CUMULUS MEDIA INC
Form 10-Q
November 01, 2010

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

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2010.

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.**
For or the transition period from __________ to __________

Commission file number 000-24525
CUMULUS MEDIA INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**36-4159663**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
3280 Peachtree Road, NW Suite 2300, Atlanta, GA	**30305**
(Address of Principal Executive Offices)	*(ZIP Code)*

(404) 949-0700
(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 þ No o

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

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

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

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

As of October 26, 2010, the registrant had 42,030,355 outstanding shares of common stock consisting of (i) 35,576,293 shares of Class A Common Stock; (ii) 5,809,191 shares of Class B Common Stock; and (iii) 644,871 shares of Class C Common Stock.

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except for share data)
(Unaudited)

		September 30, 2010		December 31, 2009
Assets				
Current assets:				
Cash and cash equivalents	$	12,565	$	16,224
Restricted cash		604		789
Accounts receivable, less allowance for doubtful accounts of $1,132 and $1,166, in 2010 and 2009, respectively		38,065		37,504
Trade receivable		4,012		5,488
Prepaid expenses and other current assets		5,612		4,709
Total current assets		60,858		64,714
Property and equipment, net		41,730		46,981
Intangible assets, net		161,623		161,380
Goodwill		56,121		56,121
Other assets		3,735		4,868
Total assets	$	324,067	$	334,064
Liabilities and Stockholders Deficit				
Current liabilities:				
Accounts payable and accrued expenses	$	16,696	$	13,635
Trade payable		3,971		5,534
Current portion of derivative instrument		7,294		
Current portion of long-term debt		35,404		49,026
Total current liabilities		63,365		68,195
Long-term debt		568,153		584,482
Other liabilities		18,011		32,598
Deferred income taxes		23,789		21,301
Total liabilities		673,318		706,576
Stockholders Deficit:				
Preferred stock, 20,262,000 shares authorized, par value $0.01 per share, including:				
250,000 shares designated as 13 3/4% Series A Cumulative Exchangeable Redeemable Preferred Stock due 2009, shares designated at stated value $1,000 per share; 0 shares issued and outstanding in both 2010 and 2009 and 12,000 12% Series B Cumulative Preferred Stock, stated value $10,000 per share; 0 shares issued and outstanding in both 2010 and 2009				

Class A common stock, par value $0.01 per share; 200,000,000 shares authorized; 59,572,592 shares issued, 35,576,293 and 35,162,511 shares outstanding in 2010 and 2009, respectively		596		596
Class B common stock, par value $0.01 per share; 20,000,000 shares authorized; 5,809,191 shares issued and outstanding in both 2010 and 2009		58		58
Class C common stock, par value $0.01 per share; 30,000,000 shares authorized; 644,871 shares issued and outstanding in both 2010 and 2009		6		6
Treasury stock, at cost, 24,027,620 and 24,410,081 shares in 2010 and 2009, respectively		(256,632)		(261,382)
Additional paid-in-capital		963,565		966,945
Accumulated deficit		(1,056,844)		(1,078,735)
Total stockholders deficit		(349,251)		(372,512)
Total liabilities and stockholders deficit	$	324,067	$	334,064

See accompanying notes to unaudited condensed consolidated financial statements.

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CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in thousands, except for share and per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Broadcast revenues	$ 66,434	$ 64,127	$ 190,531	$ 183,443
Management fee from affiliate	1,021	1,000	3,021	3,000
Net revenues	67,455	65,127	193,552	186,443
Operating expenses:				
Station operating expenses (excluding depreciation, amortization and LMA fees)	40,486	40,159	120,829	121,690
Depreciation and amortization	2,222	2,650	7,130	8,365
LMA fees	607	595	1,500	1,792
Corporate general and administrative (including non-cash stock compensation of $556, $850, $1,015, and $2,053 respectively)	4,680	5,676	13,824	15,741
Gain on exchange of assets or stations				(7,204)
Realized loss on derivative instrument	746	3,016	1,810	3,016
Impairment of goodwill and intangible assets		173,085		173,085
Total operating expenses	48,741	225,181	145,093	316,485
Operating income (loss)	18,714	(160,054)	48,459	(130,042)
Non-operating income (loss):				
Interest expense	(7,588)	(11,052)	(23,734)	(25,048)
Interest income	2	3	6	58
Other expense, net	(6)	(121)	(87)	(156)
Total non-operating expense, net	(7,592)	(11,170)	(23,815)	(25,146)
Income (loss) before income taxes	11,122	(171,224)	24,644	(155,188)
Income tax (expense) benefit	(1,391)	27,233	(2,753)	21,976
Net income (loss)	$ 9,731	$ (143,991)	$ 21,891	$ (133,212)
Basic and diluted income per common share:				
Basic income (loss) per common share (See Note 8, Earnings Per Share)	$ 0.23	$ (3.56)	$ 0.52	$ (3.29)
Diluted income (loss) per common share (See Note 8, Earnings Per Share)	$ 0.23	$ (3.56)	$ 0.51	$ (3.29)
	40,371,659	40,405,969	40,322,079	40,431,849

