EMMIS COMMUNICATIONS CORP
Form 10-Q
January 08, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended November 30, 2009
EMMIS COMMUNICATIONS CORPORATION
(Exact name of registrant as specified in its charter)
INDIANA
(State of incorporation or organization)
0-23264
(Commission file number)
35-1542018
(I.R.S. Employer Identification No.)
ONE EMMIS PLAZA
40 MONUMENT CIRCLE, SUITE 700
INDIANAPOLIS, INDIANA 46204
(Address of principal executive offices)
(317) 266-0100
(Registrant s Telephone Number, Including Area Code)
NOT APPLICABLE
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

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

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

The number of shares outstanding of each of Emmis Communications Corporation s classes of common stock, as of January 4, 2010, was:

32,668,418	Shares of Class A Common Stock, $.01 Par Value
4,956,305	Shares of Class B Common Stock, $.01 Par Value
0	Shares of Class C Common Stock, $.01 Par Value

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PART I FINANCIAL INFORMATION
Item 1. Financial Statements

EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended November 30, 2008	Three Months Ended November 30, 2009	Nine Months Ended November 30, 2008	Nine Months Ended November 30, 2009
NET REVENUES	$ 79,216	$ 64,582	$ 246,299	$ 188,587
OPERATING EXPENSES:				
Station operating expenses excluding depreciation and amortization expense of $2,921, $2,090, $8,569 and $6,821, respectively	59,552	49,458	182,172	154,627
Corporate expenses excluding depreciation and amortization expense of $550, $360, $1,658 and $1,135, respectively	4,128	3,567	14,422	10,649
Restructuring charge				3,350
Impairment loss	210,165		210,165	174,642
Depreciation and amortization	3,471	2,450	10,227	7,956
(Gain) loss on disposal of assets	(3)	9	3	(139)
Total operating expenses	277,313	55,484	416,989	351,085
OPERATING INCOME (LOSS)	(198,097)	9,098	(170,690)	(162,498)
OTHER INCOME (EXPENSE):				
Interest expense	(6,683)	(7,237)	(20,212)	(18,161)
Gain on debt extinguishment				31,362
Other income (expense), net	383	27	(1,037)	302
Total other income (expense)	(6,300)	(7,210)	(21,249)	13,503
INCOME (LOSS) BEFORE INCOME TAXES AND DISCONTINUED OPERATIONS	(204,397)	1,888	(191,939)	(148,995)
BENEFIT FOR INCOME TAXES	(81,110)	(3,390)	(73,406)	(36,604)
INCOME (LOSS) FROM CONTINUING OPERATIONS	(123,287)	5,278	(118,533)	(112,391)
(GAIN) LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	(722)	695	(3,971)	(578)
CONSOLIDATED NET INCOME (LOSS)	(122,565)	4,583	(114,562)	(111,813)

NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	846	722	4,171	3,511
NET INCOME (LOSS) ATTRIBUTABLE TO THE COMPANY	(123,411)	3,861	(118,733)	(115,324)
PREFERRED STOCK DIVIDENDS	2,246	2,195	6,738	6,584
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (125,657)	$ 1,666	$ (125,471)	$ (121,908)

The accompanying notes are an integral part of these unaudited condensed consolidated statements.

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
(Unaudited)
(In thousands, except per share data)

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2008	2009	2008	2009
Amounts attributable to common shareholders:				
Continuing operations	$ (126,256)	$ 1,899	$ (128,086)	$ (122,257)
Discontinued operations	599	(233)	2,615	349
Net income (loss) attributable to common shareholders	$ (125,657)	$ 1,666	$ (125,471)	$ (121,908)
Basic net income (loss) per share attributable to common shareholders:				
Continuing operations	$ (3.47)	$ 0.05	$ (3.53)	$ (3.31)
Discontinued operations, net of tax	0.02		0.07	0.01
Net income (loss) attributable to common shareholders	$ (3.45)	$ 0.05	$ (3.46)	$ (3.30)
Basic weighted average common shares outstanding	36,388	36,949	36,276	36,942
Diluted net income (loss) per share attributable to common shareholders:				
Continuing operations	$ (3.47)	$ 0.05	$ (3.53)	$ (3.31)
Discontinued operations, net of tax	0.02	(0.01)	0.07	0.01
Net income (loss) attributable to common shareholders	$ (3.45)	$ 0.04	$ (3.46)	$ (3.30)
Diluted weighted average common shares outstanding	36,388	38,189	36,276	36,942

The accompanying notes are an integral part of these unaudited condensed consolidated statements.

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share data)

	February 28, 2009	November 30, 2009 (Unaudited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 49,731	$ 16,517
Accounts receivable, net	46,348	45,639
Prepaid expenses	18,115	19,836
Other current assets	14,497	6,526
Current assets discontinued operations	650	7
Total current assets	129,341	88,525
PROPERTY AND EQUIPMENT, NET	55,043	50,712
INTANGIBLE ASSETS (Note 3):		
Indefinite-lived intangibles	496,711	335,801
Goodwill	29,442	24,175
Other intangibles, net	11,720	4,366
Total intangible assets	537,873	364,342
OTHER ASSETS, NET	8,015	9,827
NONCURRENT ASSETS HELD FOR SALE	8,900	
NONCURRENT ASSETS DISCONTINUED OPERATIONS	39	
Total assets	$ 739,211	$ 513,406

The accompanying notes are an integral part of these unaudited condensed consolidated statements.

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)
(In thousands, except share data)

	February 28, 2009	November 30, 2009 (Unaudited)
LIABILITIES AND DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 15,365	$ 10,325
Current maturities of long-term debt	5,263	4,503
Accrued salaries and commissions	7,651	8,103
Accrued interest	2,895	4,812
Deferred revenue	18,805	24,701
Other current liabilities	6,899	7,658
Current liabilities discontinued operations	1,081	311
Total current liabilities	57,959	60,413
LONG-TERM DEBT, NET OF CURRENT MATURITIES	417,141	339,600
OTHER LONG-TERM DEBT, NET OF CURRENT MATURITIES	8	3
OTHER NONCURRENT LIABILITIES	22,921	21,888
DEFERRED INCOME TAXES	107,722	75,166
Total liabilities	605,751	497,070
COMMITMENTS AND CONTINGENCIES		
SERIES A CUMULATIVE CONVERTIBLE PREFERRED STOCK, $0.01 PAR VALUE; $50.00 LIQUIDATION PREFERENCE; AUTHORIZED 10,000,000 SHARES; ISSUED AND OUTSTANDING 2,809,170 SHARES AT FEBRUARY 28, 2009 AND NOVEMBER 30, 2009	140,459	140,459
SHAREHOLDERS DEFICIT:		
Class A common stock, $.01 par value; authorized 170,000,000 shares; issued and outstanding 31,912,656 shares at February 28, 2009 and 31,988,736 shares at November 30, 2009	319	320
Class B common stock, $.01 par value; authorized 30,000,000 shares; issued and outstanding 4,956,305 shares at February 28, 2009 and November 30, 2009	50	50
Additional paid-in capital	524,776	526,571
Accumulated deficit	(582,481)	(697,805)
Accumulated other comprehensive loss	(2,664)	(3,030)
Total shareholders deficit	(60,000)	(173,894)

NONCONTROLLING INTERESTS	53,001	49,771
Total deficit	(6,999)	(124,123)
Total liabilities and deficit	$ 739,211	$ 513,406

The accompanying notes are an integral part of these unaudited condensed consolidated statements.

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Unaudited)
(In thousands, except share data)

	Class A Common Stock Shares	Class A Common Stock Amount	Class B Common Stock Shares	Class B Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Equity (Deficit)
BALANCE, FEBRUARY 28, 2009	31,912,656	$ 319	4,956,305	$ 50	$ 524,776	$ (582,481)	$ (2,664)	$ 53,001	$ (6,999)
Issuance of Common Stock to employees and officers and related income tax benefits	71,080	1			1,794				1,795
Exercise of stock options	5,000				1				1
Payments of dividends and distributions to noncontrolling interests								(6,251)	(6,251)
Comprehensive Loss:									
Net income (loss)						(115,324)		3,511	
Change in value of derivative instrument							534		
Cumulative translation adjustment							(900)	(490)	
Total comprehensive loss									(112,669)
BALANCE, NOVEMBER 30, 2009	31,988,736	$ 320	4,956,305	$ 50	$ 526,571	$ (697,805)	$ (3,030)	$ 49,771	$ (124,123)

The accompanying notes are an integral part of these unaudited condensed consolidated statements.

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	Nine Months Ended November 30,	
	2008	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Consolidated net loss	$ (114,562)	$ (111,813)
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Discontinued operations	(3,971)	(578)
Impairment loss	210,165	174,642
Depreciation and amortization	10,700	8,522
Gain on debt extinguishment		(31,362)
Provision for bad debts	1,665	1,602
Benefit for deferred income taxes	(74,673)	(32,774)
Noncash compensation	4,612	1,843
Gain (loss) on sale of assets	3	(139)
Changes in assets and liabilities		
Accounts receivable	845	(1,277)
Prepaid expenses and other current assets	(9,338)	12,026
Other assets	6,288	(608)
Accounts payable and accrued liabilities	(4,294)	(3,391)
Deferred revenue	1,096	5,846
Income taxes	(188)	(5,942)
Other liabilities	(2,320)	3,687
Net cash provided by (used in) operating activities discontinued operations	13,811	(285)
Net cash provided by operating activities	39,839	19,999
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,944)	(2,302)
Cash paid for acquisitions		(4,882)
Proceeds from the sale of assets	9	9,108
Other	(232)	74
Net cash provided by (used in) investing activities discontinued operations	38,758	(286)
Net cash provided by investing activities	34,591	1,712

The accompanying notes are an integral part of these unaudited condensed consolidated statements.

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Unaudited)
(Dollars in thousands)

	Nine Months Ended November 30,	
	2008	2009
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(22,282)	(121,737)
Proceeds from long-term debt	6,000	77,235
Debt-related costs		(4,846)
Payments of dividends and distributions to noncontrolling interests	(4,766)	(2,988)
Payments of preferred stock dividends	(6,738)	
Settlement of tax withholding obligations on stock issued to employees	(546)	(31)
Net cash used in financing activities discontinued operations	(2,233)	(2,042)
Other	(138)	1
Net cash used in financing activities	(30,703)	(54,408)
Effect of exchange rates on cash and cash equivalents	352	(517)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	44,079	(33,214)
CASH AND CASH EQUIVALENTS:		
Beginning of period	19,498	49,731
End of period	$ 63,577	$ 16,517
SUPPLEMENTAL DISCLOSURES:		
Cash paid for		
Interest	$ 22,365	$ 15,728
Income taxes, net of refunds	2,806	4,036
Noncash financing transactions		
Value of stock issued to employees under stock compensation program and to satisfy accrued incentives	5,449	1,825
ACQUISITION OF NONCONTROLLING BULGARIAN RADIO INTERESTS		
Fair value of assets acquired		$ 4,882
Cash paid		(4,882)
Liabilities recorded		$

The accompanying notes are an integral part of these unaudited condensed consolidated statements.

EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS UNLESS INDICATED OTHERWISE, EXCEPT SHARE DATA)
November 30, 2009
(Unaudited)

Note 1. Summary of Significant Accounting Policies

Preparation of Interim Financial Statements

Pursuant to the rules and regulations of the Securities and Exchange Commission (SEC), the condensed consolidated interim financial statements included herein have been prepared, without audit, by Emmis Communications Corporation (ECC) and its subsidiaries (collectively, our, us, we, Emmis or the Company). As permitted applicable rules and regulations of the SEC, certain information and footnote disclosures normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations; however, Emmis believes that the disclosures are adequate to make the information presented not misleading. The condensed consolidated financial statements included herein should be read in conjunction with the consolidated financial statements and the notes thereto included in the Annual Report for Emmis filed on Form 10-K, as amended by Amendment No. 1 on Form 10-K/A, for the year ended February 28, 2009. The Company s results are subject to seasonal fluctuations. Therefore, results shown on an interim basis are not necessarily indicative of results for a full year.

