WESTWOOD ONE INC /DE/
Form 10-Q
August 09, 2006

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

FORM 10-Q

[x] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2006

OR

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

For the transition period from __________ to __________

Commission file number 0-14691

WESTWOOD ONE, INC.

(Exact name of registrant as specified in its charter)

Delaware	**95-3980449**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
40 West 57th Street, 5th Floor, New York, NY	**10019**
(Address of principal executive offices)	(Zip Code)

(212) 641-2000

(Registrant s telephone number, including area code)

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

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

Large Accelerated Filer [ ] Accelerated Filer [x] Non-Accelerated Filer [ ]

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

Number of shares of stock outstanding at August 4, 2006 (excluding treasury shares):

Common Stock, par value $.01 per share 86,268,401 shares

Class B Stock, par value $.01 per share 291,796 shares

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PART I. FINANCIAL INFORMATION

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

	June 30, 2006	December 31, 2005 (Restated)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 9,342	$ 10,399
Accounts receivable, net of allowance for doubtful accounts of $3,746 (2006) and $3,896 (2005)	118,647	135,184
Prepaid taxes	5,951	
Prepaid and other assets	19,824	26,662
Total Current Assets	153,764	172,245
PROPERTY AND EQUIPMENT, NET	39,083	41,166
GOODWILL	982,219	982,219
INTANGIBLE ASSETS, NET	4,696	5,007
OTHER ASSETS	31,100	39,009
TOTAL ASSETS	$1,210,862	$ 1,239,646
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 17,668	$ 15,044
Amounts payable to related parties	22,372	21,192
Deferred revenue	7,960	9,086
Income taxes payable		21,861
Accrued expenses and other liabilities	48,946	32,968
Total Current Liabilities	96,946	100,151
LONG-TERM DEBT	413,985	427,514
OTHER LIABILITIES	8,023	7,952
TOTAL LIABILITIES	518,954	535,617
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS EQUITY		
Preferred stock: authorized 10,000,000 shares, none outstanding		
Common stock, $.01 par value: authorized, 252,751,250 shares; issued and outstanding, 86,268,401 (2006) and 86,673,821 (2005)	860	867

Class B stock, $.01 par value: authorized, 3,000,000 shares; issued and outstanding, 291,796 (2006 and 2005)	3	3
Additional paid-in capital	292,020	300,419
Unrealized gain on available for sale securities	4,905	
Accumulated earnings	394,120	402,740
TOTAL SHAREHOLDERS EQUITY	691,908	704,029
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	$1,210,862	$ 1,239,646

See accompanying notes to consolidated financial statements

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005 (Restated)	2006	2005 (Restated)
NET REVENUES	$ 129,162	$ 141,837	$ 249,934	$ 275,919
Operating Costs (includes related party expenses of $20,348 ,$20,564, $41,737 and $42,009, respectively)	92,509	94,149	203,319	193,389
Depreciation and Amortization (includes related party warrant amortization of $2,427, $2,427, $4,854 and $4,854, respectively)	5,063	5,147	10,185	10,403
Corporate General and Administrative Expenses (includes related party expenses of $826, $789, $1,614 and $1,548, respectively)	4,873	3,854	9,853	7,615
	102,445	103,150	223,357	211,407
OPERATING INCOME	26,717	38,687	26,577	64,512
Interest Expense	6,504	4,075	12,492	7,786
Other (Income) Expense	(126)	(126)	(235)	(186)
INCOME BEFORE INCOME TAXES	20,339	34,738	14,320	56,912
INCOME TAXES	8,169	13,274	5,677	21,604
NET INCOME	$ 12,170	$ 21,464	$ 8,643	$ 35,308
EARNINGS PER SHARE:				
BASIC	$ 0.14	$ 0.23	$ 0.10	$ 0.38
DILUTED	$ 0.14	$ 0.23	$ 0.10	$ 0.38
WEIGHTED AVERAGE SHARES OUTSTANDING:				
BASIC	86,246	91,829	87,819	92,756
DILUTED	86,256	92,247	87,852	92,899

See accompanying notes to consolidated financial statements

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

	Six Months Ended June 30, 2006	2005 (Restated)
CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$ 8,643	$ 35,308
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,185	10,403
Deferred taxes	1,819	(2,086)
Non-cash stock compensation	6,497	6,092
Amortization of deferred financing costs	167	167
	27,311	49,884
Changes in assets and liabilities:		
Accounts receivable	16,537	6,583
Prepaid and other assets	8,736	(3,913)
Deferred revenue	(1,126)	(1,452)
Income taxes payable and prepaid income taxes	(27,812)	10,052
Accounts payable and accrued expenses and other liabilities	5,043	4,434
Amounts payable to related parties	1,180	2,239
Net Cash Provided By Operating Activities	29,869	67,827
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,660)	(1,642)
Acquisition of companies and other	75	(204)
Net Cash Used in Investing Activities	(2,585)	(1,846)
CASH FLOW FROM FINANCING ACTIVITIES:		
Issuance of common stock	302	2,275
Borrowings under bank and other long-term obligations	10,000	65,000
Debt repayments and payments of capital lease obligations	(10,336)	(35,316)
Dividend payments	(17,263)	(9,171)
Repurchase of common stock	(11,044)	(80,850)
Windfall tax benefits from stock option exercises		609
Net Cash Used in Financing Activities	(28,341)	(57,453)

NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,057)	8,528
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	10,399	10,932
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 9,342	$ 19,460

See accompanying notes to consolidated financial statements

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WESTWOOD ONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share data)

NOTE 1 - Basis of Presentation:

The accompanying Consolidated Balance Sheets as of June 30, 2006 and December 31, 2005, and the Consolidated Statements of Operations and the Consolidated Statements of Cash Flows for the three and six month periods ended June 30, 2006 and 2005 are unaudited, but in the opinion of management include all adjustments necessary for a fair presentation of the financial position, the results of operations and cash flows for the periods presented and have been prepared in a manner consistent with the audited financial statements for the year ended December 31, 2005, as restated (See Note 2). Results of operations for interim periods are not necessarily indicative of annual results. These financial statements should be read in conjunction with the audited financial statements and footnotes for the year ended December 31, 2005, included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the SEC) on February 27, 2006.