Weighted average basic common shares outstanding (See Note 8, Earnings Per Share)				
Weighted average diluted common shares outstanding (See Note 8, Earnings Per Share)	41,466,480	40,405,969	41,241,895	40,431,849

See accompanying notes to unaudited condensed consolidated financial statements.

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CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended September 2010	Nine Months Ended September 2009
Cash flows from operating activities:		
Net income (loss)	$ 21,891	$ (133,212)
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	7,130	8,365
Amortization of debt issuance costs/discounts	919	775
Amortization of derivative gain		(828)
Provision for doubtful accounts	922	1,856
Loss on sale of assets or stations	82	(29)
Gain on exchange of assets or stations		(7,204)
Fair value adjustment of derivative instruments	(6,536)	2,151
Impairment of goodwill and intangible assets		173,085
Deferred income taxes	2,488	(22,351)
Non-cash stock compensation	1,016	2,053
Changes in assets and liabilities:		
Restricted cash	185	(789)
Accounts receivable	(1,449)	2,650
Trade receivable	1,442	187
Prepaid expenses and other current assets	(903)	(3,038)
Accounts payable and accrued expenses	3,023	(1,595)
Trade payable	(1,528)	(8)
Other assets	818	84
Other liabilities	(216)	(938)
Net cash provided by operating activities	29,284	21,214
Cash flows from investing activities:		
Proceeds from sale of assets or radio stations	196	91
Purchase of intangible assets	(230)	
Capital expenditures	(2,127)	(1,872)
Net cash used in investing activities	(2,161)	(1,781)
Cash flows from financing activities:		
Repayments of borrowings from bank credit facility	(30,353)	(49,956)
Tax withholding paid on behalf of employees	(184)	(95)
Payments made to creditors pursuant to debt amendment	(245)	(3,000)
Payments for repurchase of common stock		(193)
Net cash used in financing activities	(30,782)	(53,244)
Decrease in cash and cash equivalents	(3,659)	(33,811)
Cash and cash equivalents at beginning of period	16,224	53,003

Cash and cash equivalents at end of period	$ 12,565	$ 19,192
Supplemental disclosures of cash flow information:		
Interest paid	$ 20,420	$ 17,577
Income taxes paid	259	340
Trade revenue	12,435	8,676
Trade expense	12,259	8,627

See accompanying notes to unaudited condensed consolidated financial statements.

CUMULUS MEDIA INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Interim Financial Data and Basis of Presentation

Interim Financial Data

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of Cumulus Media Inc. (Company) and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments necessary for a fair statement of results of the interim periods have been made and such adjustments were of a normal and recurring nature. The results of operations and cash flows for the nine months ended September 30, 2010 are not necessarily indicative of the results that can be expected for the entire fiscal year ending December 31, 2010.

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to bad debts, intangible assets, derivative financial instruments, income taxes, stock-based compensation, contingencies and litigation. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions.

Recent Accounting Pronouncements

ASU 2009-17. In December 2009, the Financial Accounting Standards Board (FASB) issued ASU No. 2009-17, *Consolidations (Topic 810) Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* (ASU No. 2009-17) which amends the FASB ASC for the issuance of FASB Statement No. 167, Amendments to FASB Interpretation No. 46(R), issued by the FASB in June 2009. The amendments in this ASU replace the quantitative-based risks and rewards calculation for determining which reporting entity, if any, has a controlling financial interest in a variable interest entity (VIE) with an approach primarily focused on identifying which reporting entity has the power to direct the activities of a VIE that most significantly impact the entity s economic performance and (1) the obligation to absorb the losses of the entity or (2) the right to receive the benefits from the entity. ASU No. 2009-17 also requires additional disclosure about a reporting entity s involvement in a VIE, as well as any significant changes in risk exposure due to that involvement. ASU No. 2009-17 is effective for annual and interim periods beginning after November 15, 2009. The adoption of ASU No. 2009-07 required the Company to make additional disclosures but did not have a material impact on the Company s financial position, results of operations and cash flows. See Note 11, Variable Interest Entities , for further discussion.