In the opinion of Emmis, the accompanying condensed consolidated interim financial statements contain all material adjustments (consisting only of normal recurring adjustments) necessary to present fairly the consolidated financial position of Emmis at November 30, 2009, and the results of its operations for the three-month and nine-month periods ended November 30, 2008 and 2009 and cash flows for the nine-month periods ended November 30, 2008 and 2009.

Accounting Pronouncements

In June 2008, the Financial Accounting Standards Board (FASB) approved the *FASB Accounting Standards Codification* as a single source of authoritative nongovernmental U.S. GAAP. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative literature related to a particular topic in one place. The Company s adoption of the Codification during the period ended November 30, 2009, did not have an impact on the Company s financial position, results of operations or cash flows.

In May 2009, an accounting standard was approved, which sets forth the period, circumstances and disclosure after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements. The Company s adoption of the standard, which was effective for the Company in the period ended August 31, 2009, did not have an effect on the Company s financial position, results of operations or cash flows.

In April 2009, an accounting standard was issued which requires disclosures about the fair value of financial instruments in interim reporting periods that were previously only required in annual financial statements. The Company s adoption of this accounting standard, which was effective for the Company for the period ended August 31, 2009, did not have an effect on the Company s financial position, result of operations or cash flows.

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In June 2008, an accounting standard was approved which provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument s contingent exercise and settlement provisions. This accounting standard was adopted by the Company on March 1, 2009 and had no impact on the Company s financial position, results of operations or cash flows.

In June 2008, an accounting standard was approved which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting, and therefore need to be included in the computation of earnings per share under the two-class method. This accounting standard was adopted by the Company on March 1, 2009 and had no impact on the Company s financial position, results of operations or cash flows.

In December 2007, an accounting standard was approved which changed the accounting and reporting for minority interests, which are now characterized as noncontrolling interests and classified as a component of equity in the accompanying condensed consolidated balance sheets. This accounting standard, adopted by the Company on March 1, 2009, required retroactive adoption of the presentation and disclosure requirements for existing minority interests, with all other requirements applied prospectively. The adoption of this standard resulted in the reclassification of $53,001 and $49,771 of noncontrolling interests to a component of equity at February 28, 2009 and November 30, 2009, respectively.

In December 2007, an accounting standard was modified that changed how business combinations are accounted for through the use of fair values in financial reporting and impacts financial statements both on the acquisition date and in subsequent periods. In February 2009, this accounting standard was again modified to allow an exception to the recognition and fair value measurement principles of contingencies in a business combination. This exception requires that acquired contingencies be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the allocation period. These modifications were effective for the Company as of March 1, 2009 for all business combinations that close on or after March 1, 2009.

Basic and Diluted Net Income (Loss) Per Common Share

Basic net income (loss) per common share is computed by dividing net income (loss) attributable to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted net income (loss) per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted. Potentially dilutive securities at November 30, 2008 and 2009, consisted of stock options, restricted stock awards and the 6.25% Series A cumulative convertible preferred stock. We currently have 2.8 million shares of preferred stock outstanding and each share converts into 2.44 shares of common stock. Shares excluded from the calculation as the effect of their conversion into shares of our common stock would be antidilutive were as follows:

	Three Months Ended November 30,		**Nine Months Ended November 30,**	
	2008	**2009**	**2008**	**2009**
	(shares in 000 s)			
6.25% Series A cumulative convertible preferred stock	7,015	6,854	7,015	6,854
Stock options and restricted stock awards	8,711	7,614	8,603	8,866
Antidilutive common share equivalents	15,726	14,468	15,618	15,720

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Discontinued Operations
Summary of Discontinued Operations Activity:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2008	2009	2008	2009
Gain (loss) from discontinued operations:				
Slager	$ 1,863	$ (1,095)	$ 6,206	$ 1,139
Television	(58)		4,958	
Belgium	(727)		(2,178)	(944)
Tu Ciudad Los Angeles	(15)		(1,898)	(15)
Emmis Books	(28)		(53)	(22)
Total	1,035	(1,095)	7,035	158
Less: Provision for income taxes	300	(400)	2,484	
Gain (loss) from discontinued operations, net of tax	735	(695)	4,551	158
Gain (loss) on sale of discontinued operations:				
Television	(23)		(1,017)	
Belgium				420
Total	(23)		(1,017)	420
Less: Provision (benefit) for income taxes	(10)		(437)	
Gain (loss) on sale of discontinued operations, net of tax	(13)		(580)	420
Gain (loss) from discontinued operations, net of tax	$ 722	$ (695)	$ 3,971	$ 578

Discontinued Operation Slager
On October 28, 2009, the Hungarian National Radio and Television Board (the ORTT) announced that it was awarding to another bidder the national radio license then held by our majority-owned subsidiary, Slager Radio Co. PLtd. (Slager). Slager ceased broadcasting effective November 19, 2009. We have continued to explore our legal remedies in both the Hungarian and international forums, but we cannot predict the outcome of these efforts.
Slager had historically been included in the radio segment. The following table summarizes certain operating results for Slager for all periods presented:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2008	2009	2008	2009
Net revenues	$ 5,492	$ 3,060	$ 17,505	$ 9,454
Station operating expenses, excluding depreciation and amortization expense	3,404	3,622	10,007	7,757

Depreciation and amortization	528	460	1,546	1,268
Interest expense	49	18	141	49
Income (loss) before taxes	1,863	(1,095)	6,206	1,139
Provision (benefit) for income taxes	342	(400)	1,146	
Net income (loss) attributable to minority interests	123	(462)	1,356	229

Assets and liabilities of Slager consist mostly of current assets and current liabilities which are included in continuing operations in the condensed consolidated balance sheet. The results of Slager are consolidated on a calendar-quarter basis. Therefore, the financial results for the period October 1, 2009 through the date operations ceased on November 19, 2009 will be presented in the Company s fiscal quarter ended February 28, 2010. We do not expect to incur material shut-down costs or material impairment charges related to Slager.

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Discontinued Operation Television Division

On July 18, 2008, Emmis completed the sale of its sole remaining television station, WVUE-TV in New Orleans, LA, to Louisiana Media Company LLC for $41.0 million in cash. The sale of WVUE-TV completed the sale of our television division which began on May 10, 2005, when Emmis announced that it had engaged advisors to assist in evaluating strategic alternatives for its television assets.

The television division had historically been presented as a separate reporting segment of Emmis. The following table summarizes certain operating results for the television division for all periods presented:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2008	**2009**	**2008**	**2009**
Net revenues	$	$	$ 7,364	$
Station operating expenses, excluding depreciation and amortization expense	58		2,414	
Gain on disposal of assets			8	
Income (loss) before taxes	(58)		4,958	
Provision (benefit) for income taxes	(24)		2,135	

Assets and liabilities related to our television division are classified as discontinued operations in the accompanying condensed consolidated balance sheets as follows:

	February 28, 2009	November 30, 2009
Current assets:		
Other	$ 5	
Total current assets	5	
Current liabilities:		
Accounts payable and accrued expenses	$ 303	$ 303
Total current liabilities	303	303

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Discontinued Operation Belgium

On May 29, 2009, Emmis sold the stock of its Belgium radio operation to Alfacam Group NV, a Belgian corporation, for 100 euros. Emmis desired to exit Belgium as its financial performance in the market failed to meet expectations. The sale allowed Emmis to eliminate further operating losses. Emmis recorded a full valuation allowance against the net operating losses generated by the Belgium radio operation during the three months and nine months ended November 30, 2008 and 2009. Belgium had historically been included in the radio segment. The following table summarizes certain operating results for Belgium for all periods presented:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2008	2009	2008	2009
Net revenues	$ 427	$	$ 1,576	$ 703
Station operating expenses, excluding depreciation and amortization expense	1,071		3,467	1,647
Depreciation and amortization	99		306	
Loss before income taxes	727		2,178	944

Assets and liabilities related to Belgium are classified as discontinued operations in the accompanying condensed consolidated balance sheets as follows:

	February 28, 2009	November 30, 2009
Current assets:		
Accounts receivable, net	$ 446	$
Prepaid expenses	136	
Other	18	
Total current assets	600	
Noncurrent assets:		
Other noncurrent assets	34	
Total noncurrent assets	34	
Total assets	$ 634	$
Current liabilities:		
Accounts payable and accrued expenses	$ 542	$
Accrued salaries and commissions	116	
Deferred revenue	80	
Total current liabilities	$ 738	$

Discontinued Operation Tu Ciudad Los Angeles

On July 10, 2008, Emmis announced that it had indefinitely suspended publication of *Tu Ciudad Los Angeles* because the magazine s financial performance did not meet the Company s expectations. *Tu Ciudad Los Angeles* had historically been included in the publishing segment. The following table summarizes certain operating results for *Tu Ciudad Los Angeles* for all periods presented:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2008	**2009**	**2008**	**2009**
Net revenues	$	$	$ 818	$
Station operating expenses, excluding depreciation and amortization expense	5		2,604	15
Depreciation and amortization			22	
Loss on disposal of assets	10		90	
Loss before income taxes	15		1,898	15
Benefit from income taxes	6		775	

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Assets and liabilities related to *Tu Ciudad Los Angeles* are classified as discontinued operations in the accompanying condensed consolidated balance sheets as follows:

	February 28, 2009	November 30, 2009
Noncurrent assets:		
Other noncurrent assets	$ 5	$
Total noncurrent assets	$ 5	$
Current liabilities:		
Accounts payable and accrued expenses	$ 10	$ 8
Other	3	
Total current liabilities	$ 13	$ 8

Discontinued Operation Emmis Books

In February 2009, Emmis discontinued the operations of Emmis Books, which was engaged in regional book publication, as Emmis Books financial performance did not meet the Company s expectations. Emmis had ceased new book publication in March 2006, but continued to sell existing book inventory until the decision to totally cease operations. Emmis Books had historically been included in the publishing segment. The following table summarizes certain operating results for Emmis Books for all periods presented:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2008	2009	2008	2009
Net revenues	$ 5	$	$ 10	$ (7)
Station operating expenses, excluding depreciation and amortization expense	33		49	15
Depreciation and amortization			5	
Loss before taxes	28		53	22
Benefit for income taxes	12		22	

Assets and liabilities related to Emmis Books are classified as discontinued operations in the accompanying condensed consolidated balance sheets as follows:

	February 28, 2009	November 30, 2009
Current assets:		
Accounts receivable, net	$ 45	$ 7
Total current assets	45	7
Current liabilities:		
Accounts payable and accrued expenses	$ 27	$

Total current liabilities	27

Uncertain Tax Positions

The Company recognizes the impact of a tax position in the financial statements if it is more likely than not that the position would be sustained on audit based on the technical merits of the position. The nature of the uncertainties pertaining to our income tax position is primarily due to various state tax positions. As of November 30, 2009, we had approximately $1.1 million in unrecognized tax benefits. Accrued interest and penalties related to unrecognized tax benefits is recognized as a component of tax expense. During the nine months ended November 30, 2009, the Company recorded an expense for unrecognized tax benefits, interest and penalties of $0.2 million. As of November 30, 2009, the Company had a liability of $0.1 million for unrecognized tax benefits for interest and penalties. The Company estimates the possible change in unrecognized tax benefits prior to November 30, 2010 could be a reduction of up to $0.6 million due to settlement of ongoing audits.

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Reclassifications

Certain reclassifications have been made to the prior year s financial statements to be consistent with the November 30, 2009 presentation. The reclassifications have no impact on net income previously reported.

Subsequent Events

We have evaluated the financial statements for subsequent events through the time of the filing of this Form 10-Q.

