OLYMPIC STEEL INC
Form DEF 14A
March 21, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

SCHEDULE 14A

(RULE 14a-101)

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No.)

Filed by the Registrant Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-12

Olympic Steel, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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(1) Title of each class of securities to which transaction applies:

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(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Olympic Steel, Inc., 22901 Millcreek Boulevard, Suite 650, Highland Hills, Ohio 44122 (216) 292-3800

To Our Shareholders:

You are invited to attend the 2017 Annual Meeting of Shareholders of Olympic Steel, Inc. to be held at 5096 Richmond Road, Bedford Heights, Ohio 44146, on April 28, 2017 at 10:00 a.m. EDT. We are pleased to enclose the notice of the 2017 Annual Meeting of Shareholders, together with a Proxy Statement, a Proxy and an envelope for returning the Proxy.

You are asked to: (1) approve the election of Directors nominated by the Board of Directors; (2) ratify the selection of Olympic Steel, Inc.'s independent auditors for the year ending December 31, 2017; (3) approve, on an advisory basis, our named executive officer compensation; and (4) recommend, on an advisory basis, the frequency of shareholder votes on named executive officer compensation. Your Board of Directors unanimously recommends that you vote "FOR" all of the Director nominees nominated by the Board, "FOR" the ratification of the independent auditors selected for the year ending December 31, 2017 and our named executive officer compensation and for a frequency of "EVERY YEAR" in regards to the frequency of shareholder votes on named executive officer compensation. Please carefully review the Proxy Statement and then complete and sign your Proxy and return it promptly. If you attend the meeting and decide to vote in person, you may withdraw your Proxy at the meeting.

Your time and attention to this letter and the accompanying Proxy Statement and Proxy is appreciated.

Sincerely,

Michael D. Siegal

Chairman and Chief Executive Officer

March 21, 2017

Olympic Steel, Inc., 22901 Millcreek Boulevard, Suite 650, Highland Hills, Ohio 44122 (216) 292-3800

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD APRIL 28, 2017

Notice is hereby given that the 2017 Annual Meeting of Shareholders of Olympic Steel, Inc., an Ohio corporation, which is referred to as the Company, will be held on April 28, 2017, at 5096 Richmond Road, Bedford Heights, Ohio 44146, at 10:00 a.m. EDT, for the following purposes:

1. To elect the following Directors to the class whose two-year term will expire in 2019: Michael D. Siegal, Arthur F. Anton, Donald R. McNeeley and Michael G. Rippey;

2. To ratify the selection of PricewaterhouseCoopers LLP as the Company’s independent auditors for the year ending December 31, 2017;

3. To approve, on an advisory basis, our named executive officer compensation;

4. To recommend, on an advisory basis, the frequency of shareholder votes on named executive officer compensation; and

5. To transact any other business properly brought before the 2017 Annual Meeting of Shareholders or any adjournment or postponement of the 2017 Annual Meeting of Shareholders.

Only shareholders of record of the Company’s common stock on the books of the Company at the close of business on March 10, 2017 will be entitled to vote at the 2017 Annual Meeting or any adjournment or postponement of the 2017 Annual Meeting.

Your vote is important. All shareholders are invited to attend the 2017 Annual Meeting in person. However, to ensure your representation at the 2017 Annual Meeting, please mark, date and sign the enclosed proxy, and return it promptly in the enclosed envelope. Any shareholder attending the 2017 Annual Meeting may vote in person even if the shareholder returned a proxy.

By Order of the Board of Directors

Christopher M. Kelly

Secretary

Cleveland, Ohio

March 21, 2017

The enclosed proxy is being solicited on behalf of the Board of Directors of the Company and can be returned in the enclosed envelope, which requires no postage if mailed in the United States.

TABLE OF CONTENTS

2017 ANNUAL MEETING

April 28, 2017

THE PROXY AND SOLICITATION

This Proxy Statement is being mailed on or about March 21, 2017 to the shareholders of Olympic Steel, Inc., which is referred to as the "Company", "we," "our" or "us," in connection with the solicitation by the Company's Board of Directors, which is referred to as the Board, of the enclosed form of proxy for the 2017 Annual Meeting of Shareholders, which is referred to as the Annual Meeting, to be held on April 28, 2017, at 5096 Richmond Road, Bedford Heights, Ohio 44146, at 10:00 a.m. EDT. Pursuant to the Title XVII, Chapter 1701 of the Ohio Revised Code, any shareholder signing and returning the enclosed proxy has the power to revoke it by giving notice of such revocation to the Company in writing or at the Annual Meeting before any vote with respect to the matters set forth therein is taken. The representation in person or by proxy of at least a majority of the outstanding shares of the common stock of the Company, which we refer to as the Common Stock, entitled to vote is necessary to provide a quorum at the Annual Meeting. Abstentions and broker non-votes will be counted in determining whether a quorum has been achieved.

The Company will bear the expense of preparing, printing and mailing this Proxy Statement. Although the Company has not retained a proxy solicitor to aid in the solicitation of proxies, it may do so in the future if the need arises, and does not believe that the cost of any such proxy solicitor will be material. In addition to solicitation of proxies by mail, certain Directors, officers and other employees of the Company, none of whom will receive additional compensation therefor, may solicit proxies by telephone, facsimile, electronic mail or by personal contacts. The Company will request brokers, banks and other custodians, nominees and fiduciaries to send proxy materials to beneficial owners and will, upon request, reimburse them for their out-of-pocket expenses.

PURPOSES OF ANNUAL MEETING

The Annual Meeting has been called for the purposes of: (1) electing the following Directors to the class whose two-year term will expire in 2019: Michael D. Siegal, Arthur F. Anton, Donald R. McNeeley and Michael G. Rippey; (2) ratifying the selection of PricewaterhouseCoopers LLP, which is referred to as PwC, as the Company's independent auditors for the year ending December 31, 2017; (3) approving, on an advisory basis, our named executive officer compensation; (4) recommending, on an advisory basis, the frequency of shareholder votes on named executive officer compensation; and (5) transacting such other business as may properly come before the Annual Meeting and any adjournments thereof.

The persons named in the enclosed proxy have been selected by the Board and will vote Common Stock represented by valid proxies. Unless otherwise indicated in the enclosed proxy, they intend to vote “FOR” the election of the Director-nominees named herein, “FOR” the ratification of the selection of PwC as the Company’s independent auditors for the year ending December 31, 2017, “FOR” the approval, on an advisory basis, of our named executive officer compensation and for a frequency of “EVERY YEAR” in regards to the frequency of shareholder votes on named executive officer compensation.

VOTING SECURITIES

The Board has established the close of business on March 10, 2017 as the record date for determining shareholders entitled to notice of the Annual Meeting and to vote. On that date, 10,963,863 shares of Common Stock were outstanding and entitled to one vote per share on all matters properly brought before the Annual Meeting.

PROPOSAL ONE

ELECTION OF DIRECTORS

The Board currently consists of eight members and is divided into two classes, whose members serve for a staggered, two-year term. The term of one class, which currently consists of four Directors, expires in 2018; the term of the other class, which currently consists of four Director nominees, expires at the 2017 Annual Meeting.

The Board has nominated Michael D. Siegal, Arthur F. Anton, Donald R. McNeeley and Michael G. Rippey to be elected as Directors for a two-year term. The two-year term will end upon the election of Directors at the 2019 Annual Meeting of Shareholders.

At the Annual Meeting, the shares of Common Stock represented by valid proxies, unless otherwise specified, will be voted to elect the Director-nominees. Each individual nominated for election as a Director of the Company has agreed to serve if elected. However, if any nominee becomes unable or unwilling to serve if elected, the proxies will be voted for the election of such other person as may be recommended by the Board. The Board has no reason to believe that the persons listed as nominees will be unable or unwilling to serve.

Directors will be elected by a plurality of the votes cast at the Annual Meeting. Accordingly, abstentions and broker non-votes will have no effect in determining the outcome of the vote on the election of Directors. Certain information regarding each of the Company's current Directors, including his principal occupation and directorships during the past five years, is set forth below.

DIRECTOR NOMINEES

Michael D. Siegal, age 64, joined the Board in 1984. He became Chief Executive Officer of the Company in 1984 and assumed the role of Chairman of the Board in 1994. Since 2014, Mr. Siegal has served on the board of directors of Cliffs Natural Resources Inc., a mining and natural resources company. He also serves on the board of directors of the Development Corporation of Israel and the Jewish Agency for Israel. Mr. Siegal has previously served on the board of directors of the Metals Service Center Institute, or MSCI, a metals industry trade association, University Hospitals of Cleveland and the Rock and Roll Hall of Fame and Museum. He also previously served as the Board Chair of the Jewish Federation of North America and the Jewish Federation of Cleveland. With over 30 years of executive experience at the Company, Mr. Siegal possesses proven managerial skills and firsthand knowledge of nearly every aspect of the Company's business operations. As a member of the founding family of the Company, Mr. Siegal also brings to the Board knowledge and understanding of the evolution of a family business into a successful public company. Mr. Siegal is also a substantial long-term shareholder of the Company.

Arthur F. Anton, age 59, joined the Board in 2009. Since 2004, Mr. Anton has served as the President and Chief Executive Officer of the Swagelok Company, a fluid systems technologies company. Since 1998, Mr. Anton has served in the following positions at the Swagelok Company: President and Chief Operating Officer, from 2001 to 2004; Executive Vice President, from 2000 to 2001; and Chief Financial Officer, from 1998 to 2000. He is a former Partner of Ernst & Young LLP, a professional services organization. Since 2006, Mr. Anton has served on the board of directors of The Sherwin-Williams Company, a paint coatings manufacturer. He also serves on the board of directors of University Hospitals of Cleveland and Forest City Real Estate Trust, Inc., a national real estate company. As the head of a large private corporation, Mr. Anton provides valuable insight into the successful operation of a business, which serves him well as a member of the Board, Chairman of the Audit and Compliance Committee and as a member of the Compensation Committee. As a former partner at Ernst & Young LLP, the Chair of the audit committee of The Sherwin-Williams Company and a member of the audit committee of Forest City Real Estate Trust, Inc., Mr. Anton possesses a detailed understanding of accounting principles and practice.

Donald R. McNeeley, age 62, joined the Board in 2011. Since 1990, he has served as the President of Chicago Tube & Iron Company, or CTI, a fabricator of metal tubing, pipe, bar, valves and fittings and pressure parts that is now a subsidiary of the Company. From 1990 until 2015, Mr. McNeeley also served as the Chief Operating Officer of CTI. He is also an adjunct professor at Northwestern University. Mr. McNeeley serves on the board of directors of Vail Rubber Industries, a manufacturer of industrial roll coverings, and Saulsbury Industries, an engineering and construction company to heavy-industrial markets. He is also the Chair of the audit committee of Saulsbury Industries. Mr. McNeeley is a former Chairman of the MSCI. Mr. McNeeley's years of experience at CTI, as well as his academic background, provide a wealth of knowledge regarding the steel pipe and tubing industry, making him a valuable member of the Board.

Michael G. Rippey, age 59, joined the Board in 2015. Since 2015, he has served as Senior Advisor to Nippon Steel USA, a steel-making company. Mr. Rippey served as Chairman of ArcelorMittal USA, a steel and mining company, from 2014 to 2015. Mr. Rippey served as President and Chief Executive Officer of ArcelorMittal USA from 2006 to 2014. From 1984 to 2006, he held various positions at Inland Steel and Ispat Inland, predecessor companies to ArcelorMittal USA. Mr. Rippey currently serves on the Board of Directors of the Chicagoland Chamber of Commerce. He has previously served on the Board of Directors of the following organizations: Children's Home + Aid, the American Iron & Steel Institute, where he had also served as past Chairman of the Board, and the National Association of Manufacturers. He is also a member of the Dean's Council and an Alumni Fellow at Indiana University. Mr. Rippey brings to the Board a wealth of knowledge of the metals industry. Mr. Rippey serves on both the Nominating and Compensation Committees and, effective March 2017, the Audit and Compliance Committee.

DIRECTORS WITH TERMS THAT EXPIRE IN 2018

David A. Wolfort, age 64, joined the Board in 1987. He became Chief Operating Officer of the Company in 1995, continuing in that role until 2016, and assumed the role of President in 2001, a role he continues today. Mr. Wolfort serves as a member of the United States Industry Trade Advisory Committee on Steel. He previously served on the board of directors of the MSCI and was a past Chairman of both the MSCI Political Action Committee and the MSCI Government Affairs Committee. He is a Trustee and Chair of Ohio University Board of Trustees and a Trustee of the Musical Arts Association (Cleveland Orchestra). With his years of experience at the Company, Mr. Wolfort brings to the Board a wealth of knowledge concerning the Company's business operations and the competitive landscape of the metals industry.

Ralph M. Della Ratta, age 63, joined the Board in 2004. Since 2004, he has served as the Founder and Managing Director of Western Reserve Partners LLC, an investment banking firm. Prior to this time, Mr. Della Ratta was the Senior Managing Director and Manager of the Investment Banking Division of McDonald Investments, Inc., an investment banking firm, and through a 1998 merger with KeyCorp, he served in the same capacity. Mr. Della Ratta serves on the board of directors of Western Reserve Partners LLC and TCP International Holdings Ltd. Mr. Della Ratta previously served on the board of McCormack Advisors International, a wealth management firm, and NDI, Inc., a medical investment company. Having served for most of his professional career in the investment banking industry, Mr. Della Ratta provides valuable business and financial knowledge as Lead Director and a member of the Board, the Audit and Compliance Committee and the Compensation Committee.

Dirk A. Kempthorne, age 65, joined the Board in 2010. He served as the Mayor of Boise, Idaho from 1986 to 1993, a United States Senator from Idaho from 1993 to 1999 and Governor of Idaho from 1999 to 2006. He also served as the 49th Secretary of the U.S. Department of the Interior from 2006 to 2009. Mr. Kempthorne has served as the President of The Kempthorne Group, a consulting firm, since 2009 and has served as the President & Chief Executive Officer of the American Council of Life Insurers, an insurance industry trade association, since 2010. Since 2009, Mr. Kempthorne has also served on the board of directors of FMC Corporation, a global chemical company. With his commitment to public service and his recognized national leadership, Mr. Kempthorne provides important contributions and insights as a member of the Board and as Chairman of the Nominating Committee as we execute our strategic growth initiatives.

Howard L. Goldstein, age 64, joined the Board in 2004. He has been a partner with Appelrouth, Farah & Co., a full service accounting and international business advisory firm, since 2012. Prior to 2012, Mr. Goldstein was the Managing Director of Mallah Furman, a certified public accounting firm, and had been a Senior Partner for over 25 years. Mr. Goldstein is a member of the American Institute of Certified Public Accountants, the Florida Institute of Certified Public Accountants, the Florida Board of Accounting, the New Jersey Board of Certified Public Accountants and the New Jersey Institute of Certified Public Accountants. Mr. Goldstein also serves as Vice Chair of the U.S. Board of Directors of Israel Bonds. As a certified public accountant, Mr. Goldstein's broad knowledge and deep understanding of accounting principles and financial reporting rules and regulations make him a valuable asset as a member of the Board and the Audit and Compliance Committee. Mr. Goldstein's experience with the Company has also made him a valued member of the Audit and Compliance Committee and the Nominating Committee and the Chairman of the Compensation Committee.

The Board recommends a vote "FOR" Michael D. Siegal, Arthur F. Anton, Donald R. McNeeley and Michael G. Rippey for election to the class of directors whose two-year term will expire in 2019.

CORPORATE GOVERNANCE

BOARD MEETINGS AND COMMITTEES

The Board held four regularly scheduled meetings in 2016. The Board has a standing Audit and Compliance Committee, Compensation Committee and Nominating Committee. The Audit and Compliance Committee, Compensation Committee and Nominating Committee held four, two and one meetings, respectively, in 2016. The committees receive their authority and assignments from, and report to, the Board.

All of the current Directors attended all applicable Board and committee meetings held during 2016. In addition to holding regular Board and committee meetings, the Board members and committee members also reviewed and considered matters and documents and communicated with each other apart from the meetings. Additionally, all non-management members of the Board meet separately without members of management present at every regularly scheduled Board meeting.

The Board determines the independence of each Director and each Director-nominee in accordance with the independence standards set forth in the listing requirements of the Nasdaq Stock Market, which we refer to as Nasdaq. The Board has determined that Messrs. Della Ratta, Kempthorne, Anton, Goldstein and Rippey are independent Directors, as defined in the Nasdaq listing requirements. With respect to Mr. Rippey, who, as discussed above, was the former Chairman and former President and Chief Executive Officer of ArcelorMittal USA, the Board determined that the business relationship between the Company and ArcelorMittal USA relating to the purchase of certain steel products by the Company from ArcelorMittal USA does not impair his independence.

Audit and Compliance Committee. The Audit and Compliance Committee is chaired by Mr. Anton and also consists of Messrs. Della Ratta and Goldstein and, effective March 2017, Mr. Rippey. The Audit and Compliance Committee is responsible for monitoring and overseeing our internal controls and financial reporting processes, as well as the independent audit of our consolidated financial statements by our independent auditors. Each committee member is an “independent director” as defined in the Nasdaq listing requirements and applicable rules of the Securities and Exchange Commission, which we refer to as the SEC. Each of Messrs. Anton, Rippey and Goldstein has been designated by the Board as meeting the definition of “audit committee financial expert” under SEC rules and each satisfies the Nasdaq’s professional experience requirements. The Audit and Compliance Committee operates pursuant to a written charter, which can be found on our website at www.olysteel.com. Additional information on the committee and its activities is set forth in the “Audit Committee Report” below.

