereafter, pursuant to the Company s debt agreements as in effect at December 31, 2006, are as follows (excludes market value adjustments):

Year		
2007	$	
2008		
2009		220,000
2010		
2011		
2012		150,000
	$	370,000

NOTE 7 Financial Instruments:

Interest Rate Risk Management

In order to achieve a desired proportion of variable and fixed rate debt, the Company entered into a seven year interest rate swap agreement covering $25,000 notional value of its 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 its outstanding borrowing to effectively float majority of the interest rate at three-month LIBOR plus 80 basis points. In total, the swaps cover $100,000 which represents 50% of the notional amount of senior unsecured notes. These swap transactions allow the Company to benefit from short-term declines in interest rates while having the long-term stability of fairly low fixed rates. 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. The Company has 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.

At December 31, 2006, the Company had the following interest rate swaps:

Maturity Dates		Notional Principal Amount	Interest Rate Paid(1)	Interest Rate Received	Variable Rate Index
November 2009	$	25,000	5.37	3.907%	3 Month LIBOR
November 2012	$	25,000	5.37	4.410%	3 Month LIBOR
November 2012	$	50,000	5.37	4.535%	3 Month LIBOR

(1) The interest rate paid at December 31, 2006 was 5.37%.

The estimated fair values of the Company s interest rate swaps at December 31, 2006 and 2005 were $3,140 and $2,486, respectively and were included in accrued expenses in the accompanying Consolidated Balance Sheet.

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

Fair Value of Financial Instruments

The Company s financial instruments include cash, cash equivalents, receivables, accounts payable, borrowings and interest rate contracts. At December 31, 2006 and 2005, the fair values of cash and cash equivalents, receivables and accounts payable approximated carrying values because of the short-term nature of these instruments. The estimated fair values of other financial instruments subject to fair value disclosures, determined based on broker quotes or quoted market prices or rates for the same or similar instruments, and the related carrying amounts are as follows:

	December 31, 2006		December 31, 2005	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Borrowings (Short and Long Term)	$ 370,000	$ 366,860	$ 430,000	$ 427,514
Risk management contracts:				
Interest rate swaps	(3,140)	(3,140)	(2,486)	(2,486)

Credit Concentrations

The Company continually monitors its positions with, and the credit quality of, the financial institutions that are counterparties to its financial instruments, and does not anticipate nonperformance by the counterparties.

The Company s receivables do not represent a significant concentration of credit risk at December 31, 2006, due to the wide variety of customers and markets in which the Company operates.

NOTE 8 Shareholders Equity:

The authorized capital stock of the Company consists of Common stock, Class B Stock and Preferred Stock. Common stock is entitled to one vote per share while Class B Stock is entitled to 50 votes per share. Class B Stock is convertible to Common stock on a share-for-share basis.

On September 27, 2004, a shareholder converted 411,670 shares of Class B Stock into an equal number of shares of Common stock.

The Company s Board of Directors has approved plans to purchase shares of the Company s Common stock to enhance shareholder value. The Company purchased 750,000 shares in 2006 for approximately $11,044, 8,015,000 shares in 2005 for approximately $160,604 and 8,456,000 shares in 2004 for approximately $216,503. On April 29, 2005, the Board of Directors authorized an additional $300,000 for the repurchase program. As a result, the Company had authorization to repurchase up to $402,023 of its Common stock as of that date.

On April 29, August 3, and November 2, 2005, the Company s Board of Directors declared cash dividends of $0.10 per share for each issued and outstanding share of Common stock and $0.08 per share for each issued and outstanding share of Class B stock.

On February 2, April 18, and August 7, 2006, the Company s Board of Directors declared cash dividends of $0.10 for each issued and outstanding share of Common stock and $0.08 per share for each issued and outstanding share of Class B stock. On November 7, 2006, the Company s Board of Directors declared cash dividends of $0.02 for each issued and outstanding share of Common stock and $0.016 for each issued and outstanding share of Class B stock.

NOTE 9 Equity-Based Compensation:

Equity Compensation Plans

The Company established stock option plans in 1989 (the 1989 Plan) and 1999 (the 1999 Plan) which provide for the granting of options to directors, officers and key employees to purchase Company Common stock at its

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

market value on the date the options are granted. Under the 1989 Plan, 12,600,000 shares were reserved for grant through March 1999. The 1989 Plan expired, but certain grants made under the 1989 Plan remain outstanding at September 30, 2006. On September 22, 1999, the stockholders ratified the 1999 Plan which authorized the grant of up to 8,000,000 shares of Common stock. Options granted under the 1999 Plan generally become exercisable after one year in 20% increments per year and expire within ten years from the date of grant.