Note 2. Share Based Payments

Stock Option Awards

The Company has granted options to purchase its common stock to employees and directors of the Company under various stock option plans at no less than the fair market value of the underlying stock on the date of grant. These options are granted for a term not exceeding 10 years and are forfeited, except in certain circumstances, in the event the employee or director terminates his or her employment or relationship with the Company. Generally, these options either vest annually over three years (one-third each year for three years), or cliff vest at the end of three years. The Company issues new shares upon the exercise of stock options.

The amounts recorded as share based compensation expense primarily relate to annual stock option and restricted stock grants, but may also include restricted common stock issued under employment agreements, common stock issued to employees in lieu of cash bonuses, and, in prior periods, Company matches of common stock in our 401(k) plans.

The fair value of each option awarded is estimated on the date of grant using a Black-Scholes option-pricing model and expensed on a straight-line basis over the vesting period. Expected volatilities are based on historical volatility of the Company s stock. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The Company includes estimated forfeitures in its compensation cost and updates the estimated forfeiture rate through the final vesting date of awards. The Company uses the simplified method to estimate the expected term for all options granted. Although the Company has granted options for many years, the historical exercise activity of our options was impacted by the way the Company processed the equitable adjustment of our November 2006 special dividend. Consequently, the Company believes that reliable data regarding exercise behavior only exists for the period subsequent to November 2006, which is insufficient experience upon which to estimate the expected term. The risk-free interest rate for periods within the life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The following assumptions were used to calculate the fair value of the Company s options on the date of grant during the nine months ended November 30, 2008 and 2009:

	Nine Months Ended November 30,	
	2008	**2009**
Risk-Free Interest Rate:	2.7% 3.5%	2.3% 2.8%
Expected Dividend Yield:	0%	0%
Expected Life (Years):	6.0	6.0 6.5
Expected Volatility:	48.6% 52.3%	72.3% 100.4%

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The following table presents a summary of the Company s stock options outstanding at November 30, 2009, and stock option activity during the nine months ended November 30, 2009 (Price reflects the weighted average exercise price per share):

	Options	Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of period	8,350,802	$ 14.60		
Granted	2,419,085	0.62		
Exercised (1)	5,000	0.30		
Forfeited	47,918	3.49		
Expired	1,637,486	18.85		
Outstanding, end of period	9,079,483	10.18	5.8	$ 1,396,458
Exercisable, end of period	5,816,760	15.11	3.9	$

(1) No options were exercised during the nine months ended November 30, 2008; thus, the Company did not record an income tax benefit related to option exercises. The income tax benefit associated with the options exercised in the nine months ended November 30, 2009 was immaterial.

The weighted average grant date fair value of options granted during the nine months ended November 30, 2008 and 2009, was $1.42 and $0.44, respectively.

A summary of the Company s nonvested options at November 30, 2009, and changes during the nine months ended November 30, 2009, is presented below:

	Weighted Average Grant Date

	Options	Fair Value
Nonvested, beginning of period	1,536,094	$ 2.73
Granted	2,419,085	0.44
Vested	644,538	4.06
Forfeited	47,918	1.77
Nonvested, end of period	3,262,723	0.79

There were 1.4 million shares available for future grants under the Company s various equity plans at November 30, 2009. The vesting date of outstanding options at November 30, 2009 range from February 2010 to July 2012, and expiration dates range from March 2010 to November 2019.

Restricted Stock Awards

The Company granted restricted stock awards to employees and directors of the Company in lieu of certain stock option grants from 2005 through 2008. These awards generally vest at the end of the second or third year after grant and are forfeited, except in certain circumstances, in the event the employee terminates his or her employment or relationship with the Company prior to vesting. The restricted stock awards were granted out of the Company s 2004 Equity Incentive Plan. The Company also awards, out of the Company s 2004 Equity Compensation Plan, stock to settle certain bonuses and other compensation that otherwise would be paid in cash. Any restrictions on these shares are immediately lapsed on the grant date.

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The following table presents a summary of the Company s restricted stock grants outstanding at November 30, 2009, and restricted stock activity during the nine months ended November 30, 2009 (Price reflects the weighted average share price at the date of grant):

	Awards	Price
Grants outstanding, beginning of period	644,084	$ 7.08
Granted	30,975	0.29
Vested (restriction lapsed)	245,128	9.92
Forfeited	24,753	4.78
Grants outstanding, end of period	405,178	4.99

The total grant date fair value of shares vested during the nine months ended November 30, 2008 and 2009 was $5.8 million and $2.4 million, respectively.

Recognized Non-Cash Compensation Expense

The following table summarizes stock-based compensation expense and related tax benefits recognized by the Company in the three months and nine months ended November 30, 2008 and 2009:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2008	2009	2008	2009
Station operating expenses	$ 486	$ 178	$ 2,096	$ 517
Corporate expenses	347	559	2,516	1,326
Stock-based compensation expense included in operating expenses	833	737	4,612	1,843
Benefit for income taxes	(342)		(1,891)	
Recognized stock-based compensation expense, net of tax	$ 491	$ 737	$ 2,721	$ 1,843

As of November 30, 2009, there was $1.9 million of unrecognized compensation cost, net of estimated forfeitures, related to nonvested share-based compensation arrangements. The cost is expected to be recognized over a weighted average period of approximately 1.5 years.

Note 3. Intangible Assets and Goodwill

Indefinite-lived Intangibles

In accordance with Accounting Standards Codification (ASC) Topic 350, *Intangibles Goodwill and Other,* the Company s Federal Communications Commission (FCC) licenses are considered indefinite-lived intangibles. These assets, which the Company determined were its only indefinite-lived intangibles, are not subject to amortization, but are tested for impairment at least annually as discussed below.

The carrying amounts of the Company s FCC licenses were $496.7 million as of February 28, 2009 and $335.8 million as of November 30, 2009. This amount is entirely attributable to our radio division. The Company generally performs its annual impairment test of indefinite-lived intangibles as of December 1 of each year, but given the continued revenue declines in the radio broadcasting industry and given a recent radio station sale in one of the markets in which we operate, the Company performed an interim impairment test as of August 1, 2009 in connection with the close of its quarter ended August 31, 2009. As a result of the interim impairment test, we recognized a noncash impairment loss of $160.9 million that reduced the carrying value of our FCC licenses in each of our domestic radio markets. The impairment loss mostly stemmed from lower market revenues. During the quarter ended November 30, 2009, no new or additional impairment indicators emerged; hence, no interim impairment testing was warranted. The required annual impairment tests may result in impairment charges in future periods.

The Company uses a direct-method valuation approach known as the greenfield income valuation method when it performs its impairment tests. Under this method, the Company projects the cash flows that would be generated by each of its units of accounting if the unit of accounting were commencing operations in each of its markets at the beginning of the valuation period. This cash flow stream is discounted to arrive at a value for the FCC license. The Company assumes the competitive situation that exists in each market remains unchanged, with the exception that its unit of accounting was beginning operations. In doing so, the Company extracts the value of going concern and any other assets acquired, and strictly values the FCC license. Major assumptions involved in this analysis include market revenue, market revenue growth rates, unit of accounting audience share, unit of accounting revenue share and discount rate. For its radio stations, the Company has determined the unit of accounting to be all of its stations in a local market.

Goodwill

ASC Topic 350 requires the Company to test goodwill for impairment at least annually using a two-step process. The first step is a screen for potential impairment, while the second step measures the amount of impairment. The Company conducts the two-step impairment test on December 1 of each fiscal year, unless indications of impairment exist during an interim period. When assessing its goodwill for impairment, the Company uses an enterprise valuation approach to determine the fair value of each of the Company s reporting units (radio stations grouped by market and magazines on an individual basis). Management determines enterprise value for each of its reporting units by multiplying the two-year average station operating income generated by each reporting unit (current year based on actual results and the next year based on budgeted results) by an estimated market multiple. The Company uses a blended station operating income trading multiple of publicly traded radio operators as a benchmark for the multiple it applies to its radio reporting units. The multiple applied to each reporting unit is then adjusted up or down from this benchmark based upon characteristics of the reporting unit s specific market, such as market size, market growth rate, and recently completed or announced transactions within the market. There are no publicly traded publishing companies that are focused predominantly on city and regional magazines as is our publishing segment. Therefore, the market multiple used as a benchmark for our publishing reporting units is based on recently completed transactions within the city and regional magazine industry.

This enterprise valuation is compared to the carrying value of the reporting unit for the first step of the goodwill impairment test. If the reporting unit exhibits impairment, the Company proceeds to the second step of the goodwill impairment test. For its step-two testing, the enterprise value is allocated among the tangible assets, indefinite-lived intangible assets (FCC licenses valued using a direct-method valuation approach) and unrecognized intangible assets, such as customer lists, with the residual amount representing the implied fair value of the goodwill. To the extent the carrying amount of the goodwill exceeds the implied fair value of the goodwill, the difference is recorded as an impairment charge in the statement of operations.

As of February 28, 2009 and November 30, 2009, the carrying amount of the Company s goodwill was $29.4 million and $24.2 million, respectively. As of February 28, 2009, approximately $6.3 million and $23.1 million of our goodwill was attributable to our radio and publishing divisions, respectively. As of November 30, 2009, approximately $6.3 million and $17.9 million of our goodwill was attributable to our radio and publishing divisions, respectively. As noted above, due to continued revenue declines in the markets in which we operate, the Company performed an interim impairment test on its goodwill as of August 1, 2009 in connection with the close of its quarter ended August 31, 2009. As a result of the interim impairment test, we recognized a noncash impairment loss of $5.3 million that reduced the carrying value of our goodwill recorded at our Los Angeles Magazine publication. The impairment loss mostly related to lower than expected revenues. During the three months ended May 31, 2009, Emmis recorded an impairment loss of $3.7 million related to goodwill at our Bulgarian radio operations.

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There was no impairment of the $9.4 million of goodwill related to our Country Sampler publication, and the fair value of Country Sampler exceeded its carrying value by 7% as of August 1, 2009, our interim impairment testing date. We have generally determined the fair value of our reporting units by using a valuation technique based on multiples of earnings. Our estimate of the fair value of our reporting units may change if our estimate of multiples or earnings of our reporting units changes in future periods. The required annual impairment tests may result in impairment charges in future periods.

During the quarter ended November 30, 2009, no new or additional impairment indicators emerged; hence, no interim impairment testing was warranted.