ASU 2010-06. The FASB issued ASU No. 2010-06 which provides improvements to disclosure requirements related to fair value measurements. New disclosures are required for significant transfers in and out of Level 1 and Level 2 fair value measurements, disaggregation regarding classes of assets and liabilities, valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3. These disclosures are effective for the interim and annual reporting periods beginning after December 15, 2009. Additional new disclosures regarding the purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010 beginning with the first interim period. The Company adopted the portions of this update which became effective January 1, 2010, for its financial statements as of that date. See Note 4, Fair Value Measurements .

2. Acquisitions and Dispositions

2010 Acquisitions

The Company did not complete any material acquisitions or dispositions during the nine months ended September 30, 2010.

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2009 Acquisitions

Green Bay and Cincinnati Asset Exchange

On April 10, 2009, the Company completed an asset exchange with Clear Channel Communications, Inc. (Clear Channel). As part of the asset exchange, the Company acquired two of Clear Channel s radio stations located in Cincinnati, Ohio in exchange for five of the Company s radio stations in the Green Bay, Wisconsin market. The exchange transaction provided the Company with direct entry into the Cincinnati market (notwithstanding the Company s current presence through its investment in CMP (see Note 5, Investment in Affiliate)), which was ranked #28 at that time by Arbitron. The transaction was accounted for as a business combination in accordance with guidance for business combinations. The fair value of the assets acquired in the exchange was $17.6 million (refer to the table below for the purchase price allocation). The Company incurred approximately $0.2 million of acquisition costs related to this transaction and expensed them as incurred through earnings within corporate general and administrative expense. The $0.9 million of goodwill identified in the purchase price allocation below is deductible for tax purposes. During the fourth quarter of 2009 the Company adjusted the purchase price allocation to record an intangible asset of approximately $0.9 million related to certain tower leases which will be amortized over the next four years in accordance with the terms of the leases. The results of operations for the Cincinnati stations acquired have been included in the statements of operations since the acquisition date. The results of the Cincinnati stations were not material. Prior to the asset exchange, the Company and Clear Channel did not have any preexisting relationship with regard to the Green Bay market.

In conjunction with the exchange on April 10, 2009, Clear Channel and the Company entered into an LMA whereby the Company is responsible for operating (i.e. programming, advertising, etc.) the five Green Bay radio stations that were sold to Clear Channel and must pay Clear Channel a monthly fee of approximately $0.2 million over a five year term (expiring December 31, 2013), in exchange for the Company retaining the operating profits for managing the radio stations. In conjunction with the LMA, the Company included the net revenues and station operating expenses associated with operating the Green Bay stations in the Company s consolidated financial statements from the effective date of the LMA (April 10, 2009) through December 31, 2009. Additionally, Clear Channel negotiated a written put option that allows them to require the Company to repurchase the five Green Bay radio stations at any time during the two-month period commencing July 1, 2013 (or earlier if the LMA is terminated prior to that date) for $17.6 million (the fair value of the radio stations as of April 10, 2009). The Company accounted for the put option as a derivative contract and accordingly, the fair value of the put was recorded as a liability at the acquisition date and offset against the gain associated with the asset exchange. Subsequent changes to the fair value of the derivative are recorded through earnings. See Note 3, Derivative Financial Instruments .

In conjunction with the transactions, the Company recorded a net gain of $7.2 million, which is included in the gain on exchange of assets in the statements of operations. This amount represents a gain of approximately $9.6 million recorded on the Green Bay stations sold, net of a loss of approximately $2.4 million representing the fair value of the put option at acquisition date.