NOTE 2 Equity-Based Compensation:

Equity Compensation Plans

The Company established stock option plans in 1989 (the 1989 Plan) and 1999 (the 1999 Plan) which provide for the granting of options to directors, officers and key employees to purchase Company common stock at its market value on the date the options are granted. Under the 1989 Plan, 12,600,000 shares were reserved for grant through March 1999. The 1989 Plan expired, but certain grants made under the 1989 Plan remain outstanding at June 30, 2006. On September 22, 1999, the stockholders ratified the 1999 Plan which authorized the grant of up to 8,000,000 shares of Common Stock. Options granted under the 1999 Plan generally become exercisable after one year in 20% increments per year and expire within ten years from the date of grant.

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

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

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

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

At June 30, 2006 there were 10,308,339 shares available for grant under the Company s equity compensation plans.

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WESTWOOD ONE, INC.
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(In thousands, except share and per share data)

For a more complete description of the provisions of the 2005 Plan, refer to the Company s proxy statement filed with the SEC on April 29, 2005 in which the 2005 Plan and a summary thereof are included.

Adoption of SFAS 123R

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

Effective January 1, 2006, the Company adopted Financial Accounting Standards Board Statement of Financial Accounting Standards No. 123 (Revised 2004), Share-Based Payment (SFAS 123R). SFAS 123R eliminates the alternative set forth in APB 25 allowing companies to use the intrinsic value method of accounting and requires that companies record expense for stock compensation on a fair value based method. In connection with the adoption of SFAS 123R, the Company has elected to utilize the modified retrospective transition alternative and has restated all prior periods to reflect stock compensation expense in accordance with SFAS 123. The restatements for each of the 2005 fiscal quarters are, and will continue to be, included in the Company s 2006 quarterly filings on Forms 10-Q.

As a result of adopting SFAS 123R, the Company s income before income taxes was $2,609 and $2,668 lower for the three month periods ended June 30, 2006 and 2005, respectively, and $5,540 and $6,059 lower for the six month periods ended June 30, 2006 and 2005, respectively, than if it had continued to account for the share-based compensation under APB No. 25. Income taxes were $1,069 and $1,028 lower for the three month periods and $2,198 and $2,474 lower for the six month periods ended June 30, 2006 and 2005, respectively.

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

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

Selected Balance Sheet Data:

	December 31, 2005		
	As previously reported	Adjustment	As restated
Deferred tax (liability) /asset	$ (10,619)	$ 19,388	$8,769
Paid-in capital	211,610	88,809	300,419
Retained earnings	472,161	(69,421)	402,740

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

Selected Statement of Operations Data:

	Three Months Ended June 30, 2005			Six Months Ended June 30, 2005		
	As previously reported	Adjustment	As restated	As previously reported	Adjustment	As restated
Operating Costs	$92,703	$ 1,446	$ 94,149	$189,729	$ 3,660	$193,389
Corporate General and Administrative Expenses	2,632	1,222	3,854	5,216	2,399	7,615
Income Before Income Taxes	37,406	(2,668)	34,738	62,971	(6,059)	56,912
Income Taxes	14,302	(1,028)	13,274	24,078	(2,474)	21,604
Net Income	23,104	(1,640)	21,464	38,893	(3,585)	35,308
Basic Earnings Per Share	$ 0.25	$ (0.02)	$ 0.23	$ 0.42	$ (0.04)	$ 0.38
Diluted Earnings Per Share	$ 0.25	$ (0.02)	$ 0.23	$ 0.42	$ (0.04)	$ 0.38

Equity Compensation Activity

The Company has awarded RSUs to Board members and certain key executives, which vest over three and four years, respectively. The cost of the RSUs, which is determined to be the fair market value of the shares at the date of grant net of estimated forfeitures, is expensed ratably over the vesting period, or period to retirement eligibility if shorter. The Company s RSU activity during the period ended June 30, 2006 follows:

RSUs:	2006 Shares	Aggregate Grant Date Fair Value	Weighted Average Grant Date Fair Value Per Share
Outstanding at December 31, 2005	100,683	$1,819	$ 18.07
Granted during the period	161,118	2,044	12.69
Dividend equivalents during the period	4,406	41	9.26
Forfeited during the period	(40,604)	(665)	16.37
Converted to common stock			
Outstanding at end of period	225,603	$3,239	$ 14.36

As of June 30, 2006, there was $ 2,156 of unearned compensation cost related to the RSUs granted. That cost is expected to be recognized over a weighted-average period of 1.71 years. The total compensation expense recognized related to RSUs was $293 and $29 for the three month periods ended June 30, 2006 and 2005, respectively, and $610 and $29 for the six month periods ended June 30, 2006 and 2005, respectively. These costs have been included in corporate, general and administrative expenses in the accompanying Statement of Operations.