Definite-lived intangibles

The Company s definite-lived intangible assets consist primarily of foreign broadcasting licenses, trademarks, and favorable office leases, all of which are amortized over the period of time the assets are expected to contribute directly or indirectly to the Company s future cash flows. The following table presents the weighted-average useful life, gross carrying amount and accumulated amortization for each major class of definite-lived intangible assets at February 28, 2009 and November 30, 2009:

		February 28, 2009			November 30, 2009		
	Weighted Average Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Foreign Broadcasting Licenses	7.3	$ 33,848	$ 25,524	$ 8,324	$ 28,950	$ 24,945	$ 4,005
Trademarks	37.2	3,687	754	2,933	765	465	300
Customer List	N/A	692	460	232			
Favorable Office Leases	6.4	688	605	83	688	627	61
Noncompete and Other	N/A	312	164	148			
TOTAL		$ 39,227	$ 27,507	$ 11,720	$ 30,403	$ 26,037	$ 4,366

During the nine-months ended November 30, 2009, Emmis determined the carrying value of our Bulgarian foreign broadcast licenses, Orange Coast trademarks, Orange Coast noncompete and other Orange Coast definite-lived intangible assets exceeded their fair value. As such, we recognized a noncash impairment loss of $2.0 million and $2.8 million related to the Bulgarian and Orange Coast definite-lived intangibles, respectively. Total amortization expense from definite-lived intangibles for the nine-month periods ended November 30, 2008 and 2009, was $4.6 million and $2.4 million, respectively. Total amortization expense from definite-lived intangibles for the three-month periods ended November 30, 2008 and 2009, was $1.6 million and $0.7 million, respectively. The following table presents the Company s estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangibles:

YEAR ENDED FEBRUARY 28 (29),	
2010	$ 2,720
2011	1,282
2012	1,278
2013	1,251
2014	119

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Note 4. Liquidity

The Company continually projects its anticipated cash needs, which include its operating needs, capital needs, principal and interest payments on its indebtedness and preferred stock dividends. Management s most recent operating income and cash flow projections considered the current economic crisis, which has reduced advertising demand in general, as well as the restricted credit environment. As of the filing of this Form 10-Q, management believes the Company can meet its liquidity needs through the end of fiscal year 2010 with cash and cash equivalents on hand, projected cash flows from operations and, to the extent necessary, through its borrowing capacity under the Credit Agreement, which was approximately $16.0 million at November 30, 2009. Based on these projections, management also believes the Company will be in compliance with its debt covenants through the end of fiscal year 2010. However, continued global economic challenges, or other unforeseen circumstances, such as those described in Item 1A Risk Factors on our Form 10-K, as amended by Amendment No. 1 on Form 10-K/A, for the year ended February 28, 2009, may negatively impact the Company s operations beyond those assumed in its projections. Management considered the risks that the current economic conditions may have on its liquidity projections, as well as the Company s ability to meet its debt covenant requirements. If economic conditions deteriorate to an extent that we could not meet our liquidity needs or it appears that noncompliance with debt covenants is likely to result, the Company would implement several remedial measures, which could include further operating cost and capital expenditure reductions, ceasing to operate unprofitable properties and the sale of assets. If these measures are not successful in maintaining compliance with our debt covenants, the Company would attempt to negotiate for relief through a further amendment with its lenders or waivers of covenant noncompliance, which could result in higher interest costs, additional fees and reduced borrowing limits. There is no assurance that the Company would be successful in obtaining relief from its debt covenant requirements in these circumstances. Failure to comply with our debt covenants and a corresponding failure to negotiate a favorable amendment or waivers with the Company s lenders could result in the acceleration of the maturity of all the Company s outstanding debt, which would have a material adverse effect on the Company s business and financial position.

Note 5. Derivative Instruments and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage interest rate exposure with the following objectives:

- manage current and forecasted interest rate risk while maintaining optimal financial flexibility and solvency
- proactively manage the Company s cost of capital to ensure the Company can effectively manage operations and execute its business strategy, thereby maintaining a competitive advantage and enhancing shareholder value
- comply with covenant requirements in the Company s Credit Agreement

Cash Flow Hedges of Interest Rate Risk

The Company s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Under the terms of its Credit Agreement, the Company was required to fix or cap the interest rate on at least 30% of its debt outstanding (as defined in the Credit Agreement) for the three-year period ending November 2, 2009.

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The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The Company s interest rate derivatives were used to hedge the variable cash flows associated with existing variable-rate debt. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. The Company did not record any hedge ineffectiveness in earnings during the three months or nine months ended November 30, 2008 and 2009.

Amounts reported in accumulated other comprehensive loss related to derivatives will be reclassified to interest expense as interest payments are made on the Company s variable-rate debt. The Company estimates that an additional $6.0 million will be reclassified as an increase to interest expense over the next twelve months.

As of November 30, 2009, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	**Number of Instruments**	**Notional**
Interest Rate Swaps	3	$ 340,000

In March 2007, the Company entered into a three-year interest rate exchange agreement (a Swap), whereby the Company pays a fixed rate of 4.795% on $165 million of notional principal to Bank of America, and Bank of America pays to the Company a variable rate on the same amount of notional principal based on the three-month London Interbank Offered Rate (LIBOR). In March 2008, the Company entered into an additional three-year Swap, whereby the Company pays a fixed rate of 2.964% on $100 million of notional principal to Deutsche Bank, and Deutsche Bank pays to the Company a variable rate on the same amount of notional principal based on the three-month LIBOR. In January 2009, the Company entered into an additional two-year Swap effective as of March 28, 2009, whereby the Company pays a fixed rate of 1.771% on $75 million of notional principal to Deutsche Bank, and Deutsche Bank pays to the Company a variable rate on the same amount of notional principal based on the three-month LIBOR.

The Company does not use derivatives for trading or speculative purposes and currently does not have any derivatives that are not designated as hedges.

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The table below presents the fair value of the Company s derivative financial instruments as well as their classification on the balance sheet as of February 28, 2009 and November 30, 2009. Accumulated other comprehensive income (loss) balances related to our derivative instruments at February 28, 2009 and November 30, 2009 were ($3,998) and ($3,464), respectively. The fair values of the derivative instruments are estimated by obtaining quotations from the financial institutions that are counterparties to the instruments. The fair value is an estimate of the net amount that the Company would have been required to pay on February 28, 2009 and November 30, 2009, if the agreements were transferred to other parties or cancelled by the Company, as further adjusted by a credit adjustment required by ASC Topic 820, *Fair Value Measurements and Disclosures,* discussed below.

Tabular Disclosure of Fair Values of Derivative Instruments

	Asset Derivatives				**Liability Derivatives**			
	As of February 28, 2009		**As of November 30, 2009**		**As of February 28, 2009**		**As of November 30, 2009**	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments under SFAS 133								
Interest Rate Swap Agreements (Current Portion)	N/A	$	N/A	$	N/A	$	Other Current Liabilities	$ 2,330
Interest Rate Swap Agreements (Long Term Portion)	N/A		N/A		Other Noncurrent Liabilities	6,777	Other Noncurrent Liabilities	3,913
Total derivatives designated as hedging instruments under SFAS 133		$		$		$ 6,777		$ 6,243

The tables below present the effect of the Company s derivative financial instruments on the consolidated statements of operations as of November 30, 2008 and 2009.

For the Three Months Ended November 30,				
Amount of Gain or (Loss)	**Location of Gain or (Loss) Reclassified**	**Amount of Gain or (Loss)**	**Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective**	**Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and**

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Recognized in OCI on Derivative (Effective Portion) 2008	2009	from Accumulated OCI into Income (Effective Portion)	Reclassified from Accumulated OCI into Income (Effective Portion) 2008	2009	Portion and Amount Excluded from Effectiveness Testing)	Amount Excluded from Effectiveness Testing) 2008	2009
Interest Rate Swap Agreements	$ (3,136)	$ (1,763)	Interest expense	$ (431)	$ (2,757)	N/A	$	$
Total	$ (3,136)	$ (1,763)		$ (431)	$ (2,757)		$	$

For the Nine Months Ended November 30,

Derivatives in SFAS 133 Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) 2008	2009	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) 2008	2009	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing) 2008	2009
Interest Rate Swap Agreements	$ (2,054)	$ (6,617)	Interest expense	$ (2,011)	$ (7,151)	N/A	$	$
Total	$ (2,054)	$ (6,617)		$ (2,011)	$ (7,151)		$	$

Credit-risk-related Contingent Features

The Company manages its counterparty risk by entering into derivative instruments with global financial institutions where it believes the risk of credit loss resulting from nonperformance by the counterparty is low. As discussed above, the Company s existing counterparties on its interest rate swaps are Bank of America and Deutsche Bank.

In accordance with ASC Topic 820, the Company makes Credit Value Adjustments (CVAs) to adjust the valuation of derivatives to account for our own credit risk with respect to all derivative liability positions. The CVA is accounted for as a decrease to the derivative position with the corresponding increase or decrease reflected in accumulated other comprehensive income (loss) for derivatives designated as cash flow hedges. The CVA also accounts for nonperformance risk of our counterparties in the fair value measurement of all derivative asset positions, when appropriate. As of February 28, 2009 and November 30, 2009, the fair value of our derivative instruments was net of $2.0 million and $0.5 million in CVAs, respectively.

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The Company s interest rate swap agreements with Bank of America and Deutsche Bank incorporate the loan covenant provisions of the Company s Credit Agreement. Both Bank of America and Deutsche Bank are lenders under the Company s Credit Agreement. Failure to comply with the loan covenant provisions of the Credit Agreement could result in the Company being in default of its obligations under the interest rate swap agreements.

As of November 30, 2009, the Company has not posted any collateral related to the interest rate swap agreements.

Note 6. Fair Value Measurements

Effective March 1, 2008, the Company began providing enhanced disclosures about assets and liabilities carried at fair value.

As defined in ASC Topic 820, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement).

Recurring Fair Value Measurements

The following table sets forth by level within the fair value hierarchy the Company s financial assets and liabilities that were accounted for at fair value on a recurring basis as of February 28, 2009 and November 30, 2009. The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

	As of November 30, 2009			
	Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Available for sale securities	$	$	$ 452	$ 452
Total assets measured at fair value on a recurring basis	$	$	$ 452	$ 452
Interest rate swap agreements	$	$	$ 6,243	$ 6,243
Total liabilities measured at fair value on a recurring basis	$	$	$ 6,243	$ 6,243

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	As of February 28, 2009			
	Level 1 Quoted Prices in Active Markets for Identical Assets or Liabilities	Level 2 Significant Other Observable Inputs	Level 3 Significant Unobservable Inputs	Total
Cash equivalents	$	$ 24,415	$	$ 24,415
Available for sale securities			452	452
Total assets measured at fair value on a recurring basis	$	$ 24,415	$ 452	$ 24,867
Interest rate swap agreements			6,777	6,777
Total liabilities measured at fair value on a recurring basis	$	$	$ 6,777	$ 6,777

Cash Equivalents At February 28, 2009, a majority of Emmis domestic cash equivalents were invested in an institutional money market fund. The fund is not publicly traded, but third-party quotes for the fund are available and are therefore considered a Level 2 input. During the nine months ended November 30, 2009, this cash was primarily used to fund repurchases of the Company s bank debt through Dutch auction tenders.

Available for sale securities Emmis available for sale security is an investment in preferred stock of a company that specializes in digital radio transmission technology that is not traded in active markets. The investment is recorded at fair value, which is materially consistent with the Company s cost basis. This is considered a Level 3 input.

Swap agreements Emmis derivative financial instruments consist solely of interest rate cash flow hedges in which the Company pays a fixed rate and receives a variable interest rate that is observable based upon a forward interest rate curve, as adjusted for the CVA discussed in Note 5. Because a more than insignificant portion of the valuation is based upon unobservable inputs, these interest rate swaps are considered a Level 3 input.

The following table shows a reconciliation of the beginning and ending balances for fair value measurements using significant unobservable inputs:

	For the Nine Months Ending		
	November 30, 2008	November 30, 2009	
	Available For Sale Securities	Available For Sale Securities	Derivative Instruments
Beginning Balance	$ 1,000	$ 452	$ 6,777
Purchases	250		
Other than temporary impairment loss	(1,250)		
Unrealized gains in other comprehensive income			(534)

Ending Balance	$	$ 452	$ 6,243

Non-Recurring Fair Value Measurements

The Company has certain assets that are measured at fair value on a non-recurring basis under the circumstances and events described in Note 3, Intangible Assets And Goodwill, and are adjusted to fair value only when the carrying values are more than the fair values. The categorization of the framework used to price the assets is considered a Level 3, due to the subjective nature of the unobservable inputs used to determine the fair value (see Note 3 for more discussion).

Included in the following table are the major categories of assets measured at fair value on a non-recurring basis as of November 30, 2009, along with the impairment loss recognized on the fair value measurement for the three and nine months ended November 30, 2009:

	As of November 30, 2009					
	Level 1	Level 2	Level 3			
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs	Total	Three Months Ended November 30, 2009 Impairment Loss	Nine Months Ended November 30, 2009 Impairment Loss
Indefinite-lived intangibles	$	$	$ 335,801	$ 335,801	$	$ 160,910
Goodwill			24,175	24,175		5,267
Other intangibles, net			4,366	4,366		8,465
Total	$	$	$ 364,342	$ 364,342	$	$ 174,642

Fair Value Of Other Financial Instruments

The estimated fair value of financial instruments is determined using the best available market information and appropriate valuation methodologies. Considerable judgment is necessary, however, in interpreting market data to develop the estimates of fair value. Accordingly, the estimates presented are not necessarily indicative of the amounts that the Company could realize in a current market exchange, or the value that ultimately will be realized upon maturity or disposition. The use of different market assumptions may have a material effect on the estimated fair value amounts.