Compensation Committee. The Compensation Committee is chaired by Mr. Goldstein and also consists of Messrs. Rippey, Della Ratta and Anton. Each committee member is an “independent director” as defined in the Nasdaq listing requirements. The primary purposes of the Compensation Committee are to assist the Board in meeting its responsibilities with regard to oversight and determination of executive compensation and to administer our equity-based or equity-linked compensation plans, bonus plans, supplemental executive retirement plan and deferred compensation plans after consultation with management. The Compensation Committee reviews and recommends to the Board for approval the base salary, annual bonus, long-term incentive compensation and other compensation, perquisites and special or supplemental benefits for our Chief Executive Officer and other executive officers. The Compensation Committee also makes recommendations concerning our employee benefit policies and has authority to administer our equity compensation plans. The Compensation Committee has the authority to hire compensation consultants and legal, accounting, financial and other advisors, as it deems necessary to carry out its duties. Management assists the Compensation Committee in its administration of the executive compensation program by recommending individual and Company goals and by providing data regarding performance. From time to time, our Compensation Committee engages Towers Watson, a global professional services firm that provides human resources consulting services, as an outside independent compensation consultant to advise the Compensation Committee on our compensation program. For additional information, see below under "Executive Compensation—Compensation Discussion and Analysis—Role of Compensation Consultant." The Compensation Committee operates pursuant to a written charter, which can be found on our website at www.olysteel.com. Additional information on the committee and its activities is set forth in the "Compensation Discussion and Analysis" and "Compensation Committee Report" below.

Nominating Committee. The Nominating Committee is chaired by Mr. Kempthorne and also consists of Messrs. Goldstein and Rippey. This committee functions to advise and make recommendations to the Board concerning the selection of candidates as nominees for Directors, including those individuals recommended by shareholders. The Nominating Committee operates pursuant to a written charter, which can be found on our website at www.olysteel.com. Each committee member is an "independent director" as defined in the Nasdaq listing requirements.

CORPORATE GOVERNANCE

Shareholder Communications. Shareholders may send written communications to the Board or any one or more of the individual Directors by mail to Olympic Steel, Inc., 22901 Millcreek Boulevard, Suite 650, Highland Hills, Ohio 44122. Any shareholder who wishes to send a written communication to any member of the Board may do so in care of our Secretary, who will forward any communications directly to the Board or the individual Director(s) specified in the communication.

Director Nominations Process. The Board's process for identifying and evaluating nominees for Director consists principally of evaluating candidates who are recommended by the Nominating Committee. The Nominating Committee also may, on a periodic basis, solicit ideas for possible candidates from a number of sources, including current members of the Board, senior level executives, individuals personally known to members of the Board and employment of one or more search firms.

Except as may be required by rules promulgated by Nasdaq or the SEC, there are currently no specific, minimum qualifications that must be met by each candidate for the Board, nor are there specific qualities or skills that are necessary for one or more of the members of the Board to possess. In evaluating the suitability of the candidates, the Nominating Committee takes into consideration such factors as it deems appropriate. These factors may include, among other things, issues of character, judgment, independence, expertise, diversity of experience, length of service and other commitments. The Nominating Committee evaluates such factors, among others, and considers each individual candidate in the context of the current perceived needs of the Board as a whole and of committees of the Board.

The Nominating Committee will consider Director candidates recommended by shareholders if properly submitted. Shareholders wishing to suggest persons for consideration as nominees for election to the Board at the 2018 Annual Meeting may do so by providing written notice to us in care of our Secretary no later than December 21, 2017. Such recommendation must include the information required of Director-nominees by our Amended and Restated Code of Regulations. Assuming that a properly submitted shareholder recommendation for a potential nominee is received and appropriate biographical and background information is provided, the Nominating Committee and the Board will follow the same process and apply the same criteria as they do for candidates submitted by other sources.

Board Leadership and Risk Oversight. Michael D. Siegal serves as both the Company's Chairman of the Board and the Company's Chief Executive Officer. The Board has no policy with respect to the separation of these offices. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board to consider it each time that it elects the Chief Executive Officer. The Board recognizes that there may be circumstances in the future that would lead it to separate these offices, but it believes that there is no reason to do so at this time.

As both a Director and officer, Mr. Siegal fulfills a valuable leadership role that the Board believes is essential to the continued success of the Company's business operations. Mr. Siegal has served the Company in an executive role for over 30 years, and the experience and deep knowledge base he brings to both positions are invaluable. In the Board's opinion, Mr. Siegal's dual role enhances the Company's ability to coordinate long-term strategic direction with important business opportunities at the operational level and enhances his ability to provide insight and direction on important strategic initiatives impacting the Company and its shareholders to both management and the independent Directors.

In 2014, the Company created a Lead Director position, which was filled by Mr. Della Ratta. The duties of the Lead Director include, but are not limited to, the following:

- presiding at all meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors;
- serving as a liaison between the Chairman and the independent Directors;
- approving information sent to the Board;
- approving meeting agendas for the Board;
- approving meeting schedules to assure that there is sufficient time for discussion of all agenda items;
- authority to call meetings of the independent Directors; and
- if requested by major shareholders, ensuring that he is available for consultation and direct communication.

The Board generally oversees the Company's risk management directly and through the Audit and Compliance Committee. The Board regularly reviews issues that present particular risks to the Company, including those involving competition, customer demands, economic conditions, planning, strategy, finance, facilities and operations. Additionally, the Audit and Compliance Committee also reviews risks relating to the Company's financial statements and financing arrangements. The Board believes that this approach provides appropriate checks and balances against undue risk taking and that the Board's leadership structure supports its risk oversight function.

Annual Meeting Attendance. The Board does not have a formal policy with regard to Directors' attendance at the Annual Meeting. However, because a Board meeting usually precedes the Annual Meeting, all Directors are urged to attend. Last year, all Directors then serving, except Mr. Anton, were present in person at the Annual Meeting.

Shareholder Approval. Our Amended and Restated Articles of Incorporation and our Amended and Restated Code of Regulations may be amended by the affirmative vote of the holders of a majority of our outstanding shares of Common Stock. Any merger involving us or the sale of all or substantially all of our assets would require the affirmative vote of the holders of a majority of our outstanding shares of Common Stock.

CODE OF ETHICS

We have adopted a Business Ethics Policy. The full text of the Business Ethics Policy is available through the "Investor Relations" section of our website under the "Corporate Governance" option at www.olysteel.com. The Business Ethics Policy applies not only to our principal executive officer and principal financial and accounting officer and controller, but also to all of our employees. We intend to disclose any amendments to the Business Ethics Policy, and all waivers of the Business Ethics Policy relating to our principal executive officer, principal financial and accounting officer and controller by posting such information on our website.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of March 10, 2017 (unless otherwise indicated) by each person or entity known to us to beneficially own 5% or more of our outstanding Common Stock based upon information furnished to us or derived by us from publicly available records.

Names of Beneficial Owners	**Number of Shares Beneficially Owned(1)**	**Percentage of Ownership**
Michael D. Siegal(2) 22901 Millcreek Blvd, Suite 650 Highland Hills, OH 44122	1,253,046	11.39%
BlackRock, Inc.(3) 55 East 52nd Street New York, NY 10055	1,111,378	10.10%
Dimensional Fund Advisors LP(4) Palisades West, Building One 6300 Bee Cave Road Austin, TX 78746	922,680	8.42%

(1) Unless otherwise indicated below, the persons named in the table above have sole voting and investment power with respect to the number of shares set forth opposite their names. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options held by that person that are currently exercisable or will become exercisable within 60 days after March 10, 2017 are considered outstanding, while these shares are not considered outstanding for purposes of computing the percentage ownership of any other person.

(2) Includes 4,000 shares issuable upon the exercise of options exercisable within 60 days after March 10, 2017 and 34,319 shares issuable pursuant to restricted stock units that will be converted into shares when the individual retires from the Company.

(3) Based on Schedule 13G/A filed with the SEC on February 8, 2017 describing ownership as of December 31, 2016, which Schedule specifies that BlackRock, Inc. has sole voting power with respect to 1,098,039 of these shares and

sole investment power with respect to all of these shares.

(4) Based on Schedule 13G/A filed with the SEC on February 9, 2017 describing ownership as of December 31, 2016, which Schedule specifies that Dimensional Fund Advisors LP has sole voting power with respect to 897,028 of these shares and sole investment power with respect to all of these shares.

SECURITY OWNERSHIP OF MANAGEMENT

The following table sets forth certain information regarding the beneficial ownership of Common Stock as of March 10, 2017 by each of our Directors, each of the Executive Officers named in the summary compensation table included herein, whom we refer to as the named executive officers, and all the Directors and Executive Officers as a group.

Names of Beneficial Owners	Number of Shares Beneficially Owned(1)	Number of Additional Shares Subject to Certain Vested Restricted Stock Units(2)	Percentage of Ownership(2)
Michael D. Siegal(3)(4)	1,253,046	40,828	11.39%
David A. Wolfort(3)(15)	454,195	37,768	4.13 %
Donald R. McNeeley(5)(16)	144,538	23,713	1.32 %
Richard T. Marabito(6)	37,934	46,454	*
Richard A. Manson(7)	12,772	13,179	*
Andrew S. Greiff	5,521	30,689	*
Howard L. Goldstein(8)(9)	25,876	–	*
Ralph M. Della Ratta(8)(10)	33,446	–	*
Arthur F. Anton(11)	39,254	–	*
Dirk A. Kempthorne(12)	16,676	–	*
Michael G. Rippey(13)	11,394	–	*
All Directors, Director Nominees and Executive Officers as a group (11 persons)(14)	2,034,652	192,631	18.29%

*Less than 1%

(1) Unless otherwise indicated below, the persons named in the table above have sole voting and investment power with respect to the number of shares set forth opposite their names. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options or restricted stock units held by that person that are currently exercisable or will become exercisable within 60 days after March 10, 2017 are considered outstanding, while these shares are not considered outstanding for purposes of computing the percentage ownership of any other person.

(2)

Represents shares not yet beneficially owned that are issuable pursuant to vested restricted stock units (a) that will not be converted until a qualified retirement, which cannot occur within 60 days, or (b) under our Supplemental Executive Retirement Plan that will not be converted until six months after a qualified retirement. These shares have not been included for purposes of calculating each person’s percentage of beneficial ownership.

(3) Includes 4,000 shares issuable upon the exercise of options within 60 days of March 10, 2017.

(4) Includes 34,319 shares issuable pursuant to restricted stock units that will be converted into shares when the individual retires from the Company.

(5) Includes 4,000 shares held in trust for the benefit of Dr. McNeeley.

(6) Includes 8,700 shares held in various trusts for the benefit of Mr. Marabito’s children. Also includes 4,170 shares issuable upon the exercise of options within 60 days of March 10, 2017.

(7) Includes 1,000 shares issuable upon the exercise of options within 60 days of March 10, 2017. Also includes 2,075 shares held in individual retirement accounts for Mr. Manson and his spouse.

(8) Includes 22,876 shares issuable pursuant to restricted stock units that will be converted into shares when the individual is no longer a Board member.

(9) Includes 3,000 shares held in a trust.

(10) Includes 600 shares held in a trust for the benefit of Mr. Della Ratta’s children.

(11) Includes 17,476 shares issuable pursuant to restricted stock units that will be converted into shares when the individual is no longer a Board member.

(12) Includes 15,676 shares issuable pursuant to restricted stock units that will be converted into shares when the individual is no longer a Board member.

(13) Includes 3,094 shares issuable pursuant to restricted stock units that will be converted into shares when the individual is no longer a Board member.

(14) Includes 13,170 shares issuable upon the exercise of options within 60 days of March 10, 2017, 81,998 shares issuable pursuant to restricted stock units that will be converted into shares when the individual is no longer a Board member and 67,525 shares issuable pursuant to restricted stock units that will be converted into shares when the individual retires from Olympic Steel.

(15) Includes 32,175 shares issuable pursuant to restricted stock units that will be converted into shares when the individual retires from the Company.

(16) Includes 1,031 shares issuable pursuant to restricted stock units that will be converted into shares when the individual retires from the Company.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended, which is referred to as the Exchange Act, requires the Company’s officers and Directors, and persons who own greater than 10% of the Company’s Common Stock, to file reports of ownership and changes in ownership to the SEC. Officers, directors and more than 10% shareholders are required by the SEC to furnish to the Company copies of all Section 16(a) reports they file. To the Company’s knowledge, based solely upon a review of Forms 3 and 4 and amendments thereto furnished to the Company during 2016, or a written representation from the reporting person that no Form 5 is required, all filings required to be made by the Company’s officers and Directors were timely made.

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Introduction

We are a leading U.S. metals service center with over 60 years of experience. Our primary focus is on the direct sale and distribution of large volumes of processed carbon, coated, aluminum and stainless flat-rolled sheet, coil and plate products. Commencing with the July 1, 2011 acquisition of CTI, we also distribute metal tubing, pipe, bar, valves and fittings and we fabricate pressure parts supplied to various industrial markets. We operate as an intermediary between metal producers and manufacturers that require processed metal for their operations. As further discussed in this section, our compensation and benefit programs are designed to reward our employees when they help us achieve business objectives.

Our compensation philosophy remains pay-for-performance based. Our cash incentive plan emphasizes Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) and Return on Assets (ROA) in the calculation of incentives for our most senior executive officers.

At our 2016 Annual Meeting, we received approximately 97% approval for our advisory “Say-on-Pay” proposal to approve the compensation of our named executive officers. The Compensation Committee considered the 2016 voting results at its meetings and remains dedicated to continuous improvement to the existing executive pay programs. As a result of its considerations, the Compensation Committee implemented the executive pay practices described below.

The following discussion and analysis of our 2016 executive compensation program, which may include forward-looking statements, should be read together with the compensation tables and related disclosures that follow this section.

Compensation Philosophy and Objectives

The goals of our compensation program for our Chairman and Chief Executive Officer and the other executive officers named in the 2016 Summary Compensation Table, whom we refer to as our named executive officers, are to support our long-term business strategy and link our executives’ interests with those of our shareholders. We designed the compensation program to, among other things, provide incentives for executives to help us achieve business objectives and give the Compensation Committee the flexibility necessary to reward executives for achieving those objectives. The Compensation Committee's strategy for achieving these goals is to:

- provide each named executive officer with total compensation that is competitive compared to compensation for similarly situated executives in public and privately-held metal and metal-related companies, and similar-sized non-metal companies, in order to attract, motivate and retain highly qualified executives;

- reward performance under a cash incentive plan that provides the potential for a substantial reward through the payment of a significant incentive that increases as our EBITDA and ROA increase, but provides reduced incentive payments during periods when EBITDA and ROA decrease; and

- provide long-term incentives in the form of restricted stock unit awards that appropriately align the compensation interests of our executives with the investment interests of our shareholders in increasing shareholder value.

Role of Compensation Committee and Management

Our Compensation Committee is responsible for setting and administering the policies and plans that govern the base salaries, incentives and other compensation elements for our named executive officers.

Management has a minor role in helping the Compensation Committee administer the executive compensation program by recommending individual and Company performance goals, including offering suggestions for key metrics for use in our incentive program, and by providing data regarding actual performance. Otherwise, management is not involved in establishing executive compensation.

Role of Compensation Consultant

Towers Watson's role in the executive compensation program is to compare the base salaries, annual cash incentive awards and long-term compensation of our named executive officers to the compensation paid to executives in similar positions both within and outside the metal service center industry in order to provide market "benchmarks" for the Compensation Committee to assess in evaluating and determining the compensation of our named executive officers.

Compensation Allocation

Our executive compensation program consists of three primary components: base salary, annual cash incentive payouts and long-term compensation in the form of equity-based awards. We also provide our executives with the opportunity to participate in a 401(k) retirement and profit-sharing plan and a non-qualified defined contribution plan. Certain health, disability and life insurance and other customary fringe benefits also are available to our named executive officers, who participate in these fringe benefits on substantially the same basis as our other employees. Except for Mr. McNeeley, each named executive officer also has entered into an agreement with us that provides for certain benefits upon a change in control, as described below under "Potential Payments upon Termination or Change in Control."

In determining the relative allocation of these elements of compensation, the Compensation Committee seeks to provide an amount of long-term compensation, both in the form of equity and cash incentives, that is sufficient to align the interests of our executives with those of our shareholders, while also providing adequate short-term compensation, primarily in the form of cash, to attract and retain talented executives. The Compensation Committee takes into account various qualitative and quantitative indicators of Company and individual performance in determining the level and composition of compensation for our Chairman and Chief Executive Officer and the other named executive officers. While the Compensation Committee considers our financial and operating performance, the Compensation Committee generally does not apply any specific quantitative formula in making base salary decisions, except with respect to the cash incentive award opportunities, as described below. The Compensation Committee also appreciates the importance of achievements that may be difficult to quantify — such as individual performance — and, accordingly, recognizes qualitative factors that include successful supervision of major corporate projects and demonstrated leadership ability.

The Compensation Committee believes that the elements of the executive compensation program discussed below advance our business objectives and the interests of our shareholders by attracting and retaining the executive leadership necessary for growth and motivating our executives to increase shareholder value.