The Company has awarded restricted shares of common stock to certain key employees. The awards have restriction periods tied solely to employment and vest over four years. The cost of restricted stock awards, which is determined to be the fair market value of the shares on the date of grant net of estimated forfeitures, is expensed ratably over the vesting period. The Company s restricted stock activity during the period ended June 30, 2006 follows:

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RESTRICTED STOCK:	2006 Shares	Grant Date Fair Value	Weighted Average Grant Date Fair Value Per Share
Unvested at December 31, 2005		$	$
Granted during the period (1)	335,137	4,313	12.87
Vested during the period			
Forfeited during the period	(11,949)	(170)	14.21
Unvested at June 30, 2006	323,188	4,143	12.82

(1) Amount includes dividend equivalents on unvested shares

As of June 30, 2006, there was $3,019 of unearned compensation cost related to restricted stock grants. That cost is expected to be recognized over a weighted-average period of 3.75 years. The total compensation expense recognized related to restricted stock is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Included In:	2006	2005	2006	2005
Corporate General and Administrative Expenses	$ 23	$	$ 38	$
Operating Costs	187		309	
TOTAL	$ 210	$	$ 347	$

There was no restricted stock issued as of June 30, 2005.

The Company s stock option activity during the six-month period ended June 30, 2006 follows:

	2006	
STOCK OPTIONS:	Shares	Weighted Average Exercise Price
Outstanding at December 31, 2005	7,787,589	$ 25.07
Granted during the period	753,060	14.45
Exercised during the period	(30,000)	10.09
Cancelled during the period	(1,286,300)	25.34
Forfeited during the period	(549,137)	23.06
Expired During the Period	(7,500)	20.73
Outstanding at June 30, 2006	6,667,712	$ 24.05

At June 30, 2006, options to purchase 3,805,794 shares of Common Stock were currently vested and exercisable at a weighted average exercise price of $24.93. The aggregate intrinsic value of the options outstanding at June 30, 2006 was $32, and the aggregate intrinsic value of the options vested and exercisable at June 30, 2006 was $32. The aggregate intrinsic value of options exercised was $0 and $2,422 during the 3 months, and $39 and $2,456 during the six months ended June 30, 2006 and 2005 respectively.

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(In thousands, except share and per share data)

The aggregate intrinsic value of vested and exercisable options represents the total pre-tax intrinsic value (the difference between the Company s closing stock price on the last trading day of the second quarter of fiscal 2006 and the exercise price, multiplied by the number of in-the-money options) that would have been received by the option holders had all option holders exercised their options on June 30, 2006. This amount changes based on the fair market value of the Company s stock.

As of June 30, 2006, there was $20,093 of unearned compensation cost related to stock options granted under the plans. That cost is expected to be recognized over a weighted-average period of 2.65 years. The total compensation expense recognized related to options is as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
Included In:	2006	2005	2006	2005
Corporate General and Administrative Expenses	$ 1,146	$ 1,222	$ 2,436	$ 2,399
Operating Costs	1,463	1,446	3,104	3,660
Total	$ 2,609	$ 2,668	$ 5,540	$ 6,059

The aggregate estimated fair value of options vesting was $1,668 and $1,593 during the three months and $3,297 and $6,897 during the six months ended June 30, 2006 and 2005, respectively. The weighted average fair value of the options granted was $5.58 and $6.05 during the six months ended June 30, 2006 and 2005, respectively. The estimated fair value of options granted was measured on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Risk-Free Interest Rate	5.05%	3.91%	4.52%	4.00%
Expected Term	6.25	5	6.21	5
Expected Volatility	47.3%	28.84%	45.27%	29.09%
Expected Dividend Yield	4.02%	1.90%	2.73%	1.09%

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

Additional information related to options outstanding at June 30, 2006, segregated by grant price range, is summarized below:

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(In thousands, except share and per share data)

	Number of Options	Weighted Average Exercise Price	Remaining Weighted Average Contractual Life (In Years)
Options Outstanding at Exercise Price Ranges of:			
$5.34-$9.88	129	$ 9.07	2.50
$10.09-$19.93	1,556,342	15.42	6.53
$20.25-$26.96	2,507,660	21.30	5.96
$30.19-$38.34	2,457,050	33.25	6.02

NOTE 3 Investments:

On March 29, 2006 the Company s cost method investment in The Australia Traffic Network Pty Limited (ATN) was converted to $1,540,195 shares of common stock of Global Traffic Network, Inc. (GTN) in connection with the initial public offering of GTN on that date. The Company is subject to a one-year lock-up provision with respect to its shares in GTN. The investment in GTN, valued at $8,451 at June 30, 2006, is classified as an available for sale security and included in other assets in the accompanying Consolidated Balance Sheet. Accordingly, the unrealized gain as of June 30, 2006 is included in unrealized gain on available for sale securities in the accompanying Consolidated Balance Sheet.

GTN is the parent company of ATN, and also of Canadian Traffic Network ULC (CTN) from whom the Company purchased a senior secured note in an aggregate principal amount of $2,000 in November 2005. In connection with the initial public offering of GTN, the senior secured note of CTN is now due to the Company on March 29, 2007, the one year anniversary of the initial public offering. This note is included in prepaid and other assets in the accompanying Consolidated Balance Sheet.