The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and cash equivalents, accounts receivable and accounts payable, including accrued liabilities: The carrying amount of these assets and liabilities approximates fair value because of the short maturity of these instruments.

*Credit Agreement deb*t: As of November 30, 2009 and February 28, 2009, the fair value of the Company s Credit Agreement debt based on bid prices as of those dates was $262.4 million and $183.3 million, respectively, while the carrying value was $343.0 million and $421.4 million, respectively.

6.25% Series A cumulative convertible preferred stock: As of November 30, 2009 and February 28, 2009, the fair value of the Company s 6.25% Series A cumulative convertible preferred stock based on quoted market prices was $42.8 million and $5.6 million, respectively, while the carrying value was $140.5 million for both periods.

Note 7. Local Marketing Agreement (LMA)

On April 3, 2009, Emmis entered into an LMA and a Put and Call Agreement for KMVN-FM in Los Angeles with a subsidiary of Grupo Radio Centro, S.A.B. de C.V (GRC), a Mexican broadcasting company. The LMA for KMVN-FM commenced on April 15, 2009 and will continue for up to seven years. The LMA requires $7 million in annual payments plus reimbursement of certain expenses. GRC paid the first two years of LMA payments in advance at closing. At any time during the LMA, GRC has the right to purchase the station for $110 million. At the end of the term, Emmis has the right to require GRC to purchase the station for the same amount. Under the LMA, Emmis continues to own and operate the station, with GRC providing Emmis with broadcast programming. For the three-month and nine-month periods ended November 30, 2009, we recognized $1.8 million and $4.4 million, respectively, in LMA fees classified as net revenues in the accompanying condensed consolidated statements of operations.

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Note 8. Restructuring Charge

In response to the deteriorating economic environment and the decline in domestic advertising revenues, the Company announced a plan on March 5, 2009 to reduce payroll costs by $10 million annually. In connection with the plan, approximately 100 employees were terminated. The terminated employees received severance of $4.2 million under the Company s standard severance plan. This amount was recognized in the three-month period ended February 28, 2009, as the terminations were probable and the amount was reasonably estimable prior to the end of the period. Employees terminated also received one-time enhanced severance of $3.4 million that was recognized during the three months ended May 31, 2009, as the enhanced plan was not finalized and communicated until March 5, 2009. All severances related to the plan announced on March 5, 2009 were paid during the nine months ended November 30, 2009.

Note 9. Comprehensive Income (Loss)

Comprehensive income (loss) was comprised of the following for the three-month and nine-month periods ended November 30, 2008 and 2009:

	Three Months Ended November 30,		Nine Months Ended November 30,	
	2008	2009	2008	2009
Consolidated net income (loss)	$ (122,565)	$ 4,583	$ (114,562)	$ (111,813)
Other comprehensive income (loss), net of tax:				
Change in fair value of derivatives	(2,705)	994	(43)	534
Translation adjustment	(3,589)	590	(53)	(1,390)
Comprehensive income (loss)	$ (128,859)	$ 6,167	$ (114,658)	$ (112,669)
Comprehensive income attributable to noncontrolling interests	(778)	(823)	(4,375)	(3,021)
Comprehensive income (loss) attributable to the Company	$ (129,637)	$ 5,344	$ (119,033)	$ (115,690)

Note 10. Segment Information

The Company s operations are aligned into two business segments: (i) Radio and (ii) Publishing. These business segments are consistent with the Company s management of these businesses and its financial reporting structure. Corporate expenses are not allocated to reportable segments. The results of operations of our television division, Hungary radio operations, Belgium radio operations, *Tu Ciudad Los Angeles* and Emmis Books have been classified as discontinued operations and have been excluded from the segment disclosures below. See Note 1 for more discussion of our discontinued operations.

The Company s segments operate primarily in the United States, but we also operate radio stations located in Slovakia and Bulgaria. The following table summarizes the net revenues and long-lived assets of our international properties included in our condensed consolidated financial statements.

	Net Revenues	Net Revenues	Long-lived Assets

	Three Months Ended November 30, 2008	Three Months Ended November 30, 2009	Nine Months Ended November 30, 2008	Nine Months Ended November 30, 2009	As of February 28, 2009	As of November 30, 2009
Continuing Operations:						
Slovakia	$ 4,445	$ 3,398	$ 13,308	$ 9,937	$ 9,965	$ 9,205
Bulgaria	953	486	3,142	1,493	3,722	1,278
Discontinued Operations (see Note 1):						
Hungary	$ 5,492	$ 3,060	$ 17,505	$ 9,454	$ 2,110	$ 841
Belgium	427		1,576	703	34	

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The accounting policies as described in the summary of significant accounting policies included in the Company s Annual Report filed on Form 10-K, as amended by Amendment No. 1 on Form 10-K/A, for the year ended February 28, 2009, and in Note 1 to these condensed consolidated financial statements, are applied consistently across segments.

Three Months Ended November 30, 2008	Radio	Publishing	Corporate	Consolidated
Net revenues	$ 56,361	$ 22,855	$	$ 79,216
Station operating expenses, excluding depreciation and amortization	41,149	18,403		59,552
Corporate expenses, excluding depreciation and amortization			4,128	4,128
Depreciation and amortization	2,592	329	550	3,471
Impairment losses	207,314	2,851		210,165
Restructuring charge				
(Gain) loss on disposal of fixed assets			(3)	(3)
Operating income (loss)	$ (194,694)	$ 1,272	$ (4,675)	$ (198,097)

Three Months Ended November 30, 2009	Radio	Publishing	Corporate	Consolidated
Net revenues	$ 45,655	$ 18,927	$	$ 64,582
Station operating expenses, excluding depreciation and amortization	33,570	15,888		49,458
Corporate expenses, excluding depreciation and amortization			3,567	3,567
Depreciation and amortization	1,947	143	360	2,450
Loss on disposal of fixed assets	8	1		9
Operating income (loss)	$ 10,130	$ 2,895	$ (3,927)	$ 9,098

Nine Months Ended November 30, 2008	Radio	Publishing	Corporate	Consolidated
Net revenues	$ 180,668	$ 65,631	$	$ 246,299
Station operating expenses, excluding depreciation and amortization	124,190	57,982		182,172
Corporate expenses, excluding depreciation and amortization			14,422	14,422
Depreciation and amortization	7,648	921	1,658	10,227
Impairment losses	207,314	2,851		210,165
(Gain) loss on disposal of fixed assets	5	1	(3)	3
Operating income (loss)	$ (158,489)	$ 3,876	$ (16,077)	$ (170,690)

Nine Months Ended November 30, 2009	Radio	Publishing	Corporate	Consolidated
Net revenues	$ 138,871	$ 49,716	$	$ 188,587
Station operating expenses, excluding depreciation and amortization	106,690	47,937		154,627
Corporate expenses, excluding depreciation and amortization			10,649	10,649
Depreciation and amortization	6,185	636	1,135	7,956
Impairment loss	166,571	8,071		174,642
Restructuring charge	1,412	741	1,197	3,350
Gain on disposal of fixed assets	18	1	(158)	(139)
Operating loss	$ (142,005)	$ (7,670)	$ (12,823)	$ (162,498)

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	As of February 28, 2009			
	Radio	Publishing	Corporate	Consolidated
Assets continuing operations	$ 627,069	$ 52,263	$ 59,190	$ 738,522
Assets discontinued operations	634	50	5	689
Total assets	$ 627,703	$ 52,313	$ 59,195	$ 739,211

	As of November 30, 2009			
	Radio	Publishing	Corporate	Consolidated
Assets continuing operations	$ 437,687	$ 40,730	$ 34,982	$ 513,399
Assets discontinued operations		7		7
Total assets	$ 437,687	$ 40,737	$ 34,982	$ 513,406

Note 11. Regulatory, Legal and Other Matters

The Company is a party to various legal and regulatory proceedings arising in the ordinary course of business. In the opinion of management of the Company, there are no legal or regulatory proceedings pending against the Company that are likely to have a material adverse effect on the Company.

On October 28, 2009, the ORTT announced that it was awarding to another bidder the national radio license then held by our majority-owned subsidiary, Slager. Slager ceased broadcasting effective November 19, 2009. We have continued to explore our legal remedies in both the Hungarian and international forums, but we cannot predict the outcome of these efforts.

Certain individuals and groups have challenged applications for renewal of the FCC licenses of certain of the Company s stations. The challenges to the license renewal applications are currently pending before the Commission. Emmis does not expect the challenges to result in the denial of any license renewals.

The terms of Emmis Preferred Stock provide for a quarterly dividend payment of $.78125 per share on each January 15, April 15, July 15 and October 15. Emmis has not declared a preferred stock dividend since October 15, 2008. As of November 30, 2009, cumulative preferred dividends in arrears total $8.8 million. Failure to pay the dividend is not a default under the terms of the Preferred Stock. However, if dividends remain unpaid for more than six quarters, the holders of the Preferred Stock are entitled to elect two persons to our Board of Directors. The Second Amendment to our Credit Agreement prohibits the Company from paying dividends on the Preferred Stock during the Suspension Period (as defined in the Credit Agreement). Payment of future preferred stock dividends is 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

Note: Certain statements included in this report or in the financial statements contained herein which are not statements of historical fact, including but not limited to those identified with the words expect, should, will or look are intended to be, and are, by this Note, identified as forward-looking statements, as defined in the Securities and Exchange Act of 1934, as amended. Such statements involve known and unknown risks, uncertainties and other factors that may cause the actual results, performance or achievements of the Company to be materially different from any future result, performance or achievement expressed or implied by such forward-looking statement. Such factors include, among others:

general economic and business conditions;

fluctuations in the demand for advertising and demand for different types of advertising media;

our ability to service our outstanding debt;

loss of key personnel;

increased competition in our markets and the broadcasting industry;

our ability to attract and secure programming, on-air talent, writers and photographers;

inability to obtain (or to obtain timely) necessary approvals for purchase or sale transactions or to complete the transactions for other reasons generally beyond our control;

increases in the costs of programming, including on-air talent;

new or changing regulations of the Federal Communications Commission or other governmental agencies;

changes in radio audience measurement methodologies;

competition from new or different technologies;

war, terrorist acts or political instability; and

other factors mentioned in other documents filed by the Company with the Securities and Exchange Commission.

For a more detailed discussion of these and other risk factors, see the Risk Factors section of our Annual Report on Form 10-K, as amended by Amendment No. 1 on Form 10-K/A, for the year ended February 28, 2009. Emmis does not undertake any obligation to publicly update or revise any forward-looking statements because of new information, future events or otherwise.

GENERAL

We are a diversified media company. We own and operate radio and publishing properties located primarily in the United States. Our revenues are mostly affected by the advertising rates our entities charge, as advertising sales represent approximately 80% of our consolidated revenues. These rates are in large part based on our entities ability to attract audiences/subscribers in demographic groups targeted by their advertisers. Arbitron Inc. generally measures radio station ratings either four times a year (for markets measured by diaries) or weekly (for markets measured by the Portable People Meter). Because audience ratings in a station s local market are critical to the station s financial success, our strategy is to use market research and advertising and promotion to attract and retain audiences in each station s chosen demographic target group.

Our revenues vary throughout the year. As is typical in the broadcasting industry, our revenues and operating income are usually lowest in our fourth fiscal quarter.

In addition to the sale of advertising time for cash, stations typically exchange advertising time for goods or services, which can be used by the station in its business operations. These barter transactions are recorded at the estimated fair value of the product or service received. We generally confine the use of such trade transactions to promotional items or services for which we would otherwise have paid cash. In addition, it is our general policy not to pre-empt advertising spots paid for in cash with advertising spots paid for in trade.

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The following table summarizes the sources of our revenues for the three-month and nine-month periods ended November 30, 2008 and 2009. All revenues generated by our international radio properties are included in the Local category. The category Non Traditional principally consists of ticket sales and sponsorships of events our stations and magazines conduct in their local markets. The category Other includes, among other items, revenues generated by the websites of our entities and barter.