Elements of Compensation

Base Salaries. The annual base salaries of our named executive officers are based upon an evaluation of their significant contributions against established objectives as individuals and as a team, as determined by the Compensation Committee. Except for Mr. Manson, the base salaries of our named executive officers are subject to minimum amounts established in accordance with their respective employment agreements, which are described below in “Potential Payments upon Termination or Change in Control.” As noted above, when establishing base salaries for our named executive officers, the Compensation Committee considers the cash compensation offered by companies in other metal and metal-related companies, including the peer group found in “Role of Compensation Consultant” above, and obtains the recommendations of Towers Watson and management in order to determine the range of the base salaries. As mentioned above, the Compensation Committee also considered recommendations from Mr. Siegal in determining salary levels for our other named executive officers. As discussed further in the next paragraph, the Compensation Committee reviews the base salaries of our named executive officers on an individual basis periodically, rather than annually, and determines the base salary of our named executive officers after considering the above factors and the individual’s particular talents, skills, experience, industry knowledge and functional responsibilities and duties. The Compensation Committee does not consider whether an individual named executive officer has earned any incentive compensation in prior years in determining base salaries.

The base salaries paid to our named executive officers in 2016 were reviewed and approved by the Compensation Committee, and the amounts paid are reflected in the 2016 Summary Compensation Table. On December 31, 2015, Mr. Wolfort entered into a new employment contract whereby, effective January 1, 2016, his base salary was increased from $700,000 to $735,000 based upon his performance and contributions to the Company. Mr. Wolfort’s last change in base pay occurred in 2011. On July 1, 2016, Mr. McNeeley entered into a new employment contract whereby his base salary was increased from $575,000 to $675,000 based upon his performance and contributions to the Company. Mr. McNeeley’s last change in base pay occurred in 2011. On August 19, 2016, Mr. Greiff was promoted to Executive Vice President and Chief Operating Officer and became an executive officer. On that date, Mr. Greiff entered into an employment contract whereby his base salary was set at $450,000, increasing to $500,000 on July 1, 2017 and $550,000 on July 1, 2018. On November 23, 2016, Mr. Marabito entered into a new employment contract whereby, effective January 1, 2017, his base salary was increased from $450,000 to $500,000 based upon his performance and contributions to the Company. His base salary will increase to $550,000 on January 1, 2018. Mr. Marabito’s last change in base pay occurred in 2011. Messrs. Siegal’s and Manson’s base salaries remain unchanged from 2016. Messrs. Siegal’s and Manson’s last change in base pay occurred in 2011 and 2014, respectively. The Compensation Committee believes that the salaries of each of our named executive officers are reasonable when measured against the range of base salaries offered by other companies.

Annual Cash Incentive Compensation. We believe that a significant portion of the compensation paid to our named executive officers should be based on our annual performance so that the executives are appropriately motivated to maximize our operating performance each year. We have established our Senior Management Compensation Program to provide our executives, including our named executive officers, with the opportunity to earn an annual cash incentive payout.

The Senior Manager Cash Incentive Plan was implemented to emphasize the production of EBITDA and ROA. ROA is calculated by dividing annual EBITDA by our annual average net accounts receivable, average net inventory and average net property, plant and equipment. Messrs. Siegal, Marabito, Wolfort, McNeeley and Manson each participate in an incentive pool that can range from 0% to 4.267% of our EBITDA, excluding the impacts of last-in, first out (LIFO) inventory adjustments. One-half of the pool is then either increased or reduced depending on our ROA performance, as compared to a targeted ROA goal of 12%. Mr. Greiff will begin participating in this program in 2017. For 2016, Mr. Greiff earned an incentive as the President of Specialty Metals, his previous position, which was based on the pre-tax income of the Specialty Metals and Flat-Rolled segments.

For 2016, the Compensation Committee granted an annual cash incentive award opportunity for each of Messrs. Siegal, Marabito and Wolfort of 27.3% of the incentive pool, and Mr. Manson of 9.1% of the incentive pool. The Compensation Committee set the annual cash incentive payout amounts for Messrs. Siegal, Wolfort and Marabito, in light of their significant functional responsibilities and duties and their positions as the most senior-level executives, at three times those established for Mr. Manson. For 2016, no incentives were earned, however, as the Company did not meet minimum ROA requirements.

Mr. McNeeley receives a cash incentive that is one-half tied to the Senior Manager Cash Incentive Plan utilized by our other named executive officers and one-half directly tied to the ratio of CTI's actual operating profit to its budgeted operating profit. The one-half of the incentive tied to the Senior Manager Cash Incentive Plan is equal to 50% of the incentive earned individually by Messrs. Siegal, Wolfort and Marabito. The one-half tied to CTI's results provides the opportunity to earn an annual cash incentive of up to 65% of his annual base salary. The incentive is tied to the actual operating profit of CTI as compared to budgeted operating profit. For 2016, Mr. McNeeley did not earn an annual cash incentive as minimum performance objectives were not met.

Long-Term Equity-Based Compensation. The Compensation Committee believes that equity-based compensation awards are an appropriate means of aligning the interests of our executives with those of our shareholders by rewarding our executives based on increases in the price of our Common Stock. Like base salary and the annual cash incentive payments, award levels are set with regard to competitive considerations, and each individual's actual award is based upon the individual's job responsibilities, performance, potential for increased responsibility and contributions, leadership ability and commitment to our strategic efforts. The timing and amount of previous awards to, and held by, the executive is reviewed, but is only one factor considered by the Compensation Committee in determining the size of any equity-based award grants.

Equity-based compensation awards are granted under the Olympic Steel, Inc. 2007 Amended and Restated Omnibus Incentive Plan, which is referred to as the Incentive Plan. The Incentive Plan authorizes us to grant stock options, stock appreciation rights, restricted shares, restricted share units, performance shares and other stock- and cash-based awards to our employees, Directors and consultants.

For more information about our Incentive Plan and awards under that plan for 2016, see the 2016 Grants of Plan-Based Awards Table, the Outstanding Equity Awards at 2016 Fiscal Year-End Table and the accompanying narratives below.

In 2011, the Board, based upon the recommendation of the Compensation Committee, approved changes to the Senior Management Compensation Program to include an equity component in order to encourage more ownership of Common Stock by members of the senior management group, including the executive officers, to better align the interests of our executives and shareholders. Starting in 2011, the Senior Manager Compensation Plan imposed stock ownership requirements upon the executives. Each executive is required to own at least 750 shares of Common Stock for each year that the executive participates in the Senior Management Compensation Plan. Any executive that fails to meet the stock ownership requirements will be ineligible to receive any equity awards under the Company's equity compensation plans, including the Incentive Plan, until the executive satisfies the ownership requirements. To assist executives in meeting the stock ownership requirements, on an annual basis, if a participant purchases 500 shares of Common Stock on the open market, the Company will award that participant 250 shares of Common Stock. Additionally, any executive who continues to comply with the stock ownership requirements as of the five-year, 10-year, 15-year, 20-year and 25-year anniversaries of the participant's participation in the Senior Management Compensation Program will receive a restricted stock unit award with a dollar value of $25,000, $50,000, $75,000, $100,000 and $100,000, respectively. Restricted stock unit awards will convert into the right to receive shares of Common Stock upon an executive's retirement, or earlier upon the executive's death or disability or upon a change in control of the Company.

The Company decided to terminate the stock award portion of the Senior Manager Compensation Plan for all flat-rolled participants on July 1, 2016 and on January 1, 2017 for all CTI participants. Effective July 1, 2016, the cash incentive for Senior Managers is now governed by the Senior Manager Cash Incentive Plan and the stock incentive for Senior Managers is now governed by the Senior Manager Stock Incentive Plan.

On January 1, 2016, Messrs. Siegal, Wolfort, Marabito, Greiff and Manson earned their $25,000 of restricted stock unit awards. During 2016, Mr. McNeeley met the requirements of the program and received 250 shares of Common Stock. Mr. McNeeley earned his $25,000 of restricted stock unit awards on January 1, 2017.

Under the Senior Manager Stock Incentive Plan, participants are annually awarded restricted stock units equal to 10% of their base salary, subject to a maximum of $17,500 per year, and also subject to minimum financial performance requirements. The restricted stock units vest five years after the grant date and will convert into the right to receive shares of Common Stock upon an executive's retirement, or earlier upon the executive's death or disability or upon a change in control of the Company.

During 2016, Messrs. Siegal, Wolfort, Marabito, Greiff and Manson each received 640 restricted stock units. Mr. McNeeley will begin participating in the new plan on July 1, 2017.

In 2016, the Company also adopted a policy to award restricted stock units to newly-appointed named executive officers, based upon a percentage of their base salary. Upon his promotion to Executive Vice President and Chief Operating Officer, Mr. Greiff received 10,573 restricted stock units that will vest five years from the grant date, or earlier upon his death or disability or upon a change in control of the Company.

Personal Benefits and Perquisites. Our named executive officers also are eligible to receive other benefits, which the Compensation Committee believes are commensurate with the types of benefits and perquisites provided to other similarly situated executives, as determined based on the Compensation Committee's review of information supplied by Towers Watson. The Compensation Committee believes these benefits are set at a reasonable level, are highly valued by recipients, have limited cost, are part of a competitive compensation program and are useful in attracting and retaining qualified executives. They are not tied to our performance. These benefits consist of medical, dental, disability and life insurance benefits and 401(k) and profit-sharing plan contributions, pursuant to plans that are generally available to our employees. Perquisites consist of a car allowance, cell phone allowance, reimbursement for personal tax preparation and financial services fees and payment of country club dues.

Retirement and Post-Employment Benefits. We provide our executives with certain post-employment and severance benefits as summarized below and further described in "Potential Payments upon Termination or Change in Control." The Compensation Committee believes these benefits are vital to attract and retain qualified executives. These benefits provide the executives with the opportunity to address long-term financial planning with a greater degree of certainty, and also address our interest in continuing to motivate executives in the event of corporate instability, such as a change of control or unforeseen industry changes.

We provide the named executive officers with the opportunity to participate in our Supplemental Executive Retirement Plan, which is a non-qualified defined contribution savings plan. Under the Supplemental Executive Retirement Plan, we provide an annual contribution for each participating executive, a portion of which is based only on the participant's continued service with us, and an additional amount that is dependent on our return on invested capital for the applicable year. Each of these contribution components is referenced as a specified percentage of the executive's base salary and cash incentive award amount for the year. We provide an annual contribution for Messrs. Greiff and Manson based on his continued service with us. They do not receive an additional contribution based on our return on invested capital.

In addition, each of the members of our senior management group, including our named executive officers, also may participate in our Executive Deferred Compensation Plan, a non-qualified voluntary contributory savings plan under which a participant may defer all or any portion of his or her annual incentive award and up to 90% of his or her base salary into one or more investment options that are the same as those available to all of our employees who participate under our 401(k) plan. The Supplemental Executive Retirement Plan and the Executive Deferred Compensation Plan are further described below under the 2016 Non-Qualified Deferred Compensation Table.

To ensure the continuity of corporate management and the continued dedication of key executives during any period of uncertainty caused by a possible change in control, we entered into management retention agreements with each of our named executive officers, except Mr. McNeeley, that provide for the payment and provision of certain benefits if there is a change of control of the Company and a termination of the executive’s employment with the surviving entity within a certain period after the change in control. We also have entered into employment agreements with Messrs. Siegal, Wolfort, Marabito, Greiff and McNeeley that provide for the payment of certain severance benefits upon termination of employment other than after a change in control of the Company. These agreements help ensure that our executive’s interests remain aligned with those of our shareholders during any time when an executive’s continued employment may be in jeopardy. They also provide some level of income continuity should an executive’s employment be terminated without cause. In December 2014, we amended the management retention agreements of Messrs. Siegal and Wolfort to eliminate the so-called “walk at will” provision, which provision generally provided the officer with the right, following a change in control of the Company, to terminate the officer’s employment with the Company for any reason, or no reason, within the 12-month period commencing with the date of the change in control and still receive certain severance payments and benefits as provided for under the terms of the management retention agreements. These agreements are further described under “Potential Payments upon Termination or Change in Control” below.

Other Compensation Policies

Effect of Section 162(m) of the Internal Revenue Code. Section 162(m) of the Internal Revenue Code denies a publicly held corporation a federal income tax deduction for compensation in excess of $1,000,000 in a taxable year paid to each of its chief executive officer and certain other highly compensated executive officers, other than its chief financial officer. Certain “performance-based” compensation, such as stock options awarded at fair market value, is not subject to the limitation on deductibility provided that certain shareholder approval and independent director requirements are met. To the extent consistent with our compensation policies and the Compensation Committee’s assessment of the interests of shareholders, we seek to design our executive compensation programs to preserve our ability to deduct compensation paid to executives under these programs. However, the Compensation Committee also weighs the burdens of such compliance against the benefits to be obtained by us and may pay compensation that is not deductible or fully deductible if it determines that such payments are in our best interests. For example, bonuses paid under our Senior Management Compensation Program historically were not intended to satisfy the requirements for the performance-based compensation exemption from Section 162(m). The Compensation Committee has determined, however, that, to the extent practicable in view of its compensation philosophy, it will seek to structure our cash bonuses to satisfy the requirements for the performance-based exemption from Section 162(m). Therefore, we have adopted the Incentive Plan pursuant to shareholder approval and intend to award future cash bonuses under the plan as we believe that such bonuses paid to executives in accordance with the plan will qualify for the exemption for performance-based compensation.

Section 409A of the Internal Revenue Code. Section 409A of the Internal Revenue Code generally provides that arrangements involving the deferral of compensation that do not comply in form and operation with Section 409A or are not exempt from Section 409A are subject to increased tax, penalties and interest. If a deferred compensation arrangement does not comply with, or is not exempt from, Section 409A, employees may be subject to accelerated or additional tax, or interest or penalties, with respect to the compensation. The Compensation Committee believes that deferred compensation arrangements that do not comply with Section 409A would be of significantly diminished value to our executives. Accordingly, we intend to design our future deferred compensation arrangements, and have amended our previously adopted deferred compensation arrangements, to comply with Section 409A.

Clawback Policy. Although clawbacks are not yet required under the Dodd-Frank Wall Street Reform and Consumer Protection Act, each of our current employment agreements with Messrs. Siegal, Wolfort, Marabito, Greiff and McNeeley includes a provision that requires the named executive officer, in the event we are required to restate our financial statements, to reimburse the Company for the difference between any bonus actually paid and the bonus payable under the restated financial statements. When final regulations are promulgated by the SEC with respect to clawbacks, we expect to implement a formal clawback policy for our named executive officers. The Compensation Committee believes that a clawback policy represents an important protection for shareholders and is viewed favorably from a corporate governance standpoint.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based on this review and discussion, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in our Annual Report on Form 10-K for the year ended December 31, 2016 and this Proxy Statement.

This report is submitted on behalf of the members of the Compensation Committee:

Howard L. Goldstein, Chairman

Ralph M. Della Ratta

Arthur F. Anton

Michael G. Rippey

Risk Profile of Compensation Programs. The Compensation Committee believes that the Company's executive compensation program has been designed to provide the appropriate level of incentives that do not encourage our executive officers to take unnecessary risks in managing our business. As discussed above, a majority of our executive officers' compensation is performance-based, consistent with our executive compensation policy. Our Senior Management Compensation Program is designed to reward annual financial and/or strategic performance in areas considered critical to the short- and long-term success of the Company. In addition, our Incentive Plan awards are directly aligned with long-term shareholder interests through their link to our stock price and longer-term performance periods. In combination, the Compensation Committee believes that the various elements of the Senior Management Compensation Program and the Incentive Plan sufficiently tie our executives' compensation opportunities to the Company's sustained long-term performance.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

During 2016, the following individuals served as members of the Compensation Committee: Messrs. Goldstein, Della Ratta, Anton, and Rippey. None of the members of the Compensation Committee during 2016 is (or ever was) an officer or employee of the Company or any of its subsidiaries. There are no Compensation Committee interlocks as defined by applicable SEC rules.

-15-

2016 SUMMARY COMPENSATION TABLE

The following table sets forth certain information with respect to the compensation earned during the years ended December 31, 2016, 2015 and 2014 by our Chief Executive Officer, Chief Financial Officer and each of our other named executive officers:

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards ($)(1)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)(2)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)(3)	All Other Compensation($)(4)	Total ($)
Michael D. Siegal,	2016	$750,000	$ —	$42,468	$ —	$ —	$ —	$ 161,516	$953,984
Chairman & Chief	2015	$750,000	$ —	$4,720	$ —	$ —	$ —	$ 159,019	$913,739
Executive Officer	2014	$750,000	$ —	$6,835	$ —	$ 223,037	$ —	$ 189,068	$1,168,940
Richard T. Marabito,	2016	$450,000	$ —	$42,468	$ —	$ —	$ —	$ 116,249	$608,717
Chief Financial	2015	$450,000	$ —	$3,500	$ —	$ —	$ —	$ 117,256	$570,756
Officer	2014	$450,000	$ —	$6,835	$ —	$ 223,037	$ —	$ 145,011	$824,883
David A. Wolfort,	2016	$735,000	$ —	$42,468	$ —	$ —	$ —	$ 131,585	$909,053
President	2015	$700,000	$ —	$3,500	$ —	$ —	$ —	$ 131,585	$835,085
	2014	$700,000	$ —	$6,835	$ —	$ 223,037	$ —	$ 161,262	$1,091,134
Donald R. McNeeley,	2016	$625,000	$ —	$3,858	$ —	$ —	$ —	$ 116,219	$745,077
President, CTI	2015	$575,000	$ —	$3,500	$ —	$ —	$ —	$ 114,604	$693,104
	2014	$575,000	$ —	$6,835	$ —	$ —	$ —	$ 143,902	$725,737
Richard A. Manson,	2016	$240,000	$ —	$42,468	$ —	$ —	$ —	$ 70,037	$352,505
Vice President &	2015	$240,000	$ —	$3,500	$ —	$ —	$ —	$ 68,936	$312,436
Treasurer	2014	$212,307	$ —	$6,835	$ —	$ 74,346	$ —	$ 75,517	$369,005
Andrew S. Greiff, EVP & Chief Operating Officer	2016	$385,000	$ —	$42,468	$ —	$ 446,642 (5)	$ —	$ 103,873	$977,983

(1) The amounts shown do not reflect compensation actually received by the named executive officer. The amounts shown in this column are the grant date fair values of the stock awards calculated in accordance with Financial Accounting Standards Board Accounting Standard Codification (ASC) Topic 718. See Note 10 to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2016 for details as to the assumptions used to determine the fair value of the stock awards.