NOTE 4 Comprehensive Income:

Comprehensive income reflects the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. For the Company, comprehensive net income represents net income or loss adjusted for unrealized gains or losses on available for sale securities. Comprehensive income is as follows (in thousands):

	Three Months Ended June 30, 2006	Three Months Ended June 30, 2005	Six Months Ended June 30, 2006	Six Months Ended June 30, 2005
Net Income (Loss)	$ 12,171	$ 21,463	$ 8,644	$ 35,308
Other Comprehensive Income:				
Unrealized Gain (Loss)	(445)		4,905	
Comprehensive Income	$ 11,726	$ 21,463	$ 13,549	$ 35,308

NOTE 5 - Earnings Per Share:

Net income per share is computed in accordance with SFAS No. 128, Earnings per Share . Basic earnings per share excludes all dilution and is calculated using the weighted average number of shares outstanding in the period. Diluted earnings per share reflects the potential dilution that would occur if all dilutive financial instruments which may be exchanged for equity securities were exercised or converted to common stock.

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

The Company has issued options, restricted stock, RSUs, and warrants (See note 7 Related Party Transactions for more information regarding warrants), which may have a dilutive effect on reported earnings if they are exercised or converted to common stock. The following numbers of shares related to such instruments were added to the basic weighted average shares outstanding to arrive at the diluted weighted average shares outstanding for each period:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Options	4	414	26	143
Restricted Stock	6		6	
Restricted Stock Units		4		
Warrants				

Financial instruments, which may be exchanged for equity securities are excluded in periods in which they are anti-dilutive. The following weighted average outstanding shares were excluded from the calculation of diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Options	7,495,394	6,688,593	7,648,968	4,121,200
Warrants	3,500,000	4,000,000	3,500,000	4,000,000

The per share exercise prices of the options were $9.13 38.34 and $19.93 38.34 for the three months, and $8.88 38.34 and $22.06 38.34 for the six months ended June 30, 2006 and 2005 respectively. The per share exercise prices of the warrants were $51.40 67.98 and $44.70 67.98 for the three and six month periods ended June 30, 2006 and 2005 respectively.

NOTE 6 - Debt:

Long-term debt consists of the following at:

	June 30, 2006	December 31, 2005
Revolving Credit Facility/Term Loan	$ 220,000	$ 230,000
4.64% Senior Unsecured Notes due 2009	50,000	50,000
5.26% Senior Unsecured Notes due 2012	150,000	150,000
Fair market value of Swap (a)	(6,015)	(2,486)
	$ 413,985	$ 427,514

(a) write-up (write-down) to market value adjustments for debt with qualifying hedges that are recorded as debt

on the balance
sheet.

On March 3, 2004, the Company refinanced its existing senior loan agreement with a syndicate of banks led by JP Morgan Chase Bank and Bank of America. The new facility is comprised of an unsecured five-year $120,000 term loan and a five-year $180,000 revolving credit facility (collectively the Facility). In connection with the closing of the Facility, the Company borrowed the full amount of the term loan, the proceeds of which were used to repay the outstanding borrowings under a prior facility. Interest on the Facility is payable at the prime rate plus an applicable margin of up to .25% or LIBOR plus an applicable margin of up to 1.25%, at the Company s option. The Facility contains covenants relating to dividends, liens, indebtedness, capital expenditures and interest coverage and leverage ratios. At June 30, 2006, the Company had available borrowings under the Facility of $80,000.

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

NOTE 7 Related Party Transactions:

CBS Radio Inc. (CBS Radio ; previously known as Infinity Broadcasting Corporation, a wholly-owned subsidiary of CBS Corporation) holds a common equity position in the Company and provides ongoing management services to the Company under the terms of a management agreement (the Management Agreement). In return for receiving services under the Management Agreement, the Company compensates CBS Radio via an annual base fee and provides CBS Radio the opportunity to earn an incentive bonus if the Company exceeds pre-determined targeted cash flows. In addition to the base fee and incentive compensation, the Company also granted CBS Radio fully-vested and non-forfeitable warrants to purchase Company common stock.

In addition to the Management Agreement, the Company also enters into other transactions with CBS Radio in the normal course of business. These transactions, as well as the terms of the warrants described above, are more fully described in the Company s Annual Report on Form 10-K filed with the SEC on February 27, 2006.

The Company incurred the following expenses relating to transactions with CBS Radio or its affiliates for the three month periods ended June 30:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Representation Agreement	$ 7,150	$ 6,491	$ 13,641	$ 12,747
Programming and Affiliations	13,198	14,073	28,096	29,262
Management Agreement (excluding warrant amortization)	826	789	1,614	1,548
Warrant Amortization	2,427	2,427	4,854	4,854
	$ 23,601	$ 23,780	$ 48,205	$ 48,411

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

NOTE 8 Shareholders Equity:

On February 28, 2006 and May 30, 2006, the Company paid cash dividends of $0.10 per share for every issued and outstanding share of common stock and $0.08 per share for every issued and outstanding share of Class B stock.

NOTE 9 New Accounting Standards and Interpretations Not Yet Adopted:

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

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

NOTE 10 Subsequent Event:

On August 7, 2006, the Company s Board of Directors declared a cash dividend of $0.10 per share for every issued and outstanding share of common stock and $0.08 per share for every issued and outstanding share of Class B stock, payable on September 15, 2006 to stockholders of record on the books of the Company at the close of business on August 21**,** 2006. Further declarations of dividends, including the establishment of record and payment dates related to dividends, will be at the discretion of the Company s Board of Directors.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations
(In thousands except for share and per share amounts)

EXECUTIVE OVERVIEW

The following discussion should be read in conjunction with the Company s unaudited condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and the annual audited consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2005 filed with the SEC on February 27, 2006.