On May 19, 2005, the Board modified the 1999 Plan by deleting the provisions of the 1999 Plan that provided for a mandatory annual grant of 10,000 stock options to outside directors. Also, on May 19, 2005, the stockholders of the Company approved the 2005 Equity Compensation Plan (the 2005 Plan). Among other things, the 2005 Plan provides for the granting of restricted stock and restricted stock units (RSUs) of the Company. A maximum of 9,200,000 shares of Common stock of the Company is authorized for the issuance of awards under the 2005 Plan.

Beginning on May 19, 2005, outside directors automatically receive a grant of RSUs equal to $100 in value on the date of each Company annual meeting of stockholders. Newly appointed outside directors receive an initial grant of RSUs equal to $150 in value on the date such director is appointed to the Company s Board. Such awards are governed by the 2005 Plan.

Options and restricted stock granted under the 2005 Plan generally vest in 25% increments per year, at the end of each year, and options expire within ten years from the date of grant. RSUs awarded to directors generally vest over a three-year period in equal one-third increments per year. Directors RSUs vest automatically, in full, upon a change in control or upon their retirement, as defined in the 2005 Plan. RSUs are payable in shares of the Company s Common stock. Recipients of restricted stock and RSUs are entitled to receive dividend equivalents (subject to vesting) when and if the Company pays a cash dividend on its Common stock. Such dividend equivalents are payable, in shares of Common stock, only upon the vesting of the related restricted shares.

Restricted stock has the same cash dividend and voting rights as other Common stock and is considered to be currently issued and outstanding. Restricted stock and RSUs have dividend equivalent rights equal to the cash dividend paid on Common stock. RSUs do not have the voting rights of Common stock, and the shares underlying the RSUs are not considered issued and outstanding.

At December 31, 2006, there were 6,761,411 shares available for grant under the Company s equity compensation plans.

Adoption of SFAS 123R

Prior to January 1, 2006, the Company accounted for equity-based compensation under the recognition and measurement provisions of Accounting Principles Board Opinion No. 25 (APB No. 25), Accounting for Stock Issued to Employees, and the related Interpretations, as permitted by Financial Accounting Standards Board Statement No. 123, Accounting for Stock Based Compensation. No share based compensation expense was recognized in the Statement of Operations as all option grants had an exercise price equal to the market value of the underlying Common stock on the date of grant and the number of shares was fixed, except for a non-cash stock compensation charge of $391 recorded in 2004 in connection with the change in status of an employee to an independent contractor, and $400 recorded in 2005 in connection with the grant of RSUs to certain individuals.

Effective January 1, 2006, the Company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment (SFAS 123R). SFAS 123R eliminated the alternative set forth in APB 25 allowing companies to use the intrinsic value method of accounting and required that companies record expense for stock compensation on a fair value based method. In connection with the adoption of SFAS 123R, the Company elected to utilize the modified retrospective transition alternative and has restated all prior periods to reflect stock compensation expense in accordance with SFAS 123.

As a result of adopting SFAS 123R, the Company s income before income taxes was $10,165, $11,286 and $14,453 lower for the years ended December 31, 2006, 2005 and 2004 respectively, than if it had continued to account for the

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

share-based compensation under APB No. 25. Income taxes were $4,034, $4,489 and $5,918 lower for years ended December 31, 2006, 2005 and 2004, respectively.

Prior to the adoption of SFAS 123R, the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Consolidated Statements of Cash Flows. SFAS 123R requires that cash flows resulting from tax deductions that are in excess of the compensation costs recognized for those options (known as Windfall Tax Benefits) be classified as financing cash flows.