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2008	% of Total	2009	% of Total	2008	% of Total	2009	% of Total
	(Dollars in thousands)				(Dollars in thousands)			
Net revenues:								
Local	$ 44,721	56.5%	$ 36,723	56.9%	$ 147,164	59.8%	$ 111,554	59.2%
National	16,624	21.0%	9,884	15.3%	46,734	19.0%	25,192	13.4%
Publication Sales	3,808	4.8%	3,697	5.7%	10,528	4.3%	9,698	5.1%
Non Traditional	3,820	4.8%	3,768	5.8%	15,836	6.4%	14,449	7.7%
Other	10,243	12.9%	10,510	16.3%	26,037	10.5%	27,694	14.6%
Total net revenues	$ 79,216		$ 64,582		$ 246,299		$ 188,587	

As previously mentioned, we derive approximately 80% of our net revenues from advertising sales. Our radio stations derive a higher percentage of their advertising revenues from local sales than our publishing entities. In the nine-month period ended November 30, 2009, local sales, excluding political revenues, represented approximately 84% and 70% of our advertising revenues for our radio and publishing divisions, respectively. In the nine-month period ended November 30, 2008, local sales, excluding political revenues, represented approximately 80% and 61% of our advertising revenues for our radio and publishing divisions, respectively. Our net revenues decreased principally as a result of a precipitous decline of advertising spending due to the global economic slowdown. Local sales have been more resilient than national sales. For the nine months ended November 30, 2009 as compared to the same period of the prior year, local sales are down approximately 24%, while national sales are down approximately 46%.

No customer represents more than 10% of our consolidated net revenues. Our top ten categories for radio represent approximately 60% of the total advertising net revenues. Although the automotive industry, representing approximately 9% of our radio net revenues, is the largest category for our radio division for the nine-month period ended November 30, 2009, our radio net revenues for this category are down 36% versus the same period of the prior year.

The majority of our expenses are fixed in nature, principally consisting of salaries and related employee benefit costs, office and tower rent, utilities, property and casualty insurance and programming-related expenses. However, approximately 20% of our expenses vary in connection with changes in revenues. These variable expenses primarily relate to sales commissions and bad debt reserves. In addition, costs related to our marketing and promotions department are highly discretionary and incurred primarily to maintain and/or increase our audience and market share.

KNOWN TRENDS AND UNCERTAINTIES

Although the slowing global economy has negatively impacted advertising revenues for a wide variety of media businesses, domestic radio revenue growth has been challenged for several years. Management believes this is principally the result of four factors unrelated to the slowing economy: (1) the emergence of new media, such as various media content distributed via the Internet and cable interconnects, which are gaining advertising share against radio and other traditional media, (2) the perception of investors and advertisers that satellite radio and portable media players diminish the effectiveness of radio advertising, (3) advertisers lack of confidence in the ratings of radio stations due to dated ratings-gathering methods, and (4) a lack of inventory and pricing discipline by radio operators.

The radio industry has begun several initiatives to address these issues, most notable of which is the rollout of HD Radio®. HD Radio® offers listeners advantages over standard analog broadcasts, including improved sound quality and additional digital channels. To make the rollout of HD Radio® more efficient, a consortium of broadcasters representing a majority of the radio stations in nearly all of our markets have agreed to work together in each radio market to ensure the most diverse consumer offering possible and to accelerate the rollout of HD Radio® receivers, particularly in automobiles. In addition to offering secondary channels, the HD Radio® spectrum allows broadcasters to transmit other forms of data. We are participating in a joint venture with other broadcasters to provide the bandwidth that a third party will use to transmit location-based data to hand-held and in-car navigation devices. We currently utilize HD Radio® digital technology on most of our FM stations. It is unclear what impact HD Radio® will have on the markets in which we operate.

Arbitron Inc., the supplier of ratings data for United States radio markets, has developed technology to passively collect data for its ratings service. The Portable People Meter™ (PPM™) is a small, pager-sized device that does not require any active manipulation by the end user and is capable of automatically measuring radio, television, Internet, satellite radio and satellite television signals that are encoded for the service by the broadcaster. The PPM™ offers a number of advantages over the traditional diary ratings collection system including ease of use, more reliable ratings data and shorter time periods between when advertising runs and when audience listening or viewing habits can be reported. This service began in the New York, Los Angeles and Chicago markets in October 2008, in the St. Louis market in October 2009, and is planned for introduction in the Austin and Indianapolis markets in the fall of 2010. In each market in which the service has begun, there has been a compression in the relative ratings of all stations in the market, enhancing the competitive pressure within the market for advertising dollars. In addition, ratings for certain stations when measured by the PPM™ as opposed to the traditional diary methodology can be materially different. The Company continues to evaluate the impact PPM™ will have on our revenues in these markets.

As discussed below, our radio stations in Los Angeles and New York are trailing the performance of their respective markets. Management believes this relative underperformance is principally due to two factors: (1) our lack of scale in these markets and (2) the introduction of PPM™ to these markets in October 2008. Some of our competitors operate larger station clusters in New York and Los Angeles than we do, enabling them to use their higher market share to extract a greater percentage of available advertising revenue through discounting unit rates. Our stations in New York and Los Angeles principally target demographics that suffer a disproportionate decline in ratings when measured by the PPM™ as compared to the previously used diary methodology. Management expects the impact we have experienced from the adoption of the PPM™ to begin to abate in our fiscal fourth quarter of this year. Our Los Angeles and New York markets collectively account for approximately 50% of our domestic radio revenues.

On April 3, 2009, Emmis entered into an LMA and a Put and Call Agreement for KMVN-FM in Los Angeles with a subsidiary of Grupo Radio Centro, S.A.B. de C.V (GRC), a Mexican broadcasting company. The LMA for KMVN-FM commenced on April 15, 2009 and will continue for up to seven years. The LMA requires $7 million in annual payments plus reimbursement of certain expenses. GRC paid the first two years of LMA payments in advance at closing. At any time during the LMA, GRC has the right to purchase the station for $110 million. At the end of the term, Emmis has the right to require GRC to purchase the station for the same amount. Under the LMA, Emmis continues to own and operate the station, with GRC providing Emmis with broadcast programming. The performance of Emmis other Los Angeles radio station, KPWR-FM, trailed the performance of the overall market. For the nine-month period ended November 30, 2009, KPWR-FM s gross revenues were down 32.6% whereas the independent accounting firm Miller, Kaplan, Arase & Co. (Miller Kaplan) reported that the Los Angeles market total gross revenues were down 21.8% versus the same period of the prior year.

Our radio cluster in New York trailed the performance of the overall New York radio market during the nine-month period ended November 30, 2009. For the nine-month period ended November 30, 2009, our New York radio stations gross revenues were down 23.1%, whereas Miller Kaplan reported that New York radio market total gross revenues were down 16.8% versus the same period of the prior year.

As part of our business strategy, we continually evaluate potential acquisitions of international radio stations, publishing properties and other businesses that we believe hold promise for long-term appreciation in value and leverage our strengths. However, the August 2009 amendment to EOC s Credit Agreement substantially limits our ability to make acquisitions prior to September 2011. We also regularly review our portfolio of assets and may opportunistically dispose of assets when we believe it is appropriate to do so.

ACCOUNTING PRONOUNCEMENTS

In June 2008, the Financial Accounting Standards Board (FASB) approved the *FASB Accounting Standards Codification* as a single source of authoritative nongovernmental U.S. GAAP. The Codification does not change current U.S. GAAP, but is intended to simplify user access to all authoritative literature related to a particular topic in one place. The Company s adoption of the Codification during the period ended November 30, 2009, did not have an impact on the Company s financial position, results of operations or cash flows.

In May 2009, an accounting standard was approved which sets forth the period, circumstances and disclosure after the balance sheet date during which management shall evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements. The Company s adoption of the standard, which was effective for the Company in the period ended August 31, 2009, did not have an effect on the Company s financial position, results of operations or cash flows.

In April 2009, an accounting standard was issued which requires disclosures about the fair value of financial instruments in interim reporting periods that were previously only required in annual financial statements. The Company s adoption of this accounting standard, which was effective for the Company for the period ended August 31, 2009, did not have an effect on the Company s financial position, result of operations or cash flows.

In June 2008, an accounting standard was approved which provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument s contingent exercise and settlement provisions. This accounting standard was adopted by the Company on March 1, 2009 and had no impact on the Company s financial position, results of operations or cash flows.

In June 2008, an accounting standard was approved which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting, and therefore need to be included in the computation of earnings per share under the two-class method. This accounting standard was adopted by the Company on March 1, 2009 and had no impact on the Company s financial position, results of operations or cash flows.

In December 2007, an accounting standard was approved which changed the accounting and reporting for minority interests, which are now characterized as noncontrolling interests and classified as a component of equity in the accompanying condensed consolidated balance sheets. This accounting standard, adopted by the Company on March 1, 2009, required retroactive adoption of the presentation and disclosure requirements for existing minority interests, with all other requirements applied prospectively. The adoption of this standard resulted in the reclassification of $53,001 and $49,771 of noncontrolling interests to a component of equity at February 28, 2009 and November 30, 2009, respectively.

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In December 2007, an accounting standard was modified that changed how business combinations are accounted for through the use of fair values in financial reporting and impacts financial statements both on the acquisition date and in subsequent periods. In February 2009, this accounting standard was again modified to allow an exception to the recognition and fair value measurement principles of contingencies in a business combination. This exception requires that acquired contingencies be recognized at fair value on the acquisition date if fair value can be reasonably estimated during the allocation period. These modifications were effective for the Company as of March 1, 2009 for all business combinations that close on or after March 1, 2009.

CRITICAL ACCOUNTING POLICIES

Critical accounting policies are defined as those that encompass significant judgments and uncertainties, and potentially lead to materially different results under different assumptions and conditions. We believe that our critical accounting policies are those described below.

Impairment of Goodwill and Indefinite-lived Intangibles

The annual impairment tests (and interim tests when applicable) for goodwill and indefinite-lived intangibles under ASC Topic 350 require us to make certain assumptions in determining fair value, including assumptions about the cash flow growth rates of our businesses. Additionally, the fair values are significantly impacted by macro-economic factors, including market multiples at the time the impairment tests are performed. Accordingly, we may incur additional impairment charges in future periods under ASC Topic 350 to the extent we do not achieve our expected cash flow growth rates, or to the extent that market values decrease.

Allocations for Purchased Assets

We have made acquisitions in the past for which a significant amount of the purchase price was allocated to broadcasting licenses and goodwill assets. As of November 30, 2009, we have recorded approximately $360.0 million in FCC licenses and goodwill, which represents 70% of our total assets. In assessing the recoverability of these assets, we conduct annual impairment testing required by ASC Topic 350 (and interim testing when applicable) and charge to operations an impairment expense if the recorded value of these assets is more than their fair value. We believe our estimate of the fair value of our radio broadcasting licenses and goodwill assets is a critical accounting estimate as these assets are significant in relation to our total assets, and our estimate of the value uses assumptions that incorporate variables based on past experiences and judgments about future performance of our stations. These variables include but are not limited to: (1) the forecasted growth rate of each radio market, including population, household income, retail sales and other expenditures that would influence advertising expenditures; (2) market share and profit margin of an average station within a market; (3) estimated capital start-up costs and losses incurred during the early years; (4) risk-adjusted discount rate; (5) the likely media competition within the market area; and (6) terminal values. Changes in our estimates of the fair value of these assets could result in material future period write-downs in the carrying value of our broadcasting licenses and goodwill assets.

Estimate of Effective Tax Rates

We estimate the effective tax rates and associated liabilities or assets for each legal entity within Emmis. These estimates are based upon our interpretation of United States and local tax laws as they apply to our legal entities and our overall tax structure. Audits by local tax jurisdictions, including the United States Government, could yield different interpretations from our own and cause the Company to owe more taxes than originally recorded. We utilize advisors in the various tax jurisdictions to evaluate our position and to assist in our calculation of our tax expense and related assets and liabilities.