Westwood One supplies radio and television stations with information services and programming. The Company is the largest domestic outsource provider of traffic reporting services and one of the nation s largest radio networks, producing and distributing national news, sports, talk, music and special event programs, in addition to local news, sports, weather, video news and other information programming. The commercial airtime that we sell to our advertisers is acquired from radio and television affiliates in exchange for our programming, content, information, and in certain circumstances, cash compensation.

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

The Company derives substantially all of its revenues from the sale of :10 second, :30 second and :60 second commercial airtime to advertisers. Our advertisers who target local/regional audiences generally find the most effective method is to purchase shorter duration :10 second advertisements, which are principally correlated to traffic and information related programming and content. Our advertisers who target national audiences generally find the most cost effective method is to purchase longer :30 or :60 second advertisements, which are principally correlated to news, talk, sports, and music and entertainment related programming and content. A growing number of advertisers purchase both local/regional and national airtime. Generally, the greater amount of programming we provide our affiliates the greater amount of commercial airtime becomes available for the Company to sell. Additionally, over an extended period of time an increase in the listening audience results in our ability to generate more revenues. Our goal is to maximize the yield of our available commercial airtime to optimize revenues.

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

There are a variety of factors that influence the Company s revenues on a periodic basis including but not limited to: (i) economic conditions and the relative strength or weakness in the United States economy; (ii) advertiser spending patterns and the timing of the broadcasting of our programming, principally the seasonal nature of sports programming; (iii) advertiser demand on a local/regional or national basis for radio related advertising products; (iv) increases or decreases in our portfolio of program offerings and related audiences, including changes in the demographic composition of our audience base; and (v) competitive and alternative programs and advertising mediums.

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

The principal critical components of our operating expenses are labor, programming, production and distribution costs (including affiliate compensation and broadcast rights fees), selling expenses (including bad debt expenses, commissions and promotional expenses), depreciation and amortization, and corporate, general and administrative expenses. Corporate general and administrative expenses are primarily comprised of costs associated with the Management Agreement, personnel costs and other administrative expenses, including those associated with corporate governance matters.

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

Results of Operations

Three Months Ended June 30, 2006 Compared With Three Months Ended June 30, 2005

Revenues

Revenues presented by type of commercial advertisements are as follows for the three month periods ending June 30:

	Three Months Ended June 30,			
	2006		2005	
	$	% of total	$	% of total
Local/Regional	69,624	54	82,262	58
National	59,538	46	59,575	42
Total (1)	$ 129,162	100%	141,837	100%

(1)

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

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Revenues for the second quarter of 2006 decreased $12,675, or 8.9%, to $129,162 compared with $141,837 in the second quarter of 2005. During the second quarter of 2006, revenues aggregated from the sale of local/regional airtime decreased approximately 15.4%, or approximately $12,638, and national-based revenues were essentially flat with the second quarter of 2005. An estimated 93% of revenues were derived from terrestrial radio sources, while 7% of revenues were derived from sources other than terrestrial radio, including satellite, data, television, and new media.

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

The aggregated national-based revenue was impacted by a decrease in revenues originating from music and news programming offset by increased revenue related to our broadcast of the 2006 National Hockey games, as well as an increase in our other sports programming, and talk categories.

Operating Costs

Operating costs for the three months ended June 30 in each of 2006 and 2005 were as follows:

	Three Months Ended June 30,			
	2006		2005	
	$	% of total	$	% of total
Programming, production and distribution expenses	67,972	73	66,963	71
Selling expenses	12,076	13	14,787	16
Stock-based compensation	1,650	2	1,446	1
Other operating expenses	10,811	12	10,953	12
	$ 92,509	100%	$ 94,149	100%

Operating costs decreased approximately 1.7%, or $1,640, to $92,509 in the second quarter of 2006 from $94,149 in the second quarter of 2005. The decrease was principally attributable to distribution and labor expenses. These decreases were offset by increases in programming, production and rights fees from existing program offerings and in connection with the development of new initiatives.

Depreciation and Amortization

Depreciation and amortization decreased $84, or 1.6%, to $5,063 in the second quarter of 2006 from $5,147 in the second quarter of 2005. The decrease was principally attributable to a decrease in amortization expense related to the historical acquisition of certain service agreements.

Corporate General and Administrative Expenses

Corporate general and administrative expenses increased $1,019, or 26.4%, to $4,873 in the second quarter of 2006 from $3,854 in the second quarter of 2005. Exclusive of stock-based compensation expense of $1,462 and $1,251 in the second quarter of 2006 and 2005, respectively, corporate general and administrative expenses increased by $808. The increase was principally attributable to higher expenses associated with our corporate governance, business development and compliance initiatives.

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Operating Income

Operating income decreased $11,970 or 30.9% to $26,717 in the second quarter of 2006 from operating income of $38,687 in the second quarter of 2005. The 2006 decrease was principally attributable to the decline in net revenues and higher operating and corporate general and administrative costs.

Interest Expense

Interest expense increased 59.6% in the second quarter of 2006 to $6,504 from $4,075 in the second quarter of 2005. The increase was principally attributable to higher average borrowings under our credit facilities and higher average interest rates.