The following is a summary of the adjustments to the consolidated financial statements as a result of these restatements:

Selected Balance Sheet Data:

	December 31, 2003		
	As previously reported	Adjustment	As restated
Deferred tax (liability) /asset	$ (32,713)	$ 18,703	$ (14,010)
Paid-in capital	517,132	77,843	594,975
Retained earnings	319,020	(54,089)	264,931

Selected Statement of Operations Data for the years ended December 31,

	2005			2004		
	As previously reported	Adjustment	As restated	As previously reported	Adjustment	As restated
Operating Costs	$ 372,277	$ 6,721	$ 378,998	$ 369,634	$ 9,463	$ 379,097
Corporate General and Administrative Expenses	9,463	4,565	14,028	8,606	4,990	13,596
Income Before Income Taxes	138,389	(11,286)	127,103	154,614	(14,453)	140,161
Income Taxes	53,706	(4,489)	49,217	59,124	(5,918)	53,206
Net Income	84,683	(6,797)	77,886	95,490	(8,535)	86,955
Basic Earnings Per Share						
Common stock	$ 0.93	$ (0.07)	$ 0.86	$ 0.98	$ (0.08)	$ 0.90
Class B Stock	0.24		0.24			
Diluted Earnings Per Share						
Common stock	$ 0.93	$ (0.08)	$ 0.85	$ 0.97	$ (0.09)	$ 0.88
Class B Stock	0.24		0.24			

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

Equity Compensation Activity

The Company has awarded RSUs to Board members and certain key executives, which vest over three and four years, respectively. The cost of the RSUs, which is determined to be the fair market value of the shares at the date of grant net of estimated forfeitures, is expensed ratably over the vesting period, or period to retirement eligibility if shorter. There were no RSUs granted in 2004. During 2005, there were 105,077 RSUs granted with a weighted average grant date fair value of $18.15. The Company s RSU activity during year ended December 31, 2006 follows:

RSUs:	2006 Shares	Aggregate Grant Date Fair Value	Weighted Average Grant Date Fair Value Per Share
Outstanding at December 31, 2005	100,683	$ 1,819	$ 18.07
Granted during the period	189,110	2,249	11.89
Dividend equivalents during the period	8,441	70	8.27
Forfeited during the period	(44,075)	(733)	16.64
Converted to Common stock	(27,698)	(447)	16.15
Outstanding at December 31, 2006	226,461	$ 2,958	$ 13.06
Fully vested at December 31, 2006	15,098		

There were 211,363 and 100,683 outstanding but unvested RSUs at December 31, 2006 and 2005, respectively. As of December 31, 2006, there was $1,698 of unearned compensation cost, and 226,461 RSUs are expected to vest in connection with the RSUs granted. That cost is expected to be recognized over a weighted-average period of 1.72 years. The total compensation expense recognized related to RSUs was $1,304, $400 and $0 for the years ended December 31, 2006, 2005, and 2004, respectively. These costs have been included in Corporate, General and Administrative expenses in the accompanying Statement of Operations.

The Company has awarded restricted shares of Common stock to certain key employees. The awards have restriction periods tied solely to employment and vest over four years. The cost of these restricted stock awards, calculated as the fair market value of the shares on the date of grant net of estimated forfeitures, is expensed ratably over the vesting period. The Company s restricted stock activity during the year ended December 31, 2006 follows:

RESTRICTED STOCK:	2006 Shares	Grant Date Fair Value	Weighted Average Grant Date Fair Value Per Share

Unvested at December 31, 2005	$		$		$	
Granted during the period(1)		352,973	$	4,642		13.15
Vested during the period						
Forfeited during the period		(26,647)		(377)		14.16
Unvested at December 31, 2006	$	326,326	$	4,265	$	13.06

(1) Amount includes dividend equivalents on unvested shares

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

As of December 31, 2006, there was $2,790 of unearned compensation cost, and 262,492 shares expected to vest, related to restricted stock grants. That cost is expected to be recognized over a weighted-average period of 3.0 years. The total compensation expense recognized related to restricted stock is as follows:

	Year Ended December 31		
Included In:	2006	2005*	2004*
Corporate General and Administrative Expenses	$ 101	$	$
Operating Costs	694		
Total	$ 795	$	$

* There was no restricted stock issued prior to 2006.

The Company s stock option activity during the period follows:

STOCK OPTIONS:	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding at December 31, 2005	7,787,589	$ 25.07	
Granted during the period	805,560	13.98	
Exercised during the period	(44,500)	8.54	
Cancelled during the period	(1,836,653)	25.32	
Forfeited during the period	(618,702)	23.23	
Expired during the Period	(7,500)	20.73	
Outstanding at December 31, 2006	6,085,794	$ 23.84	$ 12
Vested and exercisable at December 31, 2006	3,807,041	$ 25.03	$ 0

The weighted average remaining contractual term of vested options was 4.46 years at December 31, 2006. The aggregate intrinsic value of options exercised was $74, $3,445 and $47,543 during the years ended December 31, 2006, 2005 and 2004, respectively. Additionally, at December 31, 2006, 2,086,329 options were expected to vest with a weighted average exercise price of $21.45, and weighted average remaining term of 7.97 years. The aggregate intrinsic value of these options was $12. The aggregate intrinsic value of options represents the total pre-tax intrinsic value (the difference between the Company s closing stock price on the last trading day of fiscal 2006 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on December 31, 2006. This amount changes based on the fair market value of the Company s Common stock.