(2) Represents amount earned by the named executive officers under our Senior Management Compensation Program. Incentives earned in 2016 were paid in their entirety in 2017.

(3) No above-market or preferential earnings on nonqualified deferred compensation were earned by any named executive officer.

(4) Compensation reported in this column for 2016 includes: (1) the amount of contributions we made on behalf of our named executive officers to our Supplemental Executive Retirement Plan ($97,500 for Mr. Siegal, $58,500 for Mr. Marabito, $95,000 for Mr. Wolfort, $81,250 for Mr. McNeeley, $75,057 for Mr. Greiff and $31,200 for Mr. Manson) and our 401(k) and profit-sharing plan; (2) the premiums we paid for medical, dental, life and disability insurance for each named executive officer; and (3) the incremental cost to us of the following perquisites: country club dues, an allowance for personal tax return preparation fees and a cell phone and an automobile allowance.

(5) Represents Mr. Greiff's incentive earned as the President of Specialty Metals, the position he held prior to becoming an executive officer.

2016 GRANTS OF PLAN-BASED AWARDS

The following table sets forth plan-based awards granted to our named executive officers during 2016.

		Estimated Potential Payouts Under Non-Equity Incentive Plan Awards(1)			Estimat Future Payouts Under Equity Incentiv Plan Awards		
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**	**Threshold (#)**	**Target (#)**	**Maximum (#)**
Siegal	—	0	0	3,000,000	—	—	—
	1/1/16	—	—	—	—	—	—
	7/1/16	—	—	—	—	—	—
Marabito	—	0	0	3,000,000	—	—	—
	1/1/16	—	—	—	—	—	—
	7/1/16	—	—	—	—	—	—
Wolfort	—	0	0	3,000,000	—	—	—
	1/1/16	—	—	—	—	—	—
	7/1/16	—	—	—	—	—	—
McNeeley	—	0	0	3,000,000	—	—	—
	3/14/16	—	—	—	—	—	—
Manson	—	0	0	3,000,000	—	—	—
	1/1/16	—	—	—	—	—	—
	7/1/16	—	—	—	—	—	—
Greiff	—	0	0	3,000,000	—	—	—

Selected consolidated and other financial data

Our maximum senior leverage ratio (also referred to herein as our debt leverage covenant), defined as the principal amount of Senior Notes over our Consolidated EBITDA (defined below), is measured on a trailing, four-quarter basis. The covenant is the same under our Securities Purchase Agreement (SPA), governing the Senior Notes and our Senior Credit Facility with Wells Fargo Foothill (governing the term loan and revolver) except that they have different maximum levels. We have presented the more restrictive of the two levels below.

Quarter ending	Senior leverage ratio covenant	Principal amount of senior notes estimated outstanding (includes PIK)*	Required adjusted EBITDA*
12/31/09	6.25 to 1.0	106.9	17.1
3/31/10	6.00 to 1.0	108.3	18.1
6/30/10	5.5 to 1.0	109.6	19.9
9/30/10	5.00 to 1.0	111.0	22.2
12/31/10	4.50 to 1.0	112.4	25.0
3/31/11	4.25 to 1.0	113.8	26.8
6/30/11	4.00 to 1.0	115.2	28.8
9/30/11	3.75 to 1.0	116.7	31.1
12/31/11	3.50 to 1.0	118.1	33.7
3/31/12	3.50 to 1.0	119.6	34.2
6/30/12	3.50 to 1.0	121.1	34.6

* *Numbers presented in the last two columns are dollars in millions and have been rounded to the nearest tenth. As described elsewhere in this prospectus under the heading Use of Proceeds we will use between $15.0 and $20.0 million of the proceeds of the offering to repay outstanding indebtedness. The above chart reflects a repayment of $15.0 million of the $117.5 principal amount of Senior Notes presently outstanding and includes the PIK interest that accrues on a quarterly basis.*

As described below in more detail, on October 14, 2009, we entered into agreements with the holders of our Senior Notes and Wells Fargo Foothill to waive compliance with our debt leverage covenants under our Senior Notes and Senior Credit Facility, respectively, which levels were scheduled to be measured on December 31, 2009. Accordingly, the first measurement period will occur on March 31, 2010.

Consolidated EBITDA has the same definition in both agreements and means Consolidated Net Income (as defined in such agreements) for Westwood One and its subsidiaries adjusted for the following:

(a) minus any net gain or plus any loss arising from the sale or other disposition of capital assets;

(b) plus any provision for taxes based on income or profits;

(c) plus consolidated net interest expense;

(d) plus depreciation, amortization and other non-cash losses, charges or expenses (including impairment of intangibles and goodwill);

(e) minus any extraordinary, unusual, special or non-recurring earnings or gains or plus any extraordinary, unusual, special or non-recurring losses, charges or expenses;

(f) plus restructuring expenses or charges;

(g) plus non-cash compensation recorded from grants of stock appreciation or similar rights, stock options, restricted stock or other rights;

(h) plus any Permitted Glendon/Affiliate Payments (as described below);

(i) plus any Transaction Costs (as described below);

(j) minus any deferred credit (or amortization of a deferred credit) arising from the acquisition of any Person; and

(k) minus any other non-cash items increasing such Consolidated Net Income (including, without limitation, any write-up of assets);

in each case to the extent taken into account in the determination of such Consolidated Net Income, and determined without duplication and on a consolidated basis in accordance with GAAP. Permitted Glendon/Affiliate Payments means payments made at our discretion to Gores and its affiliates including Glendon Partners for consulting services provided to Westwood One and Transaction Costs refers to the fees, costs and expenses incurred by us in connection with the Restructuring.

Under the amended terms of our indebtedness, our financial covenant will first be measured on March 31, 2010 based on our trailing four-quarter EBITDA. Our Adjusted EBITDA (which is the same as Consolidated EBITDA described above) for the three-month period ended June 30, 2009 was $9.1 million. In order to satisfy our 6.00 covenant under the terms of our Senior

(footnotes on following page)

33

Table of Contents

Selected consolidated and other financial data

Notes (which is more restrictive than the 6.90 covenant set forth in our Senior Credit Facility) on March 31, 2010, we would require Adjusted EBITDA (for the three quarters ended March 31, 2010) of $9.0 million or greater. This assumes the amount of Senior Notes outstanding on March 31, 2010 is reduced by $15.0 million from the proceeds of this offering and includes PIK interest accrued through March 31, 2010. This compares with Adjusted EBITDA of $16.2 million on June 30, 2009, on a trailing four-quarter basis, which amount does not include the full benefit of the cost reduction programs undertaken by us and described elsewhere in this prospectus in more detail.

Adjusted EBITDA, as we calculate it, may not be comparable to similarly titled measures employed by other companies. While Adjusted EBITDA does not necessarily represent funds available for discretionary use, and is not necessarily a measure of our ability to fund our cash needs, we use Adjusted EBITDA as a liquidity measure, which is different from our operating cash flow, the most directly comparable financial measure calculated and presented in accordance with GAAP. We have provided below the requisite reconciliation of operating cash flow to Adjusted EBITDA. Adjusted EBITDA, a non-GAAP measure, for the combined six months ended June 30, 2009 was $2.1 million as previously reported in our second quarter earnings press release.

	Year ended December 31,					Predecessor Company		Successor Company
						Six months ended June 30,	For the period January 1, 2009 to April 23, 2009(4)	For the period April 24, 2009 to June 30, 2009(4)
	2004	2005	2006	2007	2008	2008		
	(in thousands)							
Net Cash Provided by (Used in) Operating Activities	**$ 117,456**	**$ 118,290**	**$ 104,251**	**$ 27,901**	**$ 2,038**	**$ (4,842)**	**$ (777)**	**$ (14,327)**
Interest expense	11,911	18,315	25,590	23,626	16,651	9,751	3,222	4,692
Income taxes (benefit)	53,206	49,217	8,809	15,724	(14,760)	(3,194)	(7,635)	(2,650)
Restructuring					14,100		3,976	1,454
Special charges			1,579	4,626	16,517	8,853	12,819	368
Investment income	(157)	(436)	(394)		(207)	(84)	(359)	(4)
Other non-operating income	(791)	(42)	(532)	(412)	(998)		(188)	(76)
Deferred taxes	5,276	7,451	20,546	6,480	13,907	7,196	6,874	(2,162)
Amortization of deferred financing costs	(709)	(333)	(359)	(481)	(1,674)	(792)	(331)	
Change in assets and liabilities	(1,795)	(15,972)	(44,950)	19,914	(6,376)	8,261	(19,844)	17,079
Adjusted EBITDA	**$ 184,397**	**$ 176,490**	**$ 114,540**	**$ 97,378**	**$ 39,198**	**$ 25,149**	**$ (2,243)**	**$ 4,374**

Table of Contents

Unaudited pro forma financial information

For purposes of this prospectus we have prepared the following pro forma financial statements which reflect information currently available to management and assumptions management believes to be reasonable.

The following unaudited pro forma financial information is derived from our unaudited historical financial statements as of and for the six months ended June 30, 2009 and from the audited historical financial statements for the twelve months ended December 31, 2008 and reflect the Restructuring, the resultant acquisition accounting and the conversion of the Class B stock (which occurred on July 9, 2009), the Series A-1 Preferred Stock (3,500 shares of which were converted on July 9, 2009 and the remainder of which were automatically converted on August 3, 2009) and the Series B Preferred Stock (which automatically converted on August 3, 2009) to common stock and the effects of the 200:1 reverse stock split which occurred on August 3, 2009, (reflected in historical financial statements) as if each had been consummated as described below. We prepared the unaudited pro forma financial information using the acquisition method of accounting, which is based on SFAS 141R. SFAS 141R uses the fair value concepts defined in SFAS No. 157, Fair Value Measurements (FAS 157). The pro forma adjustments and related assumptions are described in the accompanying notes presented on the following pages. The pro forma adjustments are based upon best available information and certain assumptions that our management believes are reasonable. The unaudited pro forma balance sheet as of June 30, 2009 has been prepared as if conversion of preferred stock into common stock had occurred on that date. The unaudited historical balance sheet as of June 30, 2009 already reflects the Restructuring and resultant acquisition accounting. The unaudited pro forma statements of operations for the year ended December 31, 2008 and the six months ended June 30, 2009 give effect to these events as if each had occurred on January 1, 2008.

As part of the Restructuring, our then existing debtholders released all of their existing obligations in exchange for (1) $117.5 million of Senior Notes, (2) 34,962 shares of Series B Preferred Stock, and (3) a one-time cash payment of $25.0 million. We also entered into the Senior Credit Facility pursuant to which we have a $15.0 million revolving line of credit and a $20.0 million unsecured non-amortizing term loan. As of May 31, 2009, we had borrowed the entire amount under the term loan and we had not made any borrowings under the revolving line of credit.

In addition, Gores (1) agreed to purchase, at a discount, approximately $22.6 million principal amount of our then existing debt held by debt holders who did not wish to participate in the new notes, (2) agreed to guarantee the Senior Credit Facility and a $10.0 million contractual commitment by one of our wholly owned subsidiaries and (3) invested $25.0 million in the Company for 25,000 shares of Series B Preferred Stock. In connection with Gores providing the guarantees and purchasing the debt from non-participating holders, the 75,000 shares of Series A Preferred Stock held by Gores immediately prior to the refinancing, which then had a liquidation preference of approximately $79.0 million, were exchanged for 75,000 shares of Series A-1 Preferred Stock with a per share conversion price which provided Gores with an approximately 54.6% interest in the Company after the refinancing. Taking into account Gores Series B Preferred Stock, Series A-1 Preferred Stock and common stock, upon the consummation of the Restructuring, Gores ownership in the Company increased from approximately 36% to 75.1%. Accordingly, the Restructuring, when considering the ownership held by Gores as well as the ownership held by our then existing debt holders, constituted a change of control transaction that requires us to follow the purchase method of accounting, as described by Statement of Financial Accounting Standards (SFAS) 141R, Business Combinations (SFAS 141R).

Table of Contents

Unaudited pro forma financial information

We have considered the ownership held by Gores and our then existing debt holders as a collaborative group in accordance with Emerging Issues Task Force D-97, Push Down Accounting . As a result, we have followed the acquisition method of accounting, as described by SFAS 141R, and applied the SEC rules and guidance regarding push down accounting treatment. Accordingly, our consolidated financial statements and transactional records prior to the closing of the Restructuring reflect the historical accounting basis in our assets and liabilities and are labeled predecessor company, while such records subsequent to the Restructuring are labeled successor company and reflect the push down basis of accounting for the new fair values in our financial statements. This is presented in our consolidated financial statement by a vertical black line division that appears between the columns entitled predecessor company and successor company on the statements and relevant notes. The black line in our historical financial statements signifies that the amounts shown for the periods prior to and subsequent to the Restructuring are not comparable.

The pro forma adjustments are preliminary and have been made solely for purposes of developing the pro forma financial information for illustrative purposes necessary to comply with the requirements of the SEC. The actual results reported in periods following the transactions may differ significantly from those reflected in these pro forma financial statements for a number of reasons, including but not limited to, differences between the assumptions used to prepare these pro forma financial statements and actual amounts. In addition, no adjustments have been made for non-recurring items related to the transactions. As a result, the pro forma information does not purport to be indicative of what the financial condition or results of operations would have been had the transactions been completed on the applicable dates of this pro forma financial information. The pro forma financial statements are based upon historical financial statements and do not purport to project the future financial condition and results of operations after giving effect to the transactions.

The pro forma adjustments described below have been developed based on assumptions and adjustments, including assumptions relating to the purchase price and the allocation thereof to the assets acquired and liabilities assumed based on preliminary estimates of fair value. The final purchase price allocation could differ from that reflected in the pro forma financial statements.

The following unaudited pro forma financial information should be read in conjunction with, and is qualified by reference to, our consolidated financial statements as of December 31, 2008 and for each of the years in the three-year period ended December 31, 2008, including the accompanying notes thereto, which are included in this prospectus and our unaudited consolidated financial statements as of June 30, 2009 and for each of the six-month periods ended June 30, 2009 and 2008, including the accompanying notes thereto, which are included in this prospectus, and the information under Management s Discussion and Analysis of Financial Condition and Results of Operations.

Table of Contents

Unaudited pro forma balance sheet

June 30, 2009

(in thousands, except share and per share amounts)

		Pro forma adjustments Conversion	
	Historical	**related**	**Pro forma**
Assets			
Current Assets:			
Cash and cash equivalents	$ 7,980		$ 7,980
Accounts receivable	82,448		82,448
Prepaid and other assets	17,026		17,026
Total Current Assets	107,454		107,454
Property and equipment	36,357		36,357
Goodwill	86,414		86,414
Intangible assets	112,032		112,032
Deferred tax asset	2,385		2,385
Other assets	2,414		2,414
Total Assets	$ 347,056	$	$ 347,056
Liabilities, Redeemable Preferred Stock And Shareholders Equity (Deficit)			
Current Liabilities:			
Accounts payable	$ 17,588		$ 17,588
Amounts payable to related parties	20,128		20,128
Deferred revenue	2,681		2,681
Accrued expenses and other liabilities	19,648		19,648
Current maturity of long-term debt			
Total Current Liabilities	60,045		60,045
Long-term debt	128,078		128,078
Deferred tax liability	63,845		63,845
Due to Gores	10,891		10,891
Other liabilities	10,551		10,551
Total Liabilities	273,410		273,410
Commitments and Contingencies			
Series A-1 Redeemable Preferred Stock	38,880		
BCF Contingency		(36,941)(B)	
Effect of conversion on BCF		42,828 (B)	
Conversion to Common Stock		(44,767)(B)	

Series B Redeemable Preferred Stock	30,476		
BCF Contingency		(29,005)(B)	
Effect of conversion on BCF		33,627 (B)	
Conversion to Common Stock		(35,098)(B)	
Total Redeemable Preferred Stock	69,356	(69,356)	
Shareholders Equity (Deficit)			
Common stock	5	198 (B)	203
Class B stock	3	(3)(B)	
Additional paid-in capital	10,561	69,161 (B)	79,722
Net unrealized gain	(95)		(95)
Accumulated deficit	(6,184)		(6,184)
Total Shareholders Equity (Deficit)	4,290	69,356	73,646
Total Liabilities, Redeemable Preferred Stock and Shareholders Equity (Deficit)	$ 347,056	$	$ 347,056

See accompanying notes to the unaudited pro forma financial information

37

Table of Contents

Unaudited pro forma statement of operations

for the six months ended June 30, 2009

(in thousands, except share and per share amounts)

		Pro forma adjustments		
	Historical	Acquisition related	Conversion related	Pro forma
Net Revenue	$ 169,518			$ 169,518
Operating Costs	163,696			163,696
Depreciation and Amortization	8,430	121 (A)(C)		8,551
Corporate General and Administrative Expenses	6,655			6,655
Restructuring Charges	5,430			5,430
Special Charges	13,187			13,187
	197,398	121		197,519
Operating (Loss)	(27,880)	(121)		(28,001)
Interest Expense	7,914	919 (D)		8,833
Other Income	(363)			(363)
(Loss) Before Income Tax	(35,431)	(1,040)		(36,471)
Income Tax (Benefit) Expense	(10,286)	(302)(F)		(10,588)
Net (Loss)	$ (25,145)	$ (738)	$	$ (25,883)
Net (Loss) Income Attributable to Common Shareholders	$ (31,632)	$ (738)	$ 6,487 (G)	$ (25,883)
(Loss) Per Share				
Common Stock				
Basic	$ (62.49)		$ 61.18	$ (1.27)
Diluted	$ (62.49)		$ 61.18	$ (1.27)
Class B Stock				
Basic	$			$
Diluted	$			$