Provision for Income Taxes

Income tax expense in the second quarter of 2006 was $8,169 as compared with $13,274 in the second quarter of 2005. The Company s effective income tax rate was approximately 40.2% in the second quarter of 2006 compared with 38.2% in the second quarter of 2005. The increase in the effective income tax rate was principally a result of higher state taxes resulting from recent tax developments in the states in which we operate.

Net Income

Net income in the second quarter of 2006 was $12,170 compared with net income of $21,464 in the second quarter of 2005, a decrease of $9,294. Net income per basic share and net income per diluted share, were $0.14 in the second quarter of 2006. Net income per basic share and net income per diluted share were $0.23 in the same period of the prior year.

Earnings Per Share

Weighted average shares outstanding used to compute basic and diluted earnings per share decreased approximately 6.1% to 86,246 and 6.5% to 86,256, respectively, in the first quarter of 2006 compared with 91,829 and 92,247, respectively, in the first quarter of 2005. The decrease is principally attributable to the Company s stock repurchase program.

Six Months Ended June 30, 2006 Compared With Six Months Ended June 30, 2005

Revenues

Revenues presented by type of commercial advertisements are as follows for the six month periods ending June 30:

	Six Months Ended June 30,			
	2006		2005	
	$	% of total	$	% of total
Local/Regional	125,477	50	150,640	55
National	124,457	50	125,279	45
Total (1)	$ 249,934	100%	$ 275,919	100%

(1) As described above, the Company currently aggregates revenue data based on the type of commercial airtime sold. A number of advertisers

purchase both local/regional and national commercial airtime. Accordingly, this factor should be considered in evaluating the relative revenues generated on a local/regional versus national basis. Our objective is to optimize total revenues from those advertisers.

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Revenues for the first six months of 2006 decreased $25,985, or 9.4%, to $249,934 compared with $275,919 in the first six months of 2005. During the first six months of 2006, revenues aggregated from the sale of local/regional airtime decreased approximately 16.7%, or approximately $25,163, and national-based revenues decreased approximately 0.7%, or $822, compared with the first six months of 2005. An estimated 92% of revenues were derived from terrestrial radio sources, while 8% of revenues were derived from sources other than terrestrial radio, including satellite, data, television, and new media.

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

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

Operating Costs

Operating costs for the six months ended June 30 in each of 2006 and 2005 were as follows:

	Six Months Ended June 30,			
	2006		2005	
	$	% of total	$	% of total
Programming, production and distribution expenses	151,716	75	139,730	72
Selling expenses	26,648	13	28,838	15
Stock-based compensation	3,413	2	3,660	2
Other operating expenses	21,542	10	21,161	11
	$ 203,319	100%	$ 193,389	100%

Operating costs increased approximately 5.1%, or $9,930, to $203,319 in the first six months of 2006 from $193,389 in the first six months of 2005. The unusual increase was principally attributable to increases in programming, production and distribution expenses resulting from increased costs in connection with the development of new and expanded program offerings, higher broadcast rights fees resulting from unusual increases in existing and new program commitments, and infrequent costs associated with our exclusive broadcast of the 2006 Winter Olympics. These increases were offset by decreases in variable program expenses and labor.

Depreciation and Amortization

Depreciation and amortization decreased $218, or 2.1%, to $10,185 in the first six months of 2006 from $10,403 in the first six months of 2005. The decrease was principally attributable to a decrease in amortization expense related to the historical acquisition of certain service agreements.

Corporate General and Administrative Expenses

Corporate general and administrative expenses increased $2,238, or 29.4%, to $9,853 in the first six months of 2006 from $7,615 in the first six months of 2005. Exclusive of stock-based compensation expense of $3,084 and $2,428 in the first six months of 2006 and 2005, respectively, corporate general and administrative expenses increased by $1,582. The increase was principally attributable to higher expenses associated with our corporate governance, business development and compliance initiatives.

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Operating Income

Operating income decreased $37,935 to $26,577 in the first six months of 2006 from operating income of $64,512 in the first six months of 2005. The 2006 decrease was principally attributable to the decline in net revenues and higher operating and corporate general and administrative costs.

Interest Expense

Interest expense increased $4,706 in the first six months of 2006 to $12,492 from $7,786 in the first six months of 2005. The increase was principally attributable to higher average borrowings under our credit facilities and higher average interest rates.

Provision for Income Taxes

Income tax expense in the first six months of 2006 was $5,677 as compared with expense of $21,604 in the first six months of 2005. The Company s effective income tax rate was approximately 39.6% in the first six months of 2006 compared with 38% in the first six months of 2005. The increase in the effective income tax rate was principally a result of higher state taxes resulting from recent tax developments in the states in which we operate.

Net Income

Net income in the first six months of 2006 was $8,643 compared with net income of $35,308 in the first six months of 2005, a decrease of $26,665. Net loss per basic share and net loss per diluted share, were $0.10 in the first six months of 2006. Net income per basic share and net income per diluted share were $0.38 in the same period of the prior year.

Earnings Per Share

Weighted average shares outstanding used to compute basic and diluted earnings per share decreased approximately 5.3% to 87,819 and 5.4% to 87,852, respectively, in the first six months of 2006 compared with 92,756 and 92,899, respectively, in the first six months of 2005. The decrease is principally attributable to the Company s stock repurchase program.

Liquidity and Capital Resources

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

At June 30, 2006, the Company s principal sources of liquidity were its cash and cash equivalents of $9,342 and available borrowings under its bank facility which is further described below.