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Deferred Taxes

The Company accounts for income taxes under the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequence of events that have been recognized in the Company s financial statements or income tax returns. Income taxes are recognized during the year in which the underlying transactions are reflected in the consolidated statements of operations. Deferred taxes are provided for temporary differences between amounts of assets and liabilities as recorded for financial reporting purposes and amounts recorded for income tax purposes. After determining the total amount of deferred tax assets, the Company determines whether it is more likely than not that some portion of the deferred tax assets will not be realized. If the Company determines that a deferred tax asset is not likely to be realized, a valuation allowance will be established against that asset to record it at its expected realizable value. After determining the total amount of deferred tax assets, the Company determines whether it is more likely than not that some portion of the deferred tax assets will not be realized. If the Company determines that a deferred tax asset is not likely to be realized, a valuation allowance will be established against that asset to record it at its expected realizable value.

Insurance Claims and Loss Reserves

The Company is self-insured for most healthcare claims, subject to stop-loss limits. Claims incurred but not reported are recorded based on historical experience and industry trends, and accruals are adjusted when warranted by changes in facts and circumstances. The Company had $0.9 million and $1.1 million accrued for employee healthcare claims as of February 28, 2009, and November 30, 2009, respectively. The Company also maintains large deductible programs (ranging from $100 thousand to $250 thousand per occurrence) for property and media liability claims.

Valuation of Stock Options

The Company determines the fair value of its employee stock options at the date of grant using a Black-Scholes option-pricing model. The Black-Scholes option pricing model was developed for use in estimating the value of exchange-traded options that have no vesting restrictions and are fully transferable. The Company s employee stock options have characteristics significantly different than these traded options. In addition, option pricing models require the input of highly subjective assumptions, including the expected stock price volatility and expected term of the options granted. The Company relies heavily upon historical data of its stock price when determining expected volatility, but each year the Company reassesses whether or not historical data is representative of expected results.

Results of Operations for the Three-month and Nine-month Periods Ended November 30, 2009, Compared to November 30, 2008

Net revenues:

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2008	2009	$ Change	% Change	2008	2009	$ Change	% Change
	(As reported, amounts in thousands)				(As reported, amounts in thousands)			
Net revenues:								
Radio	$ 56,361	$ 45,655	$ (10,706)	(19.0)%	$ 180,668	$ 138,871	$ (41,797)	(23.1)%
Publishing	22,855	18,927	(3,928)	(17.2)%	65,631	49,716	(15,915)	(24.2)%
Total net revenues	$ 79,216	$ 64,582	$ (14,634)	(18.5)%	$ 246,299	$ 188,587	$ (57,712)	(23.4)%

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Radio net revenues decreased in both the three-month and nine-month periods ended November 30, 2009, principally as a result of a precipitous decline of advertising spending in our domestic and international radio markets due to the global economic slowdown. We typically monitor the performance of our domestic stations against the aggregate performance of the markets in which we operate based on reports for the periods prepared by Miller Kaplan. Miller Kaplan reports are generally prepared on a gross revenues basis and exclude revenues from barter arrangements. For the nine-month period ended November 30, 2009, revenues of our domestic radio stations excluding KMVN, which has been operating under an LMA since April 15, 2009, were down 21.4%, whereas Miller Kaplan reported that revenues of our domestic radio markets were down 18.3%. The relative underperformance of our domestic radio stations is principally due to our lack of scale in the New York and Los Angeles markets and the introduction of PPM™ to those markets in October 2008. The Company s national representation firm guaranteed a minimum amount of national sales for the year ended February 28, 2009. For the nine-month period ended November 30, 2008, a $6.2 million reduction of national agency commissions was recorded related to the national representation firm s guarantee. No such guarantee exists subsequent to February 28, 2009. Market weakness and our stations weaknesses have led us to discount our rates charged to advertisers. For the nine-month period ended November 30, 2009, our average unit rate for our domestic radio stations was down 26.7% and our number of units sold was down 0.4%.

The decrease in publishing net revenue in both periods is principally attributable to the economic slowdown that diminished demand for advertising inventory at most of our city/regional publications.

Station operating expenses, excluding depreciation and amortization expense:

	Three Months Ended November 30,				**Nine Months Ended November 30,**			
	2008	**2009**	**$ Change**	**% Change**	**2008**	**2009**	**$ Change**	**% Change**
	(As reported, amounts in thousands)				**(As reported, amounts in thousands)**			
Station operating expenses, excluding depreciation and amortization expense:								
Radio	$ 41,149	$ 33,570	$ (7,579)	(18.4)%	$ 124,190	$ 106,690	$ (17,500)	(14.1)%
Publishing	18,403	15,888	(2,515)	(13.7)%	57,982	47,937	(10,045)	(17.3)%
Total station operating expenses, excluding depreciation and amortization expense	$ 59,552	$ 49,458	$ (10,094)	(16.9)%	$ 182,172	$ 154,627	$ (27,545)	(15.1)%

Radio station operating expenses, excluding depreciation and amortization expense, decreased in the three-month and nine-month periods ended November 30, 2009 principally due to division-wide cost reduction efforts consisting, among other things, of headcount and wage reductions. These cost reduction efforts as well as lower sales-related costs contributed to the reduction in station operating expenses, excluding depreciation and amortization expense.

Publishing operating expenses, excluding depreciation and amortization expense, decreased in the three-month and nine-month periods ended November 30, 2009 primarily due to division-wide cost reduction efforts similar to our radio division.

Emmis anticipates its cost reduction efforts to result in year-over-year declines in station operating expenses, excluding depreciation and amortization expense, for both the radio and publishing divisions throughout fiscal 2010.

Corporate expenses, excluding depreciation and amortization expense:

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2008	2009	$ Change	% Change	2008	2009	$ Change	% Change
	(Amounts in thousands)				(Amounts in thousands)			
Corporate expenses, excluding depreciation and amortization expense	$ 4,128	$ 3,567	$ (561)	(13.6)%	$ 14,422	$ 10,649	$ (3,773)	(26.2)%

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Corporate expenses decreased in the three-month and nine-month periods ended November 30, 2009 due to cost reduction efforts primarily consisting of headcount reductions and wage reductions, eliminating operating costs associated with the Company s corporate aircraft, which was sold during the three months ended May 31, 2009, lower noncash compensation costs related to the discontinuance of the Company s 401(k) matching program and lower Black-Scholes valuations related to the Company s March 2009 equity grants.

Emmis expects its corporate expenses, excluding depreciation and amortization expense, to decline throughout fiscal 2010.

Restructuring charge:

	Three Months Ended November 30,			Nine Months Ended November 30,		
	2008	2009	$ Change	2008	2009	$ Change
	(As reported, amounts in thousands)			(As reported, amounts in thousands)		
Restructuring charge:						
Radio	$	$	$	$	$ 1,412	$ 1,412
Publishing					741	741
Corporate					1,197	1,197
Total restructuring charge	$	$	$	$	$ 3,350	$ 3,350

In response to the deteriorating economic environment and the decline in domestic advertising revenues previously discussed, the Company announced a plan on March 5, 2009 to reduce payroll costs by $10 million annually. In connection with the plan, approximately 100 employees were terminated. The terminated employees received severance of $4.2 million under the Company s standard severance plan. This amount was recognized in the three-month period ended February 28, 2009, as the terminations were probable and the amount was reasonably estimable prior to the end of the period. Employees terminated also received one-time enhanced severance of $3.4 million that was recognized during the three months ended May 31, 2009, as the enhanced plan was not finalized and communicated until March 5, 2009.

Impairment loss:

	Three Months Ended November 30,			Nine Months Ended November 30,		
	2008	2009	$ Change	2008	2009	$ Change
	(As reported, amounts in thousands)					
Impairment loss:						
Radio	$ 207,314	$	$ (207,314)	$ 207,314	$ 166,571	$ (40,743)
Publishing	2,851		(2,851)	2,851	8,071	5,220
Total impairment loss	$ 210,165	$	$ (210,165)	$ 210,165	$ 174,642	$ (35,523)

During the first quarter of fiscal 2010, Emmis purchased the remaining ownership interests of its two majority owned radio networks in Bulgaria. Emmis now owns 100% of all three radio networks in Bulgaria. Approximately $3.7 million of the purchase price related to these acquisitions was allocated to goodwill, which was then determined to be substantially impaired. During the second quarter of fiscal 2010, we performed an interim impairment test of our intangible assets as indicators of impairment were present. In connection with the interim review, we recorded an impairment loss of $160.9 million related to our radio FCC licenses, $5.3 million related to goodwill at our Los Angeles Magazine publication, $2.8 million related to definite-lived intangibles at our Orange Coast Magazine publication and $2.0 million related to our Bulgarian foreign broadcast licenses.

During the quarter ended November 30, 2009, no new or additional impairment indicators emerged; hence, no interim impairment testing was warranted.

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Depreciation and amortization:

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2008	2009	$ Change	% Change	2008	2009	$ Change	% Change
	(As reported, amounts in thousands)				(As reported, amounts in thousands)			
Depreciation and amortization:								
Radio	$ 2,592	$ 1,947	$ (645)	(24.9)%	$ 7,648	$ 6,185	$ (1,463)	(19.1)%
Publishing	329	143	(186)	(56.5)%	921	636	(285)	(30.9)%
Corporate	550	360	(190)	(34.5)%	1,658	1,135	(523)	(31.5)%
Total depreciation and amortization	$ 3,471	$ 2,450	$ (1,021)	(29.4)%	$ 10,227	$ 7,956	$ (2,271)	(22.2)%

Substantially all of the decrease in radio depreciation and amortization relates to lower amortization of the Company s foreign broadcasting licenses as a result of impairment losses recorded pursuant to our impairment reviews.

Operating income (loss):

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2008	2009	$ Change	% Change	2008	2009	$ Change	% Change
	(As reported, amounts in thousands)				(As reported, amounts in thousands)			
Operating income (loss):								
Radio	$ (194,694)	$ 10,130	$ 204,824	105.2%	$ (158,489)	$ (142,005)	$ 16,484	10.4%
Publishing	1,272	2,895	1,623	127.6%	3,876	(7,670)	(11,546)	(297.9)%
Corporate	(4,675)	(3,927)	748	16.0%	(16,077)	(12,823)	3,254	20.2%
Total operating income (loss)	$ (198,097)	$ 9,098	$ 207,195	104.6%	$ (170,690)	$ (162,498)	$ 8,192	4.8%

The decrease in operating income is attributable to the declining revenues in both our radio and publishing divisions and restructuring and impairment losses, all of which are partially offset by reduced station operating expenses, excluding depreciation and amortization.

Interest expense:

	Three Months Ended November 30,	Nine Months Ended November 30,

	2008	2009	$ Change	% Change	2008	2009	$ Change	% Change
	(As reported, amounts in thousands)				(As reported, amounts in thousands)			
Interest expense	$ 6,683	$ 7,237	$ 554	8.3%	$ 20,212	$ 18,161	$ (2,051)	(10.1)%

The increase in interest expense for the three months ended November 30, 2009 is mostly due to a 2% interest rate increase on our Credit Agreement debt as a result of the Credit Agreement amendment in August 2009. For the nine months ended November 30, 2009, the increase in interest expense due to the 2% interest rate increase was more than offset by interest savings as a result of principal reductions during the period, most of which related to our Dutch auction tenders (described below).