The table below summarizes the final purchase price allocation (dollars in thousands):

Allocation	Amount
Fixed assets	$ 458
Broadcast licenses	15,353
Goodwill	874
Other intangibles	951
Total purchase price	$ 17,636
Less: Carrying value of Green Bay stations	(7,999)
Gain on asset exchange	$ 9,637
Less: Fair value of Green Bay Option April 10, 2009	(2,433)

Net gain	$ 7,204

3. Derivative Financial Instruments

The Company recognizes all derivatives on the balance sheet at fair value. Changes in fair value are recorded in income for any contracts not classified as qualifying hedging instruments. For derivatives qualifying as cash flow hedge instruments, the effective portion of the change in fair value must be recorded through other comprehensive income, a component of stockholders equity (deficit).

May 2005 Swap

In May 2005, the Company entered into a forward-starting LIBOR-based interest rate swap arrangement (the May 2005 Swap) to manage fluctuations in cash flows resulting from interest rate risk attributable to changes in the benchmark interest rate of LIBOR. The May 2005 Swap became effective as of March 13, 2006, the end of the term of the Company s prior swap. The May 2005 Swap expired on March 13, 2009, in accordance with the terms of the original agreement. Accordingly, for the three and nine months ended September 30, 2010 and the three months ended September 30, 2009, the Company did not record any interest expense related to the May 2005 Swap. For the nine months ended September 30, 2009 the Company reported $3.0 million income in interest expense related to the change in fair value.

The May 2005 Swap changed the variable-rate cash flow exposure on $400.0 million of the Company s long-term bank borrowings to fixed-rate cash flows. Under the May 2005 Swap the Company received LIBOR-based variable interest rate payments and made fixed interest rate payments, thereby creating fixed-rate long-term debt. The May 2005 Swap was previously accounted for as a qualifying cash flow hedge of the future variable rate interest payments. Starting in June 2006, the May 2005 Swap no longer qualified as a cash flow hedging instrument. Accordingly, the changes in its fair value have since been reflected in the statement of operations instead of accumulated other comprehensive income.

The fair value of the May 2005 Swap was determined using observable market based inputs (a Level 2 measurement). The fair value represents an estimate of the net amount that the Company would pay if the agreement was transferred to another party or cancelled as of the date of the valuation.

May 2005 Option

In May 2005, the Company also entered into an interest rate option agreement (the May 2005 Option), that provided Bank of America, N.A. the right to enter into an underlying swap agreement with the Company, on terms substantially identical to the May 2005 Swap, for two years, from March 13, 2009 (the end of the term of the May 2005 Swap) through March 13, 2011.

The May 2005 Option was exercised on March 11, 2009. This instrument has not been highly effective in mitigating the risks in the Company s cash flows, and therefore the Company has deemed it speculative, and has accounted for changes in the May 2005 Option s value as a current element of interest expense. The balance sheets as of September 30, 2010 and December 31, 2009 reflect current liabilities of $7.3 million and other long-term liabilities of $15.6 million, respectively, to include the fair value of the May 2005 Option. The Company reported $3.0 million and $8.3 million in interest expense during the three and nine months ended September 30, 2010, respectively. Additionally, for the three and nine months ended September 30, 2009 the Company reported $0.03 million in interest income and $2.2 million in interest expense, respectively.

In the event of a default under the Credit Agreement, or a default under any derivative contract, the derivative counterparties would have the right, although not the obligation, to require immediate settlement of some or all open derivative contracts at their then-current fair value. The Company does not utilize financial instruments for trading or other speculative purposes.

The Company s financial instrument counterparties are high-quality investments or commercial banks with significant experience with such instruments. The Company manages exposure to counterparty credit risk by requiring specific minimum credit standards and diversification of counterparties. The Company has procedures to monitor the credit exposure amounts. The maximum credit exposure at September 30, 2010 was not significant to the Company.

Green Bay Option

On April 10, 2009, Clear Channel and the Company entered into an LMA whereby the Company is responsible for operating (i.e., programming, advertising, etc.) five Green Bay radio stations and must pay Clear Channel a monthly fee of approximately $0.2 million over a five year term (expiring December 31, 2013), in exchange for the Company retaining the operating profits for managing the radio stations. Clear Channel also has a put option (the Green Bay Option) that allows it to require the Company to repurchase the five Green Bay radio stations at any time during the two-month period commencing July 1, 2013 (or earlier if the LMA is terminated before this date) for $17.6 million (the fair value of the radio stations as of April 10, 2009). The Company accounted for the Green Bay Option as a derivative contract. Accordingly, the fair value of the put was recorded as a liability offsetting the gain at the acquisition date with subsequent changes in the fair value recorded through earnings. The fair value of the Green Bay Option was

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determined using inputs that are supported by little or no market activity (a Level 3 measurement). The fair value represents an estimate of the net amount that the Company would pay if the option was transferred to another party as of the date of the valuation.