The Company has and continues to expect to generate significant cash flows from operating activities. For the six month periods ended June 30, 2006 and 2005, net cash provided by operating activities was $29,869 and $67,827, respectively.

At June 30, 2006, the Company has an unsecured five-year $120,000 term loan and a five-year $180,000 revolving credit facility (referred to herein as the Facility), both of which mature in 2009. As of June 30, 2006, the Company had available borrowings of $80,000 under its Facility. Interest on the Facility is payable at the prime rate plus an applicable margin of up to .25% or LIBOR plus an applicable margin of up to 1.25%, at the Company s option. The Company also has issued through a private placement $150,000 of ten year Senior Unsecured Notes due November 30, 2012 (interest at a fixed rate of 5.26%) and $50,000 of seven year Senior Unsecured Notes due November 30, 2009 (interest at a fixed rate of 4.64%). In addition, the Company has entered into fixed to floating interest rate swap agreements for 50% of the notional amount of its two Senior Unsecured Notes.

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In conjunction with the Company s objective of enhancing shareholder value, the Company s Board of Directors authorized a stock repurchase program in 1999. Most recently, on April 29, 2004, the Company s Board of Directors authorized an additional $300 million for such stock repurchase program, which gave the Company, as of April 29, 2004, authorization to repurchase up to $402,023 of its common stock. Under its stock repurchase program, the Company purchased 750,000 shares of the Company s common stock in the first six months of 2006, at a total cost of $11,044. At the end of June 2006, the Company had authorization to repurchase up to an additional $290,490 of its common stock.

On August 7, 2006, the Board of Directors declared a cash dividend of $0.10 per share of issued and outstanding common stock and $0.08 per share of issued and outstanding Class B stock payable on September 15, 2006 to all record holders as of August 21, 2006. Dividend payments totaling $17,263 were made in the first six months of 2006. The Company s business does not require, and is not expected to require, significant cash outlays for capital expenditures.

The Company continuously monitors its capital structure assessing available resources relative to its strategic objectives and operating performance. The Company believes that its cash, other liquid assets, operating cash flows and available bank borrowings, taken together, provide adequate resources to fund ongoing operating requirements.

New Accounting Standards and Interpretations Not Yet Adopted

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

Cautionary Statement Concerning Forward-Looking Statements and Factors Affecting Forward-Looking Statements

This quarterly report on Form 10-Q, including Item 2 Management s Discussion and Analysis of Results of Operations and Financial Condition, contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by or on the behalf of the Company. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. These statements are not based on historical fact but rather are based on management s views and assumptions concerning future events and results at the time the statements are made. No assurances can be given that management s expectations will come to pass. There may be additional risks, uncertainties and factors that the Company does not currently view as material or that are not necessarily known. Any forward-looking statements included in this document are only made as of the date of this document and the Company does not have any obligation to publicly update any forward-looking statement to reflect subsequent events or circumstances.

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

§ The Company is managed by CBS Radio under a Management Agreement, which expires on March 31, 2009. While the Company provides programming to all major radio station groups, the Company has affiliation agreements with most of CBS Radio s owned and operated radio stations, which in the aggregate, provide the Company with a significant portion of the audience that it sells to advertisers. In addition, the Company operates the CBS Radio Network and has purchased several other pieces of programming from CBS and its affiliates. Accordingly, the Company s operating performance could be materially adversely impacted by its inability to continue to renew, or a significant modification to, its agreements with CBS Corporation.

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

- economic conditions, both generally and relative to the broadcasting industry;
- advertiser spending patterns, including the notion that orders are being placed in close proximity to air, limiting visibility of demand;
- the level of competition for advertising dollars;
- technological changes and innovations;
- fluctuations in programming costs;
- shifts in population and other demographics;
- changes in labor conditions; and
- changes in governmental regulations and policies and actions of federal and state regulatory bodies.

Although the Company believes that its radio programming will be able to compete effectively and will continue to attract audiences and advertisers, there can be no assurance that the Company will be able to maintain or increase the current audience ratings and advertising revenues.

§ The radio broadcasting industry has experienced a significant amount of consolidation in recent years. As a result, certain major station groups, including CBS Radio and Clear Channel Communications, have emerged as powerful forces in the industry. Given the size and financial resources of these station groups, they may be able to develop their own programming as a substitute to that offered by the Company or, alternatively, they could seek to obtain programming from the Company s competitors. Any such occurrences, or merely the threat of such occurrences, could adversely affect the Company s ability to negotiate favorable terms with its station affiliates, to attract audiences and to attract advertisers. In addition, a major station group has recently announced plans to reduce overall amounts of commercial inventory broadcast on their radio stations. To the extent similar initiatives are adopted by other major station groups, this could adversely impact the amount of commercial inventory made available to the Company or increase the cost of such commercial inventory at the time of renewal of existing affiliate agreements.

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

§ The Company believes relations with its employees and independent contractors are satisfactory. However, the Company may be adversely affected by future labor disputes, which may lead to increased costs or disruption of operations in any of the Company s business locations.

Additionally, in accordance with generally accepted accounting principles, the Company periodically evaluates whether it is more likely than not that the carrying amount of its reporting unit exceeds its fair value. The Company believes it is possible it may have an impairment of goodwill in the future.

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

Item 3. Qualitative and Quantitative Disclosures about Market Risk

In the normal course of business, the Company employs established policies and procedures to manage its exposure to changes in interest rates using financial instruments. The Company uses derivative financial instruments (fixed-to-floating interest rate swap agreements) for the purpose of hedging specific exposures and holds all derivatives for purposes other than trading. All derivative financial instruments held reduce the risk of the underlying hedged item and are designated at inception as hedges with respect to the underlying hedged item. Hedges of fair value exposure are entered into in order to hedge the fair value of a recognized asset, liability, or a firm commitment.