Weighted Average Shares Outstanding:			
Common Stock			
Basic	506	19,800 (G)	20,306
Diluted	506	19,800 (G)	20,306
Class B Stock*			
Basic	292	(292)(G)	
Diluted	292	(292)(G)	

* *Reverse stock split not reflected in historical total. Class B stock was converted into common stock prior to effectiveness of reverse stock split.*

See accompanying notes to the unaudited pro forma financial information

Table of Contents

Unaudited pro forma statement of operations

For the twelve months ended December 31, 2008

(in thousands, except share and per share amounts)

		Pro forma adjustments		
	Historical	Acquisition related	Conversion related	Pro forma
Net Revenue	$ 404,416			$ 404,416
Operating Costs (includes related party expenses of $73,049)	360,492			360,492
Depreciation and Amortization (includes related party warrant amortization of $1,618)	11,052	17,399 (A)(C)		28,451
Corporate General and Administrative Expenses (includes related party expenses of $610)	13,442			13,442
Goodwill Impairment	430,126			430,126
Restructuring Charges	14,100			14,100
Special Charges (includes related party expenses of $5,000)	13,245			13,245
	842,457	17,399		859,856
Operating (Loss)	(438,041)	(17,399)		(455,440)
Interest Expense	16,651	1,717 (D)		18,368
Other Income	(12,369)			(12,369)
(Loss) Before Income Tax	(442,323)	(19,116)		(461,439)
Income Tax (Benefit) Expense	(14,760)	(5,706)(F)		(20,466)
Net (Loss)	$ (427,563)	$ (13,410)	$	$ (440,973)
Net (Loss) Income Attributable to Common Shareholders	$ (430,644)	$ (13,410)	$ 3,081 (G)	$ (440,973)

(Loss) Per Share

Common Stock			
Basic	$ (878.73)	$ 857.00	$ (21.73)
Diluted	$ (878.73)	$ 857.00	$ (21.73)
Class B Stock			
Basic	$		$
Diluted	$		$
Weighted Average Shares Outstanding:			
Common Stock			
Basic	490	19,800 (G)	20,290
Diluted	490	19,800 (G)	20,290
Class B Stock			
Basic	1	(1)(G)	
Diluted	1	(1)(G)	

See accompanying notes to the unaudited pro forma financial information

Table of Contents

Notes to unaudited pro forma financial statements

(in thousands, except per share amounts)

NOTE 1. BASIS OF PRESENTATION

The unaudited pro forma financial statements were prepared using the acquisition method of accounting under existing US GAAP standards and are based on our historical consolidated financial statements for the twelve months ended December 31, 2008 and as of and for the six months ended June 30, 2009.

The unaudited pro forma balance sheet as of June 30, 2009 has been prepared as if conversion of preferred stock into common stock had occurred on that date. The unaudited historical balance sheet as of June 30, 2009 already reflects the Restructuring and resultant acquisition accounting. The unaudited pro forma statements of operations for the year ended December 31, 2008 and the six months ended June 30, 2009 give effect to these events as if each had occurred on January 1, 2008.

The unaudited pro forma financial information was prepared using the acquisition method of accounting, which is based on FAS 141R. which uses the fair value concepts defined in FAS 157. We have adopted both FAS 141R and FAS 157 as required.

FAS 141R requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. In addition, FAS 141R establishes that the consideration transferred be measured at the closing date of the acquisition at the then-current market price. The transaction fees for the acquisition will be expensed as incurred under FAS 141R.

FAS 157 defines the term fair value and sets forth the valuation requirements for any asset or liability measured at fair value, expands related disclosure requirements and specifies a hierarchy of valuation techniques based on the nature of inputs used to develop the fair value measures. Fair value is defined in FAS 157 as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This is an exit price concept for the valuation of the asset or liability. In addition, market participants are assumed to be buyers and sellers in the principal market for the asset or liability. Fair value measurements for an asset assume the highest and best use by these market participants. Many of these fair value measurements can be highly subjective and it is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts.

The pro forma adjustments described below have been developed based on assumptions and adjustments, including assumptions relating to the purchase price and the allocation thereof to the assets acquired and liabilities assumed based on preliminary estimates of fair value. The final purchase price allocation may differ from that reflected in the pro forma financial statements.

The unaudited pro forma financial statements are provided for illustrative purposes only and do not purport to represent what our actual consolidated results of operations or consolidated financial position would have been had the acquisition occurred on the dates assumed, nor are they necessarily indicative of our future consolidated results of operations or financial position.

NOTE 2. UNAUDITED PRO FORMA ADJUSTMENTS BALANCE SHEET

The Unaudited Pro Forma Balance Sheet as of June 30, 2009 reflects the conversion of all of the Class B stock (which occurred on July 9, 2009), the Series A-1 Preferred Stock (3,500 shares of which were converted on July 9, 2009 and the remainder of which automatically converted on August 3, 2009) and the Series B Preferred Stock to common stock which occurred on August 3, 2009 as if it had occurred on June 30, 2009.

40

Table of Contents

Notes to unaudited pro forma financial statements

(in thousands, except per share amounts)

(A) Acquisition Accounting

As a result of our Restructuring that closed in the second quarter, Gores acquired approximately 75.1% of our equity and our then existing lenders acquired approximately 23.0% of our equity. We have considered the ownership held by Gores and our existing debt holders as a collaborative group in accordance with EITF D-97, Push Down Accounting . As a result, we have followed the acquisition method of accounting, as described by SFAS 141R, and have applied the SEC rules and guidance regarding push down accounting treatment. Accordingly, our historical consolidated financial statements and transactional records prior to the closing of the Restructuring reflect the historical accounting basis in our assets and liabilities and are labeled predecessor company, while such records subsequent to the Restructuring are labeled successor company and reflect the push down basis of accounting for the new fair values in our financial statements. Additionally, our historical financial statements include revalued assets and liabilities, which were revalued using our best estimate of current fair value as required by the Restructuring.

Based on the complex structure of the Restructuring described above, a valuation was performed to determine the acquisition price using the Income Approach employing a Discounted Cash Flow (DCF) methodology. The DCF method explicitly recognizes that the value of a business enterprise is equal to the present value of the cash flows that are expected to be available for distribution to the equity and/or debt holders of a company. In the valuation of a business enterprise, indications of value are developed by discounting future net cash flows available for distribution to their present worth at a rate that reflects both the current return requirements of the market and the risk inherent in the specific investment.

We used a multi-year DCF model to derive a Total Invested Capital (TIC) value which was adjusted for cash, non-operating assets and any negative net working capital to calculate a Business Enterprise Value (BEV) which was then used to value our equity. In connection with the Income Approach portion of this exercise, we made the following assumptions: (a) the discount rate was based on an average of a range of scenarios with rates between 15% and 16%; (b) management s estimates of future performance of our operations and; (c) a terminal growth rate of 2%. The discount rate and market growth rate reflect the risks associated with the general economic pressure impacting both the economy in general and more specifically and substantially the advertising industry. All costs and professional fees incurred as part of the Restructuring totaling approximately $15,777 have been expensed as special charges in periods ended April 23, 2009 and prior (the predecessor company).

The allocation of Business Enterprise Value is as follows:

Purchase price	
Current Assets	$ 104,641
Goodwill	86,414
Intangibles	116,910
Property, Plant and Equipment, Net	36,270
Other assets	21,913
Current Liabilities	81,160
Deferred Income Taxes	77,879

Due to Gores	10,797
Other Liabilities	10,458
Long-term debt	106,703
Total Estimated Purchase Price	$ 79,151

41

Table of Contents

Notes to unaudited pro forma financial statements

(in thousands, except per share amounts)

We expect to finalize the valuation and complete the allocation of the Business Enterprise Value as soon as practicable but no later than one year from the acquisition date.

In accordance with FAS 141R which is applicable to the Restructuring and the change of control, we have revalued our Goodwill and Intangibles using our best estimate of current fair value. The value assigned to goodwill and indefinite lived intangible assets is not amortized to expense and the majority is not expected to be tax deductible Our client contracts are typically exclusive agreements with our partners and/or talent to provide programming and content over a specified period of time. The values assigned to definite lived assets are amortized over their estimated useful life.

Similarly, in accordance with FAS 141R which is applicable to the Restructuring and the change of control, we have identified leases and client contracts which we valued below market. Accordingly, a liability of $3,460 has been recorded to reflect the estimated fair value of the leases and client contracts and such amount is being taken to income over the remaining life of the contract.

Intangibles	**For the twelve months ended December 31, 2008**			
	Estimated life	**Opening balance**	**Amortization**	**Ending balance**
Trademarks	Indefinite	$ 20,900		20,900
Affiliate Relationships	10 years	72,100	7,210	64,890
Internally Developed Software	5 years	5,600	1,120	4,480
Client Contracts	5 years	8,930	1,984	6,946
Leases	7 years	980	140	840
Insertion Orders	9 months	8,400	8,400	
Subtotal Assets		116,910	18,854	98,056
Client Contracts	1.5 years	(1,410)	(940)	(470)
Leases	7 years	(2,050)	(293)	(1,757)
Subtotal Liabilities		(3,460)	(1,233)	(2,227)
Net Total			17,621	
Amortization Expense			752	
Adjustment to amortization expense (see (h) for depreciation expense adjustment)			16,869	
	For the six months ended June 30, 2009			
Trademarks	Indefinite	$ 20,900		20,900
Affiliate Relationships	10 years	64,890	3,605	61,285
Internally Developed Software	5 years	4,480	560	3,920

Client Contracts	5 years	6,946	992	5,954
Leases	7 years	840	70	770
Insertion Orders	9 months			
Subtotal Assets		98,056	5,227	92,829
Client Contracts	1.5 years	(470)	(470)	
Leases	7 years	(1,757)	(146)	(1,611)
Subtotal Liabilities		(2,227)	(616)	(1,611)
Net Total			4,611	
Amortization Expense			4,755	
Adjustment to amortization expense (see (h) for depreciation expense adjustment)			(144)	

Table of Contents

Notes to unaudited pro forma financial statements

(in thousands, except per share amounts)

Deferred tax liability	**June 30, 2009**
Intangibles added to assets	$ 114,480
Intangibles added to liabilities	(3,460)
Net Total	111,020
Effective Tax Rate	38.25%
Deferred Tax Liability for Intangibles	42,465
Deferred Tax Liability for Cancellation of Debt for Tax Purposes	35,967
Deferred Tax Liability Other	546
Deferred Tax Liability	$ 78,978

B) The column labeled Pro forma Adjustments Conversion Related represents the effects of the conversion of Class B stock, Series A-1 Preferred Stock and Series B Preferred Stock into common shares that occurred on August 3, 2009 (and the 3,500 shares of Series A-1 Preferred Stock that converted on July 9, 2009). The Series A-1 Preferred Stock was converted on August 3, 2009 into the number of shares of common stock obtained by multiplying the number of shares of Series A-1 Preferred Stock to be converted by the liquidation preference and dividing such amount by the conversion price. The Series B Preferred Stock was converted on August 3, 2009 into the number of shares of common stock obtained by multiplying the number of shares of Series B Preferred Stock to be converted by the liquidation preference and dividing such amount by the conversion price.

In connection with the Restructuring and the issuance of the Preferred Stock, we determined that the Preferred Stock contained a BCF that was partially contingent as described below. BCFs are recognized by allocating to shareholders equity that portion of the net proceeds from the sale of a convertible security equal to the intrinsic value of the BCF. Intrinsic value is calculated as the spread, as of the date we agreed to issue our Preferred Stock (the commitment date), between the conversion price of our Preferred Stock and the fair value of our common stock multiplied by the number of shares of common stock into which the Preferred Stock is convertible. In our case, because only a portion of the common shares into which the Preferred Stock was convertible were authorized on the commitment date, a portion of the BCF was not immediately recognized because it was contingent on our stockholders approving an increase in the authorized shares.

The total BCF, which is limited to the carrying value of the Preferred Stock, is approximately $76.9 million, of which $10.9 million relates to the issuance BCF, and will be amortized using the effective yield method over the period until redemption. The contingent BCF, which amounts to $66.0 million (and was limited to the carrying amount of the Preferred Stock), will be recognized when the contingency is resolved in the third quarter (August 3, 2009) which due to the immediate conversion, will result in, among other effects, a deemed dividend of $65.9 million that will be included in our third quarter 2009 earnings per share calculation (see Note G).

C) Depreciation expense reflects an increase of $530 for the twelve months ended December 31, 2008 and an increase of $265 for the six months ended June 30, 2009. (See adjustment (A) for amortization adjustment of definite lived intangibles).

NOTE 3. UNAUDITED PRO FORM ADJUSTMENTS STATEMENT OF OPERATIONS

The Unaudited Pro Forma Statements of Operations for the year ended December 31, 2008 and for the six months ended June 30, 2009 reflects the Restructuring, the resultant acquisition accounting, the conversion of the Class B stock, the Series A-1 Preferred Stock and the Series B Preferred Stock into

Table of Contents

Notes to unaudited pro forma financial statements

(in thousands, except per share amounts)

common stock and the effects of the 200:1 reverse stock split and gives effect to these events as if each had occurred on January 1, 2008:

D) The Senior Notes bear interest at 15% per annum, payable 10% in cash and 5% in-kind (PIK interest). Interest expense was adjusted to reflect the new debt of $117,500 and new interest rate of 15% on such indebtedness. The PIK interest is added to the principal quarterly but will not be payable until maturity. The debt has been recorded for the pro forma financial statements at face value, which is our best estimate of fair value.

Interest expense	For the twelve months ended December 31, 2008	For the six months ended June 30, 2009
Interest expense on new debt	17,958	9,319
Interest expense on indebtedness prior to refinancing	16,241	8,400*
Incremental Interest Expense Adjustment	1,717	919

* *Includes $4,603 of interest on new debt from April 2009 to June 30, 2009.*

E) Amortization of the new intangibles for Affiliate Relationships, Client Contracts and Insertion Orders was reflected (see adjustment (A) above).

F) Taxes were calculated on the new pro forma (loss) amount using the effective rate for each applicable period.

Tax	December 31, 2008	June 30, 2009
PreTax (Loss)	$ (442,323)	$ (35,431)
Tax Benefit (Expense)	14,760	10,286
Effective Rate	3.3%	29.0%
Non-deductible Portion of Goodwill Write-off	31.8%	0.0%
Normalized Effective Tax Rate	35.1%	29.0%
ProForma PreTax (Loss)	(461,439)	(36,471)
Adjustment for Goodwill Impairment	403,194	
Adjusted ProForma Pretax (Loss)	(58,245)	(36,471)

Pro Forma Tax Benefit (Expense)	$	20,466	$	10,588

G) Earnings per share amounts give effect to the 200:1 reverse stock split. While a contingent beneficial conversion feature was recorded in the pro forma balance sheet, it has been excluded from the pro forma statement of operations since such adjustment is non-recurring and directly related to the Restructuring (See Note B). Additionally, we have excluded all preferred stock accretion from our earnings per share amounts.

Common stock share calculation after conversion	**Number of shares**
Common Stock	102,457
Class B Stock	292
Series A-1 Convertible Preferred Stock	2,218,134
Series B Convertible Preferred Stock	1,741,563
Total Common Stock before Reverse Stock Split	4,062,446
Reverse Stock Split ratio	200
Common Shares Issued and Outstanding	20,312

44

Table of Contents

Management s discussion and analysis of financial condition and results of operations

You should read the following discussion and analysis of our results of operations, financial condition and liquidity in conjunction with our consolidated financial statements and the related notes thereto. This discussion contains forward-looking statements. Please see Risk Factors and Cautionary Note Regarding Forward-Looking Statements and Industry Data for a discussion of the uncertainties, risks and assumptions associated with these statements.

EXECUTIVE OVERVIEW

We produce and provide traffic, news, weather, sports, talk, music, special events and other programming. Our content is distributed to radio and television stations and digital platforms and reaches over 190 million people. We are one of the largest domestic outsourced providers of traffic reporting services and one of the nation s largest radio networks, delivering content to over 5,000 radio and 170 television stations in the US. We exchange our content with radio and television stations for commercial airtime, which we then sell to local, regional and national advertisers. By aggregating and packaging commercial airtime across radio and television stations nationwide, we are able to offer our advertising customers a cost-effective way to reach a broad audience and target their audience on a demographic and geographic basis.

We are organized into two business segments: Metro and Network.

Our Metro business produces and distributes traffic and other local information reports (such as news, sports and weather) to approximately 2,300 radio and television stations, which include stations in over 80 of the top 100 Metro Service Area (MSA) markets in the US. Our Metro business generates revenue from the sale of commercial advertising inventory to advertisers (typically 10 and 15 second spots in radio and 30 second spots in television embedded within our information reports). We provide broadcasters a cost-effective alternative to gathering and delivering their own traffic and local information reports and offer advertisers a more efficient, broad reaching alternative to purchasing advertising directly from individual radio and television stations.