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Gain (loss) on debt extinguishment:

	Three Months Ended November 30,			Nine Months Ended November 30,		
	2008	2009	$ Change	2008	2009	$ Change
	(As reported, amounts in thousands)			(As reported, amounts in thousands)		
Gain (loss) on debt extinguishment	$	$	$	$	$ 31,362	$ 31,362

In April 2009, Emmis commenced a series of Dutch auction tenders to purchase term loans of EOC under the Credit Agreement as amended. The cumulative effect of all of the debt tenders resulted in the purchase of $78.5 million in face amount of EOC s outstanding term loans for $44.7 million in cash. As a result of these purchases, Emmis recognized a gain on extinguishment of debt of $31.9 million in the quarter ended May 31, 2009, which is net of transaction costs of $1.0 million and a write-off of deferred debt costs associated with the term loan reduction of $0.9 million. The Credit Agreement as amended permitted the Company to pay up to $50 million (less amounts paid after February 1, 2009 under our TV Proceeds Quarterly Bonus Program) to purchase EOC s outstanding term loans through tender offers and required a minimum offer of $5 million per tender. Since the Company paid $44.7 million in debt tenders and paid $4.1 million under the TV Bonus Program in March 2009, we are not permitted to effect further tenders under the Credit Agreement.

In August 2009, Emmis amended its Credit Agreement. As part of the August 2009 amendment, maximum availability under the revolver was reduced from $75 million to $20 million. The Company recorded a loss on debt extinguishment during the three months ended August 31, 2009 of $0.5 million related to the write-off of deferred debt costs associated with the revolver reduction.

Other income (expense), net:

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2008	2009	$ Change	% Change	2008	2009	$ Change	% Change
	(As reported, amounts in thousands)				(As reported, amounts in thousands)			
Other income (expense), net	$ 383	$ 27	$ (356)	(93.0)%	$ (1,037)	$ 302	$ 1,339	(129.1)%

Other income recognized during the three and nine months ended November 30, 2009 mostly relates to foreign exchange translation gains and losses on US dollar denominated cash holdings in Slovakia.

Benefit for income taxes:

	Three Months Ended November 30,				Nine Months Ended November 30,			
	2008	2009	$ Change	% Change	2008	2009	$ Change	% Change
	(As reported, amounts in thousands)				(As reported, amounts in thousands)			

Benefit for income taxes	$ 81,110	$ 3,390	$ (77,720)	(95.8)%	$ 73,406	$ 36,604	$ 36,802)	(50.1)%

Our effective income tax rates for the nine months ended November 30, 2008 and 2009 were 38% and 25%, respectively. During the fourth quarter of fiscal 2009, the Company recorded of a full valuation allowance for most of it s deferred tax assets, including its net operating loss carryforwards. A portion of the impairment loss during the nine months ended November 30, 2009 decreased deferred tax liabilities associated with the indefinite-lived intangibles. The tax benefit of the deferred tax liability reduction decreased the effective annual tax rate for fiscal 2010.

During the three months ended November 30, 2009, we recorded a $4.8 million benefit related to alternative minimum tax paid by Emmis in 2006 and 2007, which can now be recouped after the signing of the Worker, Homeownership, and Business Assistance Act of 2009. This act allows Emmis to extend the previously allowed two-year carryback period on net operating losses to five years and permits the full offset of alternative minimum tax during such extended carryback period. The alternative minimum tax asset had a full valuation allowance.

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(Gain) loss from discontinued operations, net of tax:

	Three Months Ended November 30, 2008	2009	$ Change	% Change	Nine Months Ended November 30, 2008	2009	$ Change	% Change
	(As reported, amounts in thousands)				(As reported, amounts in thousands)			
(Gain) loss from discontinued operations, net of tax	$ (722)	$ 695	$ 1,417	(196.3)%	$ (3,971)	$ (578)	$ 3,393	(85.4)%

Our Hungarian radio operations, Belgium radio operations, television division, *Tu Ciudad Los Angeles* and Emmis Books have been classified as discontinued operations in the accompanying condensed consolidated statements. The financial results of these businesses and related discussions are fully described in Note 1 to the accompanying condensed consolidated financial statements.

Consolidated net income (loss):

	Three Months Ended November 30, 2008	2009	$ Change	% Change	Nine Months Ended November 30, 2008	2009	$ Change	% Change
	(As reported, amounts in thousands)				(As reported, amounts in thousands)			
Consolidated net income (loss)	$ (122,565)	$ 4,583	$ 127,148	103.7%	$ (114,562)	$ (111,813)	$ 2,749	2.4%

The increase in net income for the three months ended November 30, 2009 is mostly due to the timing of our interim intangible impairment reviews as discussed above. The increase in net income for the nine months ended November 30, 2009 is due to the gain on extinguishment of debt associated with our Dutch tender auctions and a smaller impairment loss as a result of our interim intangible impairment reviews, partially offset by lower operating income.

Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by operations and cash available through revolver borrowings under our credit facility. Our primary uses of capital have been historically, and are expected to continue to be, capital expenditures, working capital, debt service requirements and the repayment of debt. We also have used capital to fund acquisitions and repurchase our common stock.

On August 19, 2009, ECC and its principal operating subsidiary, Emmis Operating Company (the Borrower), entered into the Second Amendment to Amended and Restated Revolving Credit and Term Loan Agreement (the Second Amendment), by and among the Borrower, ECC, the lending institutions party to the Credit Agreement referred to below (collectively, the Lenders) and Bank of America, N.A., as administrative agent (the Administrative Agent) for itself and the other Lenders party to the Amended and Restated Revolving Credit and Term Loan Agreement, dated November 2, 2006 (as amended, supplemented, and restated or otherwise modified and in effect from time to time, the Credit Agreement), by and among the Borrower, ECC, the Lenders, the Administrative Agent, Deutsche Bank Trust Company Americas, as syndication agent, General Electric Capital Corporation, Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland , New York Branch and SunTrust Bank, as co-documentation agents.

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Among other things, the Second Amendment:

- suspends the applicability of the Total Leverage Ratio and the Fixed Charge Coverage Ratio financial covenants (each as defined in the Credit Agreement) for a period that will end no later than September 1, 2011 (the Suspension Period),
- provides that during the Suspension Period, the Borrower must maintain Minimum Consolidated EBITDA (as defined by the Credit Agreement) for the trailing twelve month periods as follows:

Period	Amount (in 000 s)
August 31, 2009	$ 22,800
November 30, 2009	$ 21,600
February 28, 2010	$ 23,400
May 31, 2010	$ 23,200
August 31, 2010	$ 22,400
November 30, 2010	$ 22,700
February 28, 2011	$ 22,900
May 31, 2011	$ 23,600
August 31, 2011	$ 25,000

- provides that during the Suspension Period, the Borrower will not permit Liquidity (as defined in the Credit Agreement) as of the last day of each fiscal quarter of the Borrower ending during the Suspension Period to be less than $5 million,
- reduces the Total Revolving Credit Commitment (as defined in the Credit Agreement) from $75 million to $20 million,
- sets the applicable margin at 3% per annum for base rate loans and at 4% per annum for Eurodollar rate loans,
- provides that during the Suspension Period, the Borrower: (1) must make certain prepayments from funds attributable to debt or equity issuances, asset sales and extraordinary receipts, and (2) must make quarterly payments of Suspension Period Excess Cash (as defined in the Credit Agreement),
- provides that during the Suspension Period, the Borrower may not: (1) make certain investments or effect material acquisitions, (2) make certain restricted payments (including but not limited to restricted payments to fund equity repurchases or dividends on Emmis 6.25% Series A Cumulative Convertible Preferred Stock), or (3) access the additional financing provisions of the Credit Agreement (though Borrower has access to the Total Revolving Credit Commitment of $20 million),
- excludes from the definition of Consolidated EBITDA up to an additional $5 million in severance and contract termination expenses incurred after the effective date of the Second Amendment,
- grants the lenders a security interest in certain previously excluded real estate and other assets,
- permits the repurchase of debt under the Credit Agreement at a discount using proceeds of certain equity issuances, and
- modifies certain financial definitions and other restrictions on Emmis and the Borrower.

The Second Amendment contains other terms and conditions customary for financing arrangements of this nature.

In April 2009, Emmis commenced a series of Dutch auction tenders to purchase term loans of EOC under the Credit Agreement as amended. The cumulative effect of all of the debt tenders resulted in the purchase of $78.5 million in face amount of EOC s outstanding term loans for $44.7 million in cash. The Credit Agreement as amended permitted the Company to pay up to $50 million (less amounts paid after February 1, 2009 under our TV Proceeds Quarterly Bonus Program) to purchase EOC s outstanding term loans through tender offers and required a minimum offer of $5 million per tender. Since the Company paid $44.7 million in debt tenders and paid $4.1 million under the TV Bonus Program in March 2009, we are not permitted to effect further tenders under the Credit Agreement, other than as allowed for in the Second Amendment.

On March 3, 2009, Emmis and its principal operating subsidiary, Emmis Operating Company (EOC), entered into the First Amendment and Consent to Amended and Restated Revolving Credit and Term Loan Agreement (the First Amendment) by and among Emmis, Emmis Operating Company and Bank of America, N.A., as administrative agent for itself and other Lenders, to the Amended and Restated Revolving Credit and Term Loan Agreement, dated November 2, 2006 (the Credit Agreement). Among other things, the First Amendment (i) permits Emmis to purchase a portion of the Tranche B Term Loan (as defined in the Credit Agreement) at an amount less than par for an aggregate purchase price not to exceed $50 million, (ii) reduces the Total Revolving Credit Commitment (as defined in the Credit Agreement) from $145 million to $75 million, (iii) excludes from Consolidated Operating Cash Flow (as defined in the Credit Agreement) up to $10 million in cash severance and contract termination expenses incurred for the period commencing March 1, 2008 and ending February 28, 2010, (iv) makes Revolving Credit Loans (as defined in the Credit Agreement) subject to a pro forma incurrence test and (v) tightens the restrictions on the ability of Emmis to perform certain activities, including restricting the amount that can be used to fund our TV Proceeds Quarterly Bonus Program, and of Emmis Operating Company to conduct transactions with affiliates.

Emmis previously announced that it had engaged Blackstone Advisory Services L.P. to provide financial advisory services as the Company explored a possible further amendment to the Credit Agreement or a possible restructuring of certain liabilities. In May 2009, Emmis and Blackstone Advisory Services L.P. terminated the financial advisory services agreement as Emmis concluded that neither action was necessary at that time. However, Emmis may re-engage Blackstone or another financial advisory services firm from time to time as conditions warrant.

On August 8, 2007, Emmis Board of Directors authorized a share repurchase program pursuant to which Emmis is authorized to purchase up to an aggregate value of $50 million of its outstanding Class A common stock within the parameters of SEC Rule 10b-18. Common stock repurchase transactions may occur from time to time at our discretion, either on the open market or in privately negotiated purchases, subject to prevailing market conditions and other considerations. On May 22, 2008, Emmis Board of Directors revised the share repurchase program to allow for the repurchase of both Class A common stock and Series A cumulative convertible preferred stock. We did not purchase Class A common stock or Series A preferred stock during the nine-month period ended November 30, 2009, and the terms of the Second Amendment now preclude us from doing so.

At November 30, 2009, we had cash and cash equivalents of $16.5 million and net working capital of $28.1 million. At February 28, 2009, we had cash and cash equivalents of $49.7 million and net working capital of $71.4 million. Cash and cash equivalents held at various European banking institutions at November 30, 2009, and February 28, 2009 was $9.8 million and $23.3 million, respectively. Our ability to access our share of these international cash balances (net of noncontrolling interests) is limited by country-specific statutory requirements. During the nine-month period ended November 30, 2009, working capital decreased $43.3 million. The decrease in net working capital primarily relates to the cash used to fund our Dutch auction tenders during the period. Since we manage cash on a consolidated basis, any cash needs of a particular segment or operating entity are met by intercompany transactions. See Investing Activities below for a discussion of specific segment needs.

The Company has entered into three separate three-year interest rate exchange agreements, whereby the Company pays a fixed rate of notional principal in exchange for a variable rate on the same amount of notional principal based on the three-month LIBOR. The counterparties to these agreements are global financial institutions.

The Company continually projects its anticipated cash needs, which include its operating needs, capital needs, principal and interest payments on its indebtedness and