In order to achieve a desired proportion of variable and fixed rate debt, in December 2002, the Company entered into a seven-year interest rate swap agreement covering $25 million notional value of its outstanding borrowing to effectively float the interest rate at three-month LIBOR plus 74 basis points and two ten-year interest rate swap agreements covering $75 million notional value of its outstanding borrowing to effectively float the interest rate at three-month LIBOR plus 80 basis points.

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

With respect to the borrowings pursuant to the Company s Facility, the interest rate on the borrowings is based on the prime rate plus an applicable margin of up to .25%, or LIBOR plus an applicable margin of up to 1.25%, as chosen by the Company. Historically, the Company has typically chosen the LIBOR option with a three- month maturity. Every .25% change in interest rates has the effect of increasing or decreasing our annual interest expense by approximately $5 thousand for every $2 million of outstanding debt. As of June 30, 2006, the Company had $220 million outstanding under the Facility.

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

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

Item 4. Controls and Procedures

The Company s management, under the supervision and with the participation of the Company s Chief Executive Officer and Chief Financial Officer, carried out an evaluation of the effectiveness of the Company s disclosure controls and procedures as of the end of the most recent fiscal period (the Evaluation).

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Based upon the Evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC s rules and forms.

In addition, there were no changes in our internal control over financial reporting during the first six months of 2006 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

This item is not applicable.

Item 1A. Risk Factors

A restated description of the risk factors associated with our business is included under Cautionary Statement Concerning Forward-Looking Statements and Factors Affecting Forward-Looking Statements in Management s Discussion and Analysis of Financial Condition and Results of Operations, contained in Item 2 of Part I of this report. This description includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Item 1A of the Company s Annual Report on Form 10-K filed with the SEC on February 27, 2006 and is incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the three months ended June 30, 2006, the Company did not purchase any shares of its common stock under its existing stock purchase program which was publicly announced on September 23, 1999.

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased in Period	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (A)
4/1/06 4/30/06			21,001,424	$ 290,490,000
5/1/06 5/31/06			21,001,424	290,490,000
6/1/06 6/30/06			21,001,424	290,490,000
		$		

(A) Represents remaining authorization from the additional $250 million repurchase authorization approved on February 24, 2004 and the additional $300 million authorization approved on April 29, 2004.

On February 28, 2006 and May 30, 2006, the Company paid cash dividends of $0.10 per outstanding share of common stock and $0.08 per outstanding share of Class B stock. On August 7, 2006, the Board of Directors declared a cash dividend of $0.10 per outstanding share of common stock and $0.08 per outstanding share of Class B stock.

Items 3. Defaults Upon Senior Securities

None.

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

(a) The Annual Meeting of Shareholders of the Company was held on May 16, 2006.

(b) The matters voted upon and the related voting results are as follows (holders of common stock and Class B stock voted together on all matters except for the election of three independent members of the Board of Directors, for which holders of common stock voted alone for the election of Mr. Dennis, Mr. Carnesale and Mr. Little).

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(1) Election of Class II Directors:

	FOR	WITHHELD
David L. Dennis	77,056,475	2,041,082
Albert Carnesale	39,737,424	39,360,133
Grant F. Little, III	77,602,336	1,495,221
Walter Berger	75,798,984	3,298,573

(2) Ratification of the selection of PricewaterhouseCoopers LLP as the independent accountants of the Company for the fiscal year ending December 31, 2006:

FOR	78,324,251
AGAINST	761,508
ABSTAIN	11,798
NO VOTE	0

Item 5. Other Information

None.

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Item 6. Exhibits

Exhibit Number (A)	Description of Exhibit
3.1	Restated Certificate of Incorporation of the Company, as filed on October 25, 2002. (1)
3.2	Bylaws of Company as currently in effect. (2)
4.1	Note Purchase Agreement, dated as of December 3, 2002, between the Company and the Purchasers parties thereto. (3)
10.1+	Letter Agreement, dated April 13, 2006, between the Company and Chuck I. Bortnick relating to Mr. Bortnick s separation from the Company (4)
10.2+	Amendment No.1 to Employment Agreement, dated June 30, 2006, between the Company and Andrew Zaref. (5)
31.a*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.b*	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.a**	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.b**	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Furnished herewith.

+ Indicates a management contract or compensatory plan.

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

(1) Filed as an exhibit to Company s quarterly report on Form 10-Q for the quarter

ended September 30, 2002 and incorporated herein by reference.

(2) Filed as an exhibit to Company s annual report on Form 10-K for the year ended December 31, 1994 and incorporated herein by reference.

(3) Filed as an exhibit to Company s current report on Form 8-K dated December 3, 2002 and incorporated herein by reference.

(4) Filed as an exhibit to Company s quarterly report on Form 10-Q for the quarter ended March 31, 2006 and incorporated herein by reference.

(5) Filed as an exhibit to Company s current report on Form 8-K dated June 26, 2006 and

incorporated
herein by
reference.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WESTWOOD ONE, INC.

By: /S/ Peter Kosann

Name: Peter Kosann
Title: Chief Executive Officer

By: /S/ Andrew Zaref

Name: Andrew Zaref
Title: Chief Financial Officer

Date: August 9, 2006

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