As of December 31, 2006, there was $15,400 of unearned compensation cost related to stock options granted under the plans. That cost is expected to be recognized over a weighted-average period of 2.30 years. The total compensation expense recognized related to options is as follows:

	Year Ended December 31,		
Included In:	2006	2005	2004
Corporate General and Administrative Expenses	$ 4,519	$ 4,565	$ 5,381
Operating Costs	5,646	6,721	9,463
Total	$ 10,165	$ 11,286	$ 14,844

The aggregate estimated fair value of options vesting was $7,446 during the year ended December 31, 2006. The weighted average fair value of the options granted was $5.37**,** $5.90 and $6.77 during the years ended December 31,

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

2006, 2005 and 2004, respectively. The estimated fair value of options granted was measured on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year Ended December 31, 2006	2005	2004
Risk-Free Interest Rate	4.53%	4.0%	3.5%
Expected Term	6.2%	4.9%	5.0%
Expected Volatility	45.05%	28.97%	28.3%
Expected Dividend Yield	2.8%	1.16%	

The risk-free interest rate for periods within the life of the option is based on a blend of U.S. Treasury bond rates. Beginning with options granted after January 1, 2006, the expected term assumption has been calculated using the shortcut method as permitted by Staff Accounting Bulletin No. 107. Prior to January 1, 2006, the Company set the expected term equal to the applicable vesting period. The expected volatility assumption used by the Company is based on the historical volatility of the Company s stock. The dividend yield represents the expected dividends on the Company stock for the expected term of the option.

Additional information related to options outstanding at December 31, 2006, segregated by grant price range, is summarized below:

	Number of Options	Weighted Average Exercise Price	Remaining Weighted Average Contractual Life (In Years)
Options Outstanding at Exercise Price Ranges of:			
$5.34-$9.88	181,500	$ 8.56	4.28
$10.09-$19.93	1,516,334	$ 15.43	5.98
$20.25-$26.96	2,158,510	$ 21.26	5.94
$30.19-$38.34	2,229,450	$ 33.30	5.51

NOTE 10 Income Taxes:

The components of the provision for income taxes are as follows:

	Year Ended December 31, 2006	2005 (Restated)	2004 (Restated)

Current			
Federal	$ 26,304	$ 48,682	$ 51,200
State	3,588	7,988	7,277
	29,892	56,670	58,477
Deferred			
Federal	(18,537)	(6,421)	(4,746)
State	(2,546)	(1,030)	(525)
	(21,083)	(7,451)	(5,271)
Income Tax	$ 8,809	$ 49,219	$ 53,206

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities on the Company s balance sheet and the amounts used for income tax purposes. Significant components of the Company s deferred tax assets and liabilities follow:

	2006	2005 (Restated)
Deferred tax liabilities:		
Goodwill, intangibles and other		$ 11,308
Property and equipment	$ 4,122	5,670
Investment	2,876	
Other	227	445
Total deferred tax liabilities	7,225	17,423
Deferred tax assets:		
Goodwill, intangibles and other	6,249	
Allowance for doubtful accounts	1,665	1,077
Deferred compensation	1,509	6,324
Equity based compensation	15,057	19,388
Accrued expenses and other	237	480
Total deferred tax assets	24,717	27,269
Net deferred tax assets	17,492	9,846
Net deferred tax asset current	1,666	1,077
Net deferred tax asset long term	$ 15,826	$ 8,769

The reconciliation of the federal statutory income tax rate to the Company s effective income tax rate is as follows:

	Year Ended December 31,		
	2006	2005	2004
Federal statutory rate	35.0%	35.0%	35.0%
State taxes net of federal benefit	(0.2)	3.5	3.0
Non-deductible portion of goodwill impairment	(36.6)		
Other	(0.1)	0.2	
Effective tax rate	(1.9)%	38.7%	38.0%

In 2006, 2005 and 2004, $12, $861 and $10,518 respectively, of windfall tax benefits attributable to employee stock exercises were allocated to shareholders equity.