Our Network business syndicates proprietary and licensed content to radio stations, enabling them to meet their programming needs on a cost-effective basis. The programming includes national news and sports content, such as CBS Radio News, CNN Radio News and NBC Radio News and major sporting events, including the National Football League (including the Super Bowl), NCAA football and basketball games (including the Men s Basketball Tournament, *ie*, March Madness) and the 2010 Winter Olympic Games. Our Network business features popular shows that we produce with personalities including Dennis Miller, Charles Osgood, Fred Thompson and Billy Bush. We also feature special events such as live concert broadcasts, countdown shows (including MTV and Country Music Television branded programs), music and interview programs. Our Network business generates revenue from the sale of 30 and 60 second commercial airtime, often embedded in our programming, that we bundle and sell to national advertisers who want to reach a large audience across numerous radio stations.

We develop programming and exploit our commercial airtime by concurrently taking into consideration the demands of our advertisers on both a market specific and national basis, the inputs of the owners and management of our radio station affiliates, and the inputs of our programming partners and talent. Our continued success and prospects for growth are dependent upon our ability to manage these factors in a

45

Table of Contents

Management s discussion and analysis of financial condition and results of operations

cost effective manner and to adapt our information and entertainment programming to different distribution platforms. Historically, our results have been impacted by overall economic conditions, trends in demand for radio and television-related advertising, competition, and risks inherent in our customer base, including customer attrition and our ability to generate new business opportunities to offset any attrition.

There are a variety of factors that influence our revenue on a periodic basis, including, but not limited to: (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 and television- 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; (v) increases or decreases in the size of our advertiser sales force; and (vi) competitive and alternative programs and advertising mediums, including, but not limited to, local print, magazines, cable and the Internet.

Our commercial airtime is perishable, and accordingly, our revenue is significantly impacted by the commercial airtime available at the time we enter into an arrangement with an advertiser. Our ability to specifically isolate the relative historical aggregate impact of price and volume is not practical as commercial airtime is sold and managed on an order-by-order basis. We closely monitor advertiser commitments for the current calendar year, with particular emphasis placed on the annual upfront process and a prospective three-month period. We take the following factors, among others, into account when pricing commercial airtime: (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 national revenue has been trending downward for the last several years due principally to reductions in national audience levels and lower clearance (as defined below) and audience levels of our affiliated stations. Our local/regional revenue has been trending downward due principally to increased competition, reductions in our local/regional sales force and an increase in the amount of 10 second inventory being sold by radio stations. Recently, our operating performance has also been affected by the weakness in the United States economy and advertiser demand for radio and television-related advertising products.

The principal components of our operating expenses are programming, production and distribution costs (including affiliate compensation and broadcast rights fees), selling expenses including commissions, promotional expenses and bad debt expenses, depreciation and amortization, and corporate general and administrative expenses. Corporate general and administrative expenses are primarily comprised of costs associated with our previous Management Agreement with CBS Radio (which terminated on March 3, 2008), corporate accounting, legal and administrative personnel costs, and other administrative expenses, including those associated with corporate governance matters. Special charges include one-time expenses associated with the re-negotiation of the CBS agreements, the 2009 and 2008 Gores investment, Restructuring costs and re-engineering expenses.

We consider our operating cost structure to be largely fixed in nature, and as a result, we generally require several months lead time to make significant modifications to our cost structure to react to what we view are more than temporary increases or decreases in advertiser demand. This becomes important in predicting our performance in periods when advertiser revenue is increasing or decreasing. In periods where advertiser revenue is increasing, the fixed nature of a substantial portion of our costs means that

Table of Contents

Management s discussion and analysis of financial condition and results of operations

operating income will grow faster than the related growth in revenue. Conversely, in a period of declining revenue, operating income will decrease by a greater percentage than the decline in revenue because of the lead time needed to reduce our operating cost structure. If we perceive a decline in revenue to be temporary, we may choose not to reduce our fixed costs, or may even increase our fixed costs, so as to not limit our future growth potential when the advertising marketplace rebounds. We carefully consider matters such as credit and commercial inventory risks, among other factors, in assessing arrangements with our programming and distribution partners. In those circumstances where we function as the principal in the transaction, the revenue and associated operating costs are presented on a gross basis in the Consolidated Statement of Operations. In those circumstances where we function as an agent or sales representative, our effective commission is presented within revenue with no corresponding operating expenses. Although no individual relationship apart from CBS is significant, the relative mix of such arrangements is significant when evaluating operating margin and/or increases and decreases in operating expenses.

We engaged consultants primarily to assist us in determining the most cost effective manner to gather and disseminate traffic information. As a result, we announced a Metro business re-engineering initiative that was implemented in the last half of 2008. The modifications to the Metro business are part of a series of re-engineering initiatives implemented by us to improve our operating and financial performance in the near-term, while setting the foundation for profitable long-term growth. These changes are expected to result in a reduction of staff levels and the consolidation of operations centers into 13 regional hubs by July 2009.

On March 3, 2008, we closed on the new Master Agreement with CBS Radio (the CBS Master Agreement), which documents a long-term agreement through March 31, 2017. As part of the new arrangement, CBS agreed to broadcast certain of our commercial inventory for our Network and Metro businesses through March 31, 2017 in exchange for certain programming and/or cash compensation. Under the new arrangement, CBS Radio agreed to assign to us all of its right, title and interest in the warrants to purchase common stock outstanding under prior agreements. These warrants were cancelled and retired on March 3, 2008.

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

Prior to the new CBS arrangement which closed on March 3, 2008, many of our affiliation agreements with CBS Radio did not tie station compensation to audience levels or clearance levels. This contributed to a significant decline in our national audience delivery to advertisers when CBS Radio stations delivered lower audience levels and broadcast fewer commercials than in earlier years. Our new arrangement with CBS limits the impact of these circumstances in most instances by adjusting affiliate compensation for changes in audience levels. In addition, the arrangement provides CBS Radio with financial incentives to broadcast substantially all our commercial inventory (referred to as clearance) in accordance with the terms of the contracts and significant penalties for not complying with the contractual terms of our arrangement. We believe that CBS Radio has taken and will continue to take the necessary steps to stabilize and increase the audience reached by its stations. It should be noted however, that as CBS takes steps to increase its compliance with our affiliation agreements, our operating costs will increase before we will be able to increase advertising prices for the larger audience we will deliver, which was and may continue to be a contributing factor to the decline in our operating income.

Table of Contents

Management s discussion and analysis of financial condition and results of operations

For management purposes we continue to measure our performance against comparable prior periods. For purposes of presenting a comparison of our 2009 results to prior periods, we have presented our 2009 results as the mathematical addition of the Predecessor Company and Successor Company periods. We believe that this presentation provides the most meaningful information about our results of operations. This approach is not consistent with GAAP, may yield results that are not strictly comparable on a period-to-period basis, and may not reflect the actual results we would have achieved.

As a result of the Restructuring, we followed the acquisition method of accounting, as described by SFAS 141R, and applied the SEC rules and guidance regarding push down accounting treatment. Accordingly, our consolidated financial statements and transactional records prior to the closing of the Restructuring reflect the historical accounting basis in our assets and liabilities and are labeled predecessor company, while such records subsequent to the Restructuring are labeled successor company and reflect the push down basis of accounting for the new fair values in our financial statements. This is presented in our consolidated financial statements by a vertical black line division which appears between the columns entitled predecessor company and successor company on the statements and relevant notes. The black line signifies that the amounts shown for the periods prior to and subsequent to the Restructuring are not comparable. For management purposes we continue to measure our performance against comparable prior periods. For purposes of presenting a comparison of our 2009 results to prior periods, we have presented our 2009 results as the mathematical addition of the Predecessor Company and Successor Company periods. We believe that this presentation provides the most meaningful information about our results of operations. This approach is not consistent with GAAP, may yield results that are not strictly comparable on a period-to-period basis, and may not reflect the actual results we would have achieved. Below is a reconciliation of our financial statements to this non-GAAP measure. The Preferred Stock non-cash adjustments relate to the accounting for a beneficial conversion feature contained in the Preferred Stock and accretion of the Preferred stock to redemption value as described elsewhere in this prospectus in more detail.

	Successor Company For the period April 24, 2009 to June 30, 2009	Predecessor Company For the period April 1, 2009 to April 23, 2009	Combined total For the three months ended June 30, 2009
NET REVENUE	$ 58,044	$ 25,607	$ 83,651
Operating Costs	52,116	20,187	72,303
Depreciation and Amortization	5,845	521	6,366
Corporate General and Administrative Expenses	2,407	1,482	3,889
Restructuring Charges	1,454	536	1,990
Special Charges	368	7,010	7,378
	62,190	29,736	91,926
OPERATING (LOSS)	**(4,146)**	**(4,129)**	**(8,275)**
Interest Expense (Income)	4,692	(41)	4,651
Other Income	(4)	(59)	(63)

(LOSS) BEFORE INCOME TAX		(8,834)		(4,029)		(12,863)
INCOME TAX (BENEFIT)		(2,650)		(254)		(2,904)
NET (LOSS)	**$**	**(6,184)**	**$**	**(3,775)**	**$**	**(9,959)**

48

Table of Contents

Management s discussion and analysis of financial condition and results of operations

	Successor Company For the period April 24, 2009 to June 30, 2009	Predecessor Company For the period January 1, 2009 to April 23, 2009	Combined total For the six months ended June 30, 2009
NET REVENUE	$ 58,044	$ 111,474	$ 169,518
Operating Costs	52,116	111,580	163,696
Depreciation and Amortization	5,845	2,585	8,430
Corporate General and Administrative Expenses	2,407	4,248	6,655
Restructuring Charges	1,454	3,976	5,430
Special Charges	368	12,819	13,187
	62,190	135,208	197,398
OPERATING (LOSS)	**(4,146)**	**(23,734)**	**(27,880)**
Interest Expense (Income)	4,692	3,222	7,914
Other Income	(4)	(359)	(363)
(LOSS) BEFORE INCOME TAX	(8,834)	(26,596)	(35,430)
INCOME TAX (BENEFIT)	(2,650)	(7,635)	(10,285)
NET (LOSS)	**$ (6,184)**	**$ (18,961)**	**$ (25,145)**

RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Six months ended June 30, 2009 compared with six months ended June 30, 2008

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

Combined three months ended June 30, 2009 compared with three months ended June 30, 2008

Revenue

Revenue presented by operating segment is as follows:

	Three months ended			
	June 30, 2009		June 30, 2008	
	$	% of total	$	% of total
	(in millions)			
Metro	43.5	52%	53.2	53%
Network	40.2	48%	47.2	47%
Total[1]	$ 83.7	100%	$ 100.4	100%

49

Table of Contents

Management s discussion and analysis of financial condition and results of operations

For the three months ended June 30, 2009, revenue decreased $16.7 million or 16.7%, to $83.7 million compared with $100.4 million for the three months ended June 30, 2008. The overall decline in revenue is principally attributable to the ongoing economic downturn and, in particular, the general decline in advertising spending, which started to contract in the second half of 2008 and has continued in 2009.

Metro Traffic revenue for the three months ended June 30, 2009 decreased $9.7 million or 18.2% to $43.5 million from $53.2 million for the same period in 2008. The decrease in Metro Traffic revenue was principally related to a weak local advertising marketplace spanning various sectors and categories including automotive, retail and telecommunications, which placed an overall downward pressure on advertising sales and rates.

For the three months ended June 30, 2009, Network revenue was $40.2 million compared to $47.2 million for the comparable period in 2008, a decrease of 14.9% or $7.0 million. The decline is primarily the result of the general decline in advertising spending which affected our Network revenue from news and talk programs and sports events, our cancellation of certain programs, and lower revenues from our RADAR network inventory.

Operating costs

Operating costs for the three months ended June 30, 2009 and 2008 were as follows:

	Three months ended			
	June 30, 2009		June 30, 2008	
	$	% of total	$	% of total
	(in millions)			
Payroll and payroll related	20.4	28%	25.5	30%
Programming and production	14.4	20%	18.5	22%
Program and operating	6.7	9%	4.1	5%
Station compensation	18.3	25%	20.8	24%
Other operating expenses	12.5	18%	16.5	19%
	$ 72.3	100%	$ 85.4	100%

Operating costs decreased $13.1 million, or 15.3%, to $72.3 million in the second quarter of 2009 from $85.4 million in the second quarter of 2008. The decrease reflects the benefit of the Metro re-engineering and cost reduction programs which began in the last half of 2008 and continued through the second quarter of 2009. Payroll and payroll related costs declined $5.1 million or 20.0% as a result of the salary and headcount reductions, partially offset by an increase in commission rates implemented to incentivize sales growth. Programming and production costs decreased by $4.1 million from $18.5 million to $14.4 million due to lower talent fees and reduced revenue sharing expense as a result of our lower revenue. Program and operating costs increased to $6.7 million from $4.1 million reflecting increased purchases of inventory and expenses related to our License Agreement with TrafficLand. Station Compensation expense decreased by $2.4 million primarily due to the renegotiation and cancellation of certain affiliate arrangements. Other operating expenses declined from $16.5 million to $12.5 million, again reflecting the benefit of the Metro re-engineering program, primarily related to facilities, aviation, telephony and other costs.

Table of Contents

Management s discussion and analysis of financial condition and results of operations

Depreciation and amortization

Depreciation and amortization increased $4.0 million to $6.4 million in the second quarter of 2009 from $2.4 million in the second quarter of 2008. The increase is primarily attributable to the increase in amortization for the fair value of intangibles recorded as a result of the application of acquisition accounting and by increased depreciation and amortization for additional investments in systems and infrastructure, partially offset by decreased depreciation for leasehold improvements from the closure and consolidation of facilities in connection with our Metro re-engineering that began in the last half of 2008.

Corporate general and administrative expenses

Corporate, general and administrative expenses increased by $2.7 million to $3.9 million for the three months ended June 30, 2009 as compared to $1.2 million for the same period in 2008. The increase is principally due to increased accounting fees associated with the additional reporting required by acquisition accounting, which increased by $1.0 million, and the increased stock compensation expense of $1.5 million which reflects a credit taken in 2008 for the reversal of compensation cost associated with the cancellation of unvested options. Corporate, general and administrative expenses are expected to return to more normal levels once the accounting work in support of the acquisition accounting and a potential stock offering are completed.

Goodwill impairment

During the second quarter of 2009, there were no indications of impairment of our goodwill. During the comparable quarter of 2008, we incurred a goodwill impairment charge of $206.1 million as a result of a continued decline in our operating performance and stock price in that period.

Restructuring charges

During the three months ended June 30, 2009, we recorded a $2.0 million restructuring charge in connection with the re-engineering of our Metro Traffic operations that commenced in the last half of 2008 and has continued into 2009, and the new cost reduction initiatives undertaken in the first half of 2009. Facilities shutdown expense of $1.6 million was the major component of the restructuring charge, which also included amounts for severance and contract cancellations.

Special charges

We incurred non-recurring expenses aggregating $7.4 million and $0.9 million in the second quarter of 2009 and 2008, respectively. Special charges in the second quarter of 2009 include transaction fees and expenses related to negotiation of the definitive documentation for the Restructuring, including the fees of various legal and financial advisors to the constituents involved in the Restructuring (*eg* Westwood One, Gores, Glendon Partners, the banks, noteholders and the lenders of the new Senior Credit Facility) and other professional fees. Special charges in the second quarter of 2008 consisted primarily of costs related to the negotiation and closing of documentation related to the issuance of Series A Preferred Stock to Gores in 2008.

Operating (loss)

The operating (loss) for the three months ended June 30, 2009 decreased to $(8.3) million from $(195.6) million for the same period in 2008. The decreased loss is due to the absence of a goodwill impairment of

$206.1 million recorded in the second quarter of 2008. Exclusive of the impairment charge, net income

51

Table of Contents

Management s discussion and analysis of financial condition and results of operations

for the second quarter of 2008 would have been $10.4 million. The decline in operating income between the second quarter of 2008, absent the goodwill impairment charge, and the operating (loss) for the second quarter of 2009 is primarily attributable to the decline in our revenue, which was impacted by the current overall economic downturn and related weakness in the advertising market. The decline in revenue was partially offset by the realignment of our cost base, net of restructuring charges, as part of our Metro Traffic re-engineering and other cost reduction initiatives.

Interest expense

Interest expense increased $0.3 million, or 6.8%, to $4.7 million in the second quarter of 2009 from $4.4 million in the second quarter of 2008. The increase reflects the higher interest rate on the debt from our Restructuring, which was incurred for most of the second quarter of 2009, offset by the reduction in the debt level.

Provision for income taxes

Income tax benefit in the second quarter of 2009 was $3.0 million compared with a tax benefit of $0.2 million in the second quarter of 2008. Our effective tax rate for the quarter ended June 30, 2009 was approximately 22.5% as compared to the 38.5% (excluding the impact of our goodwill impairment) for the same period in 2008, due to the non-deductibility of certain costs incurred related to our Restructuring.

Net (loss)

Net (loss) for the second quarter of 2009 increased to $(10.0) million from net income of $6.3 million, absent the goodwill impairment charge of $206.0 million, in the second quarter of 2008. Net (loss) per share for basic and diluted shares was $(29.48) in the second quarter of 2009, compared with net (loss) per share, including the goodwill impairment charge, for basic and diluted of $(396.69) in the second quarter of 2008.

Combined six months ended June 30, 2009 compared with six months ended June 30, 2008

Revenue

Revenue presented by operating segment is as follows:

	Six months ended			
	June 30, 2009		June 30, 2008	
	$	% of total	$	% of total
	(In millions)			
Metro	$ 78.2	46%	$ 100.6	49%
Network	$ 91.3	54%	$ 106.4	51%
Total[(1)]	$ 169.5	100%	$ 207.0	100%

For the six months ended June 30, 2009, revenue decreased $37.5 million or 18.1%, to $169.5 million compared with $207.0 million for the six months ended June 30, 2008. The overall decline in revenue is principally attributable to the ongoing economic downturn and, in particular, the general decline in advertising spending, which started to contract in the second half of 2008 and has continued in 2009.