The following table sets forth the location and fair value amounts of derivatives in the consolidated balance sheets:

Information on the Location and Amounts of Derivatives Fair Values in the Unaudited Consolidated Balance Sheets (dollars in thousands)

	Balance Sheet Location	Fair Value September 30, 2010	Fair Value December 31, 2009
Derivative not designated as hedging instruments:			
Green Bay Option	Other long-term liabilities	$ 7,883	$ 6,073
Interest rate swap option	Other current liabilities	7,294	
Interest rate swap option	Other long-term liabilities		15,639
	Total	**$ 15,177**	**$ 21,712**

The location and fair value amounts of derivatives in the condensed consolidated statements of operations are shown in the following table:

Derivative Instruments	Statement of Operations Location	Amount of Income (Expense) Recognized on Derivatives For the Three Months Ended September 30, 2010	For the Nine Months Ended September 30, 2010
Green Bay Option	Realized loss on derivative instrument	$ (746)	$ (1,810)
Interest rate swap option	Interest income	2,979	8,346
	Total	**$ 2,233**	**$ 6,536**

4. Fair Value Measurements

The three levels of the fair value hierarchy to be applied to financial instruments when determining fair value are described below:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access;

Level 2 Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and

Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument s level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company s financial assets and liabilities are measured at fair value on a recurring basis.

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Financial assets and liabilities measured at fair value on a recurring basis as of September 30, 2010 were as follows (dollars in thousands):

		Fair Value Measurements at Reporting Date Using		
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Liabilities:				
Other current liabilities				
Interest rate swap (1)	$ 7,294	$	$ 7,294	$
Other long-term liabilities				
Green Bay option (2)	7,883			7,883
Total liabilities	$ 15,177	$	$ 7,294	$ 7,883

(1) The Company s derivative financial instruments consist solely of an interest rate swap in which the Company pays a fixed rate and receives a variable interest rate. The fair value of the Company s interest rate swap is determined based on the present value of future cash flows using observable inputs, including interest rates and yield

curves. Derivative valuations incorporate adjustments that are necessary to reflect the Company s own credit risk.

(2) The fair value of the Green Bay Option was determined using inputs that are supported by little or no market activity (a Level 3 measurement). The fair value represents an estimate of the net amount that the Company would pay if the option was transferred to another party as of the date of the valuation. The option valuation incorporates a credit risk adjustment to reflect the probability of default by the Company.

To estimate the fair value of the interest rate swap, the Company used an industry standard cash valuation model, which utilizes a discounted cash flow approach. The significant inputs for the valuation model include the following:

Fixed	*Floating*
discount cash flow range of 0.99% - 1.00%;	discount cash flow range of 0.99% - 1.00%;
interest rate of 3.93%; and	interest rate range of 0.26% - 0.32%; and
credit spread of 4.85%.	credit spread of 4.85%.

The Company reported $0.7 million and $1.8 million for the three and nine months ended September 30, 2010, respectively, in realized loss on derivative instruments within the income statement related to the fair value adjustment, representing the change in the fair value of the Green Bay Option.

The reconciliation below contains the components of the change in fair value associated with the Green Bay Option as of September 30, 2010 (dollars in thousands):

Description		**Green Bay Option**
Fair value balance at December 31, 2009	$	6,073
Add: Mark to market fair value adjustment		1,810
Fair value balance at September 30, 2010	**$**	**7,883**

To estimate the fair value of the Green Bay Option, the Company used a Black-Scholes valuation model. The significant inputs for the valuation model include the following:

total term of 2.92 years;

volatility rate of 32.0%;

dividend annual rate of 0.0%;

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discount rate of 0.65%; and

market value of Green Bay of $8.5 million.

The carrying values of receivables, payables, and accrued expenses approximate fair value due to the short maturity of these instruments.

The following table shows the gross amount and fair value of the Company s term loan:

	September 30, 2010	December 31, 2009
Carrying value of term loan		