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

NOTE 11 Commitments and Contingencies:

The Company has various non-cancelable, long-term operating leases for office space and equipment. In addition, the Company is committed under various contractual agreements to pay for talent, broadcast rights, research, the CBS Representation Agreement and the Management Agreement with CBS Radio. The approximate aggregate future minimum obligations under such operating leases and contractual agreements for the five years after December 31, 2006 and thereafter, are set forth below:

	Leases			
Year	Capital	Operating	Other	Total
2007	$ 960	$ 6,968	$ 95,813	$ 103,741
2008	960	6,534	82,910	90,404
2009	960	5,664	34,317	40,941
2010	960	4,082	19,055	24,097
2011	640	3,696	15,302	19,638
Thereafter	0	11,637	7,100	18,737
	$ 4,480	$ 38,581	$ 254,497	$ 297,558

The present value of net minimum payments under capital leases was $3,855 at December 31, 2006.

Rent expense charged to operations for 2006, 2005 and 2004 was 9,295, $8,957 and $8,485 respectively.

Included in Other in the table above is $101,343 of commitments due to CBS Radio and its affiliates pursuant to various agreements as described in Note 2 Related Party Transactions.

NOTE 12 Supplemental Cash Flow and Other Information:

Supplemental information on cash flows, is summarized as follows:

	Year Ended December 31,		
	2006	2005	2004
Cash paid for:			
Interest	$ 24,642	$ 17,134	$ 13,564
Income Taxes	45,676	39,432	41,158

Table of Contents

WESTWOOD ONE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(In thousands, except share and per share amounts)

NOTE 13 Quarterly Results of Operations (unaudited):

The following is a tabulation of the unaudited quarterly results of operations. The quarterly results are presented for the years ended December 31, 2006 and 2005.

(In thousands, except per share data)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	For the Year
2006					
Net revenues	$ 120,772	$ 129,162	$ 114,263	$ 129,798	$ 493,995
Operating (loss) income	(140)	26,717	23,836	(486,393)(1)	(435,980)
Net (loss) income	(3,527)	12,170	10,484	(488,580)	(469,453)
Net income (loss) per share:					
Basic					
Common stock	(0.04)	0.14	0.12	(5.68)	(5.46)
Class B Stock	0.08	0.08	0.08	0.02	0.26
Diluted					
Common stock	(0.04)	0.14	0.12	(5.68)	(5.46)
Class B Stock	0.08	0.08	0.08	0.02	0.26
2005 (Restated)					
Net revenues	$ 134,082	$ 141,837	$ 134,928	$ 146,983	$ 557,830
Operating income	25,825	38,687	37,632	41,834	143,978
Net income	13,844	21,464	20,069	22,509	77,886
Net income per share:					
Basic					
Common stock	$ 0.15	$ 0.23	$ 0.22	$ 0.26	$ 0.86
Class B Stock		0.08	0.08	0.08	0.24
Diluted					
Common stock	$ 0.15	$ 0.23	$ 0.22	$ 0.25	$ 0.85
Class B Stock		0.08	0.08	0.08	0.24

(1) The Company recorded a goodwill impairment charge of $515,916 in the fourth quarter of 2006. Refer to Note 4, Goodwill and Intangible Assets, for further information.

NOTE 14 Subsequent Events:

On March 6, 2007, the Board of Directors of the Company declared a cash dividend of $0.02 per share for all issued and outstanding Common stock and $0.016 per share for all issued and outstanding Class B stock, payable March 30, 2007, to stockholders of record at the close of business on March 20, 2007. Further declarations of dividends, including the establishment of record and payment dates related to dividends, will be at the discretion of the

Company s Board of Directors.

Table of Contents

Schedule II Valuation and Qualifying Accounts

Allowance for Doubtful Accounts

	Balance at Beginning of Period	Additions: Charged to Costs And Expenses	Additions: Charged to Other Accounts	Deductions: Write-offs and Other Adjustments	Balance at End of Period
2006	$ 2,797	$ 2,323		$ (733)	$ 4,387
2005	$ 2,566	$ 2,031		$ (1,800)	$ 2,797
2004	$ 4,334	$ 874		$ (2,642)	$ 2,566

F-28