Table of Contents

Management s discussion and analysis of financial condition and results of operations

Metro Traffic revenue for the six months ended June 30, 2009 decreased $22.4 million or 22.3% to $78.2 million from $100.6 million for the same period in 2008. The decrease in Metro Traffic revenue was principally related to a weak local advertising marketplace spanning various sectors and categories including automotive, retail and telecommunications, which placed an overall downward pressure on advertising sales and rates.

For the six months ended June 30, 2009, Network revenue was $91.3 million compared to $106.4 million for the comparable period in 2008, a decrease of 14.1% or $15.1 million. The decline is primarily the result of the general decline in advertising spending which affected our Network revenue from news and talk programs and sports events, the cancellation of certain programs and lower revenues from our RADAR network inventory.

Operating costs

Operating costs for the six months ended June 30, 2009 and 2008 were as follows:

	Six months ended			
	June 30, 2009		June 30, 2008	
	$	% of total	$	% of total
	(in millions)			
Payroll and payroll related	$ 42.5	26%	$ 51.7	29%
Programming and production	$ 43.2	26%	$ 47.2	26%
Program and operating	$ 11.3	7%	$ 8.3	5%
Station compensation	$ 38.1	23%	$ 39.9	22%
Other operating expenses	$ 28.6	18%	$ 32.5	18%
	$ 163.7	100%	$ 179.6	100%

Operating costs decreased $15.9 million, or 8.9%, to $163.7 million for the six months ended June 30, 2009 from $179.6 million for the six month ended June 30, 2008. The decrease generally reflects the benefit of the re-engineering and cost reduction programs which began in the last half of 2008. Payroll and payroll related costs declined $9.2 million, or 17.9%, as a result of the reduction in salaries and headcount, partially offset by an increase in commission rates implemented to incentivize sales growth. Programming and production costs decreased by $4.0 million to $43.2 million from $47.2 million for the six months ended June 30, 2009 due to lower talent fees and reduced revenue sharing expense as a result of our lower revenue. Program and operating costs increased to $11.3 million from $8.3 million, reflecting increased purchases of inventory and expenses related to our License Agreement with TrafficLand. Station compensation expense decreased to $38.1 million from $39.9 million, reflecting the renegotiation and cancellation of certain affiliate arrangements. Other operating expenses declined by $3.9 million, or 12.1%, again reflecting the benefit of the Metro Traffic re-engineering program primarily related to facilities, aviation, telephony and other costs.

Depreciation and amortization

Depreciation and amortization increased $2.0 million, or 31.8%, to $8.4 million for the six months ended June 30, 2009 from $6.4 million for the six months ended June 30, 2008. The increase is primarily attributable to the increase in amortization for the fair value of intangibles recorded as a result of the application of acquisition accounting and by increased depreciation and amortization for additional investments in systems and infrastructure. This was partially offset by a decrease in warrant amortization expense as a result of the cancellation on March 3, 2008 of all outstanding warrants previously granted to CBS Radio and decreased depreciation for leasehold improvements from the closure and consolidation of facilities.

Table of Contents

Management s discussion and analysis of financial condition and results of operations

Corporate general and administrative expenses

Corporate, general and administrative expenses increased $2.0 million to $6.7 million for the six months ended June 30, 2009 as compared to $4.7 million for the same period in 2008. The increase is principally due to increased accounting fees associated with the additional reporting required by acquisition accounting, which increased by $1.0 million, and the increased stock compensation expense of $1.0 million, which reflects a credit taken in 2008 for the reversal of compensation cost associated with the cancellation of unvested options. Corporate, general and administrative expenses are expected to return to more normal levels once the accounting work in support of the acquisition accounting and a potential stock offering are completed.

Goodwill impairment

There were no impairment charges recorded for the six months ended June 30, 2009. During the first six months of 2008, we incurred a goodwill impairment charge of $206.0 million as a result of a continued decline in our operating performance and stock price in that period.

Restructuring charges

During the six months ended June 30, 2009, we recorded $5.4 million of restructuring charges in connection with the re-engineering of our Metro Traffic operations that commenced in the last half of 2008 and has continued into 2009, and the new cost reduction initiatives undertaken in the first half of 2009. The major components of these charges included severance of $2.0 million and facilities closure expense of $3.4 million.

Special charges

We incurred non-recurring expenses aggregating $13.2 million and $8.9 million for the six months ended June 30, 2009 and 2008, respectively. Special charges in the six months ended June 30, 2009 related to the Restructuring include transaction fees and expenses related to the negotiation of the definitive documentation for the Restructuring and includes third party financial advisor fees of $5.1 million, Glendon Partners advisory fees of $1.1 million, legal fees (for counsel representing the various constituencies involved in the Restructuring) of $4.5 million, bank costs (including their advisers fees) of $1.0 million, insurance costs of $0.8 million and corporate governance and other costs of $0.7 million. Special charges in the six months ended June 30, 2008 consisted of $5.0 million of contract termination costs, $3.2 million of associated legal and professional fees incurred in connection with the new CBS arrangement and a $0.7 million charge related to the Metro re-engineering initiative.

Operating (loss)

The operating (loss) for the six months ended June 30, 2009 decreased to $(27.9) million from $(198.6) million for the same period in 2008. The decreased loss is due to the absence of a goodwill impairment of $206.0 million recorded in the second quarter of 2008. Excluding the impairment charge, net income for the six months ended June 30, 2008 would have been $7.4 million. The decline in operating income between the six months ended June 30, 2008, absent the goodwill impairment charge, and the operating (loss) for the comparable period of 2009 is primarily related to a weak local advertising marketplace spanning various sectors and categories including automotive, retail and telecommunications, which placed an overall downward pressure on advertising sales and rates. The decline in revenue was partially offset by the realignment of our cost base, net of restructuring charges, as part of our Metro re-engineering and other reduction initiatives.

Management s discussion and analysis of financial condition and results of operations

Interest expense

Interest expense decreased $1.9 million, or 18.8%, to $7.9 million for the six months ended June 30, 2009 from $9.8 million in the comparable period in 2008. The decrease reflects the reduced debt level from our Restructuring partially offset by the higher interest rates associated with that debt. The decrease also reflects a one-time reversal of interest expense from the settlement of an amount owed to a former employee of $0.8 million.

Provision for income taxes

Income tax benefit in the first half of 2009 was $10.3 million compared with a tax benefit of $3.2 million in the first half of 2008. Our effective tax rate for the first half of 2009 was approximately 28.8% as compared to the 38.5% (excluding the impact of goodwill impairment) for the same period in 2008.

Net (loss) income

Net (loss) in the first half of 2009 increased to $(25.1) million from net income of $1.0 million, absent the goodwill impairment charge of $206.0 million, in the first half 2008. Net (loss) per share for basic and diluted shares was $(62.45) in the first half of 2009, compared with net (loss) per share, including the impairment charge, for basic and diluted of $(431.24), in the first half of 2008.

Comparison of the three years ended December 31, 2006, 2007 and 2008

Revenue

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

	2006		2007		2008	
	$	% of total	$	% of total	$	% of total
			($ amounts in millions)			
Metro	$ 265.8	52%	$ 232.4	51%	$ 194.9	48%
Network	246.3	48%	218.9	49%	209.5	52%
Total[1]	$ 512.1	100%	$ 451.4	100%	$ 404.4	100%

(1) We currently aggregate revenue data based on the operating segment. A number of advertisers purchase both local/regional and national commercial airtime in both segments. Our objective is to optimize total revenue from those advertisers.

Revenue for the year ended December 31, 2008 (2008) decreased $47.0 million, or 10.4%, to $404.4 million from $451.4 million for the year ended December 31, 2007 (2007). Revenue in 2007 decreased $60.7 million, or 11.9%, to $451.4 million from $512.1 million for the year ended December 31, 2006 (2006). The decrease in 2008 was principally attributable to the current economic downturn. Revenue in 2008 and 2007 was also affected by increased competition, lower audience levels and a reduction in our sales force.

Metro business revenue in 2008 decreased $37.5 million, or 16.2%, to $194.9 million from $232.4 million in 2007. Metro business revenue in 2007 decreased $33.3 million, or 12.5%, to $232.4 million from $265.8 million in 2006. The decrease in 2008 was primarily due to the current economic downturn, a weak local advertising marketplace primarily in the automotive, financial services and retail categories, increased competition and a continued reduction in 10 second inventory units available to

Table of Contents

Management s discussion and analysis of financial condition and results of operations

sell. The decrease in 2007 was principally attributable to a 15% reduction in our sales force from 2006, a reduction in 10 second inventory units to sell as a result of the closure of several second-tier traffic markets in mid to late 2006, cancellation of several representation and affiliation agreements (representing an approximately 18% decrease in inventory units from June 30, 2006 to December 31, 2007) and increased 10 second inventory being sold by radio stations. The reduced demand was experienced in most markets and advertiser categories.

Network business revenue in 2008 decreased $9.4 million, or 4.3%, to $209.5 million from $218.9 million in 2007. Network business revenue in 2007 decreased $27.4 million, or 11.1%, to $218.9 million from $246.3 million in 2006. The decrease in 2008 was primarily the result of the general decline in advertising spending, which started to contract mid-year and which accelerated during the fourth quarter of 2008. Our performance was also impacted by lower revenue from our RADAR inventory and lower barter revenue. The decrease in 2007 was principally attributable to an approximate 23% reduction in our quarterly gross impressions from RADAR rated network inventory (news programming inventory) which resulted from our affiliates experiencing audience declines, lower clearance levels by certain CBS Radio stations and planned reductions in affiliate compensation, the cancellation of certain programs (approximately $5.5 million) and the non-recurrence of revenue attributable to the 2006 Winter Olympic games (approximately $5.7 million), partially offset by revenue generated from new program launches (approximately $6.0 million). Excluding the effect of the non-recurrence of revenue attributable to the 2006 Winter Olympics, national revenue would have declined approximately 8.9%.

Operating costs

Operating costs for 2006, 2007 and 2008 were as follows:

	2006		2007		2008	
	$	% of total	$	% of total	$	% of total
			($ amounts in millions)			
Programming, production and distribution expenses	$ 301.6	76%	$ 274.6	78%	$ 293.8	81%
Selling expenses	46.8	12%	34.2	10%	34.3	10%
Stock-based compensation	6.3	2%	5.4	2%	5.4	2%
Other operating expenses	40.4	10%	36.2	10%	27.0	7%
	$ 395.1	100%	$ 350.4	100%	$ 360.5	100%

Operating costs for 2008 increased $10.1 million, or 2.9%, to $360.5 million from $350.4 million in 2007 due to increased station compensation and salary costs, which were partially offset by the elimination of management fees as a result of the new CBS arrangement. Operating costs in 2007 decreased $44.8 million, or 11.3%, to $350.4 million from $395.2 million in 2006.

Programming, production and distribution expenses for 2008 increased $19.2 million, or 7.0%, to $293.8 million from $274.6 million in 2007. The increase was due to an increase in station compensation costs primarily related to the CBS arrangement. Programming, production and distribution expenses in 2007 decreased $27.0 million, or 8.9%, to $274.6 million from $301.6 million in 2006. The decrease in 2007 was principally attributable to the cancellation of certain programming contracts (approximately $15.0 million), the non-recurrence of costs associated with the 2006 Winter

Olympics and lower payroll and rent costs associated with closing certain traffic information operation centers (approximately $9.0 million).

Table of Contents

Management s discussion and analysis of financial condition and results of operations

Selling expenses in 2008 remained relatively flat at $34.3 million as compared to $34.2 million in 2007. Selling expenses in 2007 decreased $12.6 million, or 26.9%, to $34.2 million from $46.8 million in 2006. The 2007 decrease was principally attributable to a reduction in sales staff and commissions of $7.8 million and a decrease in bad debt expense of approximately $2.2 million.

Other operating expenses in 2008 declined by $9.2 million, or 25.5%, to $27.0 million from $36.2 million in 2007, the majority of which is the elimination of the CBS management fee. The decrease in other operating expenses also reflects the Metro business re-engineering program and other cost reductions, which led to declines in Metro business-related personnel, facilities and aviation costs. Other operating expenses in 2007 decreased $4.2 million, or 10.6%, to $36.2 million from $40.4 million in 2006. The 2007 decrease was principally attributable to reduction in personnel costs.

Depreciation and amortization

Depreciation and amortization in 2008 decreased $8.7 million, or 44.3%, to $11.1 million from $19.8 million in 2007 primarily as a result of the cancellation of the CBS warrants. Depreciation and amortization in 2007 decreased $1.0 million, or 4.4%, to $19.8 million from $20.8 million in 2006. The 2007 decrease is principally attributable to certain assets becoming fully depreciated.

Corporate general and administrative expenses

Corporate general and administrative expenses in 2008 increased slightly to $13.4 million from $13.2 million in 2007. The increase reflects an increase in salary and wages and stock-based compensation offset by a reduction in legal fees and the CBS management fee. Corporate general and administrative expenses in 2007 decreased $1.4 million, or 9.9%, to $13.2 million from $14.6 million in 2006. The 2007 decrease was principally attributable to reduced stock-based compensation and lower corporate governance costs, partially offset by increased personnel costs.

Goodwill impairment

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

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

We employ a third party firm specializing in valuation services to assist us in determining the fair value of the reporting units and goodwill. In connection with the 2008 testing, we have determined that using a discounted cash flow model was the best calculation of our fair value. In prior periods, the fair value was calculated on a consistently applied weighted average basis using a discounted cash flow model and the quoted market price of our common stock.

In 2008, we determined that our goodwill was impaired and recorded impairment charges totaling $430.1 million ($206.1 million in the second quarter and $224.1 million in the fourth quarter). The remaining value of our goodwill is $34.0 million based upon management s best estimates including a

57

Table of Contents

Management s discussion and analysis of financial condition and results of operations

valuation study that was prepared by a third party firm specializing in valuation services and using management s operational forecasts. The goodwill impairment, the majority of which was not deductible for income tax purposes, was primarily due to our declining operating performance and the reduced valuation multiples in the radio industry.

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

In connection with our annual goodwill impairment testing for 2006, based on a similar approach as applied in 2007, we determined our goodwill was impaired and recorded a non-cash charge of $515.9 million. The goodwill impairment, the majority of which was not deductible for income tax purposes, was primarily due to our declining operating performance and the reduced valuation multiples in the radio industry.

If actual results differ from our operational forecasts, or if the discount rate used in our calculation increases, future impairment charges may be recorded.

Restructuring charges

In connection with the re-engineering of our traffic operations and other cost reductions implemented to a significant degree in the last half of 2008, we recorded $14.1 million in restructuring charges for the twelve months ended December 31, 2008. Cost reduction initiatives included the consolidation of leased offices, staff reductions and the elimination of underperforming programming. We anticipate further charges of approximately $9.7 million as additional phases of the original traffic re-engineering and other programs are implemented and finalized in the second quarter of 2009. The total restructuring charges for the traffic re-engineering and other cost savings programs are projected to be approximately $23.8 million. In addition, we have introduced and will complete new cost reduction programs in 2009. As these programs are implemented, we anticipate that we will incur new incremental costs for severance of approximately $6.0 million and contract terminations of $3.1 million. In total, we estimate we will record aggregate restructuring charges of approximately $32.9 million, consisting of: (1) $15.5 million of severance, relocation and other employee related costs; (2) $7.4 million of facility consolidation and related costs; and (3) $10.0 million of contract termination costs.

Special charges

We incurred non-recurring expenses aggregating $13.2 million, $4.6 million and $1.6 million in 2008, 2007 and 2006, respectively. Special charges for 2008 were primarily related to a $5.0 million payment to CBS Radio as a result of the new arrangement with CBS Radio, legal and advisor costs associated with the new arrangement, consulting costs attributable to our Metro business re-engineering initiative, re-financing transaction costs and costs related to the issuance of Series A Preferred Stock to Gores. The 2007 and 2006 charges relate to the negotiation of a new long-term arrangement with CBS Radio and for severance obligations related to executive officer changes.

Operating loss

We incurred an operating loss of $438.0 million in 2008. Absent the goodwill impairment charge of $430.1 million, operating income in 2008 decreased $71.2 million to an operating loss of $7.9 million from an operating income of $63.3 million in 2007. The decline in 2008 reflects a $47.0 million decrease

Management s discussion and analysis of financial condition and results of operations

in revenue and an increase in costs due to restructuring charges for the facilities vacated in connection with the Metro business re-engineering initiative, accrued severance payments, increased personnel costs and costs associated with the new CBS agreement. Operating income in 2007 increased $499.3 million to $63.3 million from an operating loss of $436.0 million in 2006. Excluding the 2006 impairment charge, operating income in 2007 decreased $16.6 million, or 20.8%, to $63.3 million from $79.9 million in 2006. The 2007 decrease was attributable to lower revenue, partially offset by a reduction in operating costs.

Interest expense

Interest expense in 2008 decreased $6.9 million, or 29.5%, to $16.7 million from $23.6 million in 2007 reflecting the decrease in the amount of outstanding debt. Interest expense in 2007 decreased $2.0 million, or 7.7%, to $23.6 million from $25.6 million in 2006. The 2007 decrease was principally attributable to lower average borrowings under our then outstanding credit facility, partially offset by an increase in interest rates, higher amortization of deferred debt costs as a result of amending the then outstanding credit facility in 2006, and a payment to terminate one of our fixed to floating interest rate swap agreements on our aggregate principal amount of then outstanding $150.0 million notes.

Our weighted average interest rate was 6.5%, 6.3% and 5.9% in 2008, 2007 and 2006, respectively.

In January and February 2008, we amended our then outstanding credit facility to increase our leverage ratio and eliminate a provision that deemed the termination of the CBS Radio management agreement an event of default. As a result, our interest rate under the amended agreement for the that facility was increased to LIBOR + 175 basis points from LIBOR + 125 basis points.

Other income

Other income was $12.4 million, $0.4 million and $0.9 million in 2008, 2007 and 2006, respectively. Other income in 2008 was principally due to a gain of $12.4 million on the sale of securities in the third quarter and in 2007, was principally attributable to interest earned on our invested cash balances. In 2006, in addition to interest income, we received $0.5 million in connection with a recapitalization transaction of POP Radio, LP (POP Radio), a company in which we have an investment.

Provision for income taxes

Income tax expense in 2008 decreased $30.5 million to a benefit of $14.8 million from an expense of $15.7 million in 2007 as a result of a portion of the goodwill impairment charge recorded during the year being tax deductible. Income tax expense in 2007 increased $6.9 million, or 78.5%, to $15.7 million from $8.8 million in 2006. In 2008, our effective income tax rate was 3.3%. The effective 2008 income tax rate was impacted by the 2008 goodwill impairment charge being substantially non-deductible for tax purposes. The 2007 effective income tax rate benefited from a change in New York State tax law on our deferred tax balance (approximately $0.1 million). The 2006 income tax provision was impacted by the 2006 goodwill impairment and related deferred tax attributes.

Net income (loss)

Net income in 2008 decreased $452.0 million to a loss of $(427.6) million, or $(878.73) per basic and diluted common share, from net income of $24.4 million, or $56.59 per basic and $56.38 per diluted common share and $3.20 per basic and diluted Class B share in 2007. This compares with a net loss of

$(469.5) million, or $(1,091.76) per basic and diluted common share and $51.20 per basic and diluted Class B share in 2006. Net income in 2008 and 2006 was impacted by goodwill impairment charges of $430.1 million and $515.9 million, respectively.

59

Table of Contents

Management s discussion and analysis of financial condition and results of operations

Weighted-average shares

Weighted-average shares outstanding used to compute basic earnings per share were 490,077, 430,563 and 430,066 shares in 2008, 2007 and 2006, respectively. Weighted-average shares outstanding used to compute diluted earnings per share were 490,077, 432,127 and 430,066 shares in 2008, 2007, and 2006, respectively. Basic and diluted weighted-average common shares outstanding are equivalent, as common stock equivalents from stock options, unvested restricted stock and warrants would be anti-dilutive.

LIQUIDITY AND CAPITAL RESOURCES

We continually project anticipated cash requirements, which may include potential acquisitions, capital expenditures, principal and interest payments on our outstanding indebtedness, share repurchases, dividends and working capital requirements. To date, funding requirements have been financed through cash flows from operations, the issuance of equity and the issuance of long-term debt.

At December 31, 2008, our principal sources of liquidity were our cash and cash equivalents of $6.4 million and borrowings under our Old Credit Agreement (as defined below). As previously disclosed and as discussed elsewhere in this prospectus, on February 27, 2009, our outstanding indebtedness under our Old Credit Agreement, which totaled approximately $41.0 million, matured and became due and payable in its entirety. Additionally, we had not made our most recent interest payment due to holders of the Old Notes (as defined below) on November 30, 2008. The non-payment of such amounts constituted an event of default under the Old Credit Agreement and the Old Notes, respectively. Based upon facts and circumstances that existed as of December 31, 2008, we previously disclosed that there was a substantial doubt about our ability to continue as a going concern. We previously disclosed that as of March 30, 2009, we were unable to meet our outstanding debt obligations, which raised substantial doubt about our ability to continue as a going concern. Absent negotiating and executing definitive documentation with various lenders and Gores, obtaining approximately $47.0 million in additional capital to satisfy our outstanding debt payments and obtaining a waiver of our 4.0 to 1 debt leverage covenant (which we anticipated violating upon delivery of our audited financial statements), our sources of liquidity were anticipated to be inadequate to fund immediate and ongoing operating requirements in the next twelve months.

On April 23, 2009, we completed the Restructuring (see Note 20 to our financial statements Subsequent Events). As part of the Restructuring, we entered into a Securities Purchase Agreement (Securities Purchase Agreement) with: (1) holders of our outstanding Old Notes both of which were issued under the Note Purchase Agreement, dated as of December 3, 2002 and (2) lenders under the Credit Agreement, dated as of March 3, 2004 (the Old Credit Agreement).

Pursuant to the Securities Purchase Agreement, in consideration for releasing all of their respective claims under the Old Notes and the Old Credit Agreement, the debt holders collectively received: (1) $117.5 million of Senior Notes; (2) 34,962 shares of Series B Preferred Stock; and (3) a one-time cash payment of $25.0 million. Gores purchased at a discount approximately $22.6 million principal amount of our then existing debt held by debt holders who did not wish to participate in the Senior Notes as set forth in the Securities Purchase Agreement.

In connection with the Restructuring, we also entered into a Credit Agreement (the Senior Credit Facility) with Wells Fargo Foothill, LLC, as the arranger, administrative agent and initial lender, pursuant to which we obtained a $15.0 million revolving line of credit (which includes a $1.5 million letter of credit sub-facility) on a senior unsecured basis and a $20.0 million unsecured non-amortizing

Table of Contents

Management s discussion and analysis of financial condition and results of operations

term loan, the obligations in respect of which are subordinated to obligations in respect of the Senior Notes. As of the date of this prospectus we have borrowed the entire amount of the term loan and have not made any borrowings under the revolving line of credit. Loans under the Senior Credit Facility will mature on July 15, 2012 and proceeds of the term loan will be used to, among other things, consummate the transactions contemplated by the Restructuring, and pay fees and expenses in connection therewith. Proceeds of the revolving loans are expected to be used for working capital and general corporate purposes.

In addition, as part of the Restructuring, Gores (1) agreed to purchase, at a discount, approximately $22.6 million principal amount of our then existing debt held by debt holders who did not wish to participate in the Senior Notes, (2) agreed to guarantee the Senior Credit Facility and a $10.0 million contractual commitment by one of our wholly owned subsidiaries and (3) invested $25.0 million in the Company for 25,000 shares of Series B Preferred Stock. In connection with Gores providing the guarantees and purchasing the debt from non-participating holders, the 75,000 shares of Series A Preferred Stock held by Gores immediately prior to the Restructuring, which then had a liquidation preference of approximately $79.0 million, were exchanged for 75,000 shares of Series A-1 Preferred Stock.

As described in the section entitled Prospectus Summary Recent Events above, we recently obtained waivers of compliance with our debt leverage covenants for the fourth quarter of 2009 measurement period which means our debt leverage covenant will first be measured on March 31, 2010 and thereafter on a quarterly basis on a trailing four-quarter basis.

Management believes that after giving effect to cost containment measures including furloughs and salary reductions for employees, we will generate sufficient Adjusted EBITDA in order to meet our debt leverage covenant over the next twelve months (namely, on March 31, 2010, June 30, 2010 and September 30, 2010 when the covenants are measured on a trailing four-quarter basis). However, as described elsewhere in this prospectus, we are operating in an uncertain economic environment with limited visibility on advertising orders for the duration of 2009 and the beginning of 2010. As described in the section entitled Use of Proceeds , we have agreed to pay down our Senior Notes in an amount of either $15.0 or 20.0 million, depending on the amount of gross proceeds of the offering. If we are unable to achieve our forecasted results, or sufficiently mitigate those results with certain cost reduction measures, and cannot obtain a waiver or amendment of our debt covenant requirements at March 31, 2010 or beyond, it could have a material and adverse effect on our business continuity, results of operations, cash flows and financial condition.

Management has reviewed the impact of the Restructuring, including projected covenant compliance under the new debt (as amended to date), the results of our restructuring plan and our current forecasted results and has concluded that the conditions that gave rise to substantial doubt about our ability to continue as a going concern have been removed. We believe that our sources of liquidity are adequate to fund ongoing operating requirements for the next twelve months.

Existing indebtedness

As of the date of this prospectus, we have: $120.4 million of Senior Notes; a $20.0 million unsecured, non-amortizing term loan and a $15.0 million revolving line of credit (which includes a $1.5 million letter of credit sub-facility) on a senior unsecured basis. The term loan and revolver mature on July 15, 2012 and are guaranteed by our domestic subsidiaries (the Guarantors) and Gores. We borrowed the entire amount of the term loan on April 23, 2009 and as of the date of this prospectus have borrowed

61

Management s discussion and analysis of financial condition and results of operations

$5.0 million under the revolving line of credit. The Senior Notes bear interest at 15.0% per annum, payable 10% in cash and 5% in-kind (PIK interest). The PIK interest is added to principal quarterly, but will not be payable until maturity. The Senior Notes may be prepaid at any time, in whole or in part, without premium or penalty. Payment of the Senior Notes is mandatory upon, among other things, certain asset sales and the occurrence of a change of control (as such term is defined in the Senior Notes). The Senior Notes are guaranteed by the Guarantors and are secured by a first priority lien on substantially all of our assets. Loans under the Senior Credit Facility bear interest at our option at either LIBOR plus 4.5% per annum (with a LIBOR floor of 2.5%) or a base rate plus 4.5% per annum (with a base rate floor of the greater of 3.75% and the one-month LIBOR rate).

Both the Senior Notes and the Senior Credit Facility contain restrictive covenants that, among other things, limit our ability to incur debt, incur liens, make investments, make capital expenditures, consummate acquisitions, pay dividends, sell assets and enter into mergers and similar transactions beyond specified baskets and identified carve-outs. Additionally, we may not exceed the maximum senior leverage ratio (the principal amount outstanding under the Senior Notes over our consolidated EBITDA). The Senior Notes contain customary representations and warranties and affirmative covenants. The Senior Credit Facility contains substantially identical restrictive covenants (including a maximum senior leverage ratio calculated in a manner consistent with the Senior Notes), affirmative covenants and representations and warranties as those found in the Senior Notes, subject, in the case of certain covenants, to a cushion on baskets and covenant levels from those contained in the Senior Notes.

Of particular note, and as described in more detail in our Securities Purchase Agreement and Credit Agreement with Wells Fargo Foothill, any merger, acquisition of the stock or assets of another business, or investment requires the consent of our lenders under the aforementioned agreements, which consent may or may not be provided in connection with any acquisition/investment opportunity. Under these agreements, an investment includes, among other things: (1) the purchase or other acquisition of the equity interests of another person/entity, (2) loans or capital contributions to another person/entity and (3) the purchase of assets of another person/entity that constitutes a business unit or all or a substantial part of the business. In the cases of clause (3), these agreements do allow us to make an investment of up to $5 million without lender consent, provided, that such amount, when aggregated with our capital expenditures in such calendar year, does not exceed $15 million.

As part of the Restructuring, Gores (1) agreed to purchase, at a discount, approximately $22.6 million principal amount of our then existing debt held by debt holders who did not wish to participate in the Senior Notes, (2) agreed to guarantee the Senior Credit Facility and a $10.0 million contractual commitment by one of our wholly owned subsidiaries and (3) invested $25.0 million in the Company for 25,000 shares of Series B Preferred Stock. In connection with Gores providing the guarantees and purchasing the debt from non-participating holders, the 75,000 shares of Series A Preferred Stock held by Gores immediately prior to the Restructuring, which then had a liquidation preference of approximately $79.0 million, were exchanged for 75,000 shares of Series A-1 Preferred Stock.

Indebtedness prior to April 23, 2009

Prior to April 23, 2009, our debt consisted of an unsecured, five-year $120.0 million term loan and a five-year $75.0 million revolving credit facility. Interest on the facility was variable and payable at a maximum of the prime rate plus an applicable margin of up to 0.75% or LIBOR plus an applicable margin of up to 1.75%, at our option. The facility contained covenants relating to dividends, liens, indebtedness, capital expenditures and restricted payments, as defined, interest coverage and leverage ratios. As a result of an amendment to our facility in the first quarter of 2008, we provided security to

62

Table of Contents

Management s discussion and analysis of financial condition and results of operations

our lenders (including holders of our Old Notes (defined below)) on substantially all of our assets and amended our allowable total debt covenant to 4.0 times Annualized Consolidated Operating Cash Flow through the remaining term of the facility.

Prior to April 23, 2009, we also had $200.0 million in Senior Notes (the Old Notes) which we issued on December 3, 2002, and consisted of: 5.26% Senior Notes due November 30, 2012 (in an aggregate principal amount of $150.0 million) and 4.64% Senior Notes due November 30, 2009 (in an aggregate principal amount of $50.0 million). Interest on the Old Notes was payable semi-annually in May and November. The Old Notes contained covenants relating to leverage and interest coverage ratios that were identical to those contained in our facility.

At March 31, 2009, we had approximately $9.0 million outstanding under our revolving credit facility and actual debt outstanding under the term loan was $32.0 million. At March 31, 2009, our principal sources of liquidity were cash and cash equivalents of $7.2 million.

On each of March 3, 2008 and March 24, 2008, we sold 7,142,857 shares (14,285,714 shares in the aggregate) of common stock to Gores for an aggregate purchase price of $25.1 million. On June 19, 2008, we sold 75,000 shares of our Series A Convertible Preferred Stock with warrants to purchase (1) up to 3,330,000 shares of our Common Stock at a strike price of $5.00 per share, (2) up to 3,330,000 shares of our Common Stock at a strike price of $6.00 per share, and (3) up to 3,340,000 shares of our Common Stock at a strike price of $7.00 per share, for an aggregate purchase price of $75.0 million to Gores. All of such Series A Convertible Preferred Stock was exchanged into Series A-1 Preferred Stock on April 23, 2009. 3,500 shares of Series A-1 Preferred Stock were converted into common stock on July 9, 2009 and the remaining shares were converted into shares of common stock on August 3, 2009. The warrants were cancelled on August 3, 2009.

Current position

Net cash used by operating activities was $15.1 million for the period ended June 30, 2009 and $4.8 million for the six months ended June 30, 2008, an increase of $10.3 million in net cash used by operating activities. The increase principally reflects the increased net loss, before impairment charges, partially offset by lower capital expenditures.

Our business does not usually require significant cash outlays for capital expenditures. Capital expenditures in the first half of 2009 decreased $3.2 million to $2.9 million from $6.1 million in the first half of 2008. The decrease in the first half of 2009 is principally attributable to the timing of our expenditures planned for the year. We anticipate an increase in capital expenditures for the remainder of 2009 as we invest in systems and infrastructure.

In May 2007, our board of directors elected to discontinue the payment of a dividend on our common stock and does not plan to declare dividends on our common stock for the foreseeable future. The payment of dividends on our common stock is also prohibited by the terms of our Senior Notes.

While we are authorized to repurchase up to $290.5 million of our common stock as of December 31, 2008, we do not plan on repurchasing any additional shares for the foreseeable future. Such repurchases are also prohibited by the terms of our Senior Notes and new Senior Credit Facility.

63

Management s discussion and analysis of financial condition and results of operations

INVESTMENTS

TrafficLand

On December 22, 2008, our wholly owned subsidiary Metro Networks Communications, Inc. (Metro) and TrafficLand entered into a License and Services Agreement, which provides us with a three-year license to market and distribute TrafficLand services and products. Concurrent with the execution of the License Agreement, we, TLAC, Inc. (our wholly owned subsidiary formed for such purpose) and TrafficLand entered into an option agreement granting us the right to acquire 100% of the stock of TrafficLand pursuant to the terms of a Merger Agreement, which the parties have negotiated and placed in escrow. As a result of payments previously made under the License Agreement, we have the right to cause the Merger Agreement to be released from escrow at any time on or prior to December 1, 2009. Upon consummation of the closing of the merger, the License Agreement would terminate. Costs of $0.8 million associated with this transaction have been expensed as of December 31, 2008.

GTN

On March 29, 2006, our cost method investment in The Australia Traffic Network Pty Limited was converted into 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 investment in GTN was sold during the quarter ended September 30, 2008 and we received proceeds of approximately $12.7 million and realized a gain of $12.4 million. Such gain is included as a component of Other Income in the Consolidated Statement of Operations for the year ended December 31, 2008.

POP Radio

On October 28, 2005, we 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, we became the exclusive sales representative of the majority of advertising on the POP Radio network for five years, until December 31, 2010, unless earlier terminated by the express terms of the sales representative agreement. We hold a 20% limited partnership interest in POP Radio. No additional capital contributions are required by any of the limited partners. This investment is being accounted for under the equity method. The initial investment balance was minimal, and our equity in earnings of POP Radio through December 31, 2008 was minimal.

On September 29, 2006, we, along with the other limited partners of POP Radio, elected to participate in a recapitalization transaction negotiated by POP Radio with Alta Communications, Inc. (Alta), in return for which we received $0.5 million on November 13, 2006 which was recorded within Other Income in the Consolidated Statement of Operations for the year ended December 31, 2006. Pursuant to the terms of the transaction, if and when Alta elects to exercise warrants it received in connection with the transaction, our limited partnership interest in POP Radio will decrease from 20% to 6%.

Table of Contents

Management s discussion and analysis of financial condition and results of operations

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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

	Payments due by period				
	Total	**<1 year**	**1 3 years**	**3 5 years**	**>5 years**
	($ amounts in millions)				
Contractual Obligations[1]					
Debt[2]	$ 260.0	$ 260.0	$	$	$
Capital Lease Obligations	2.5	1.0	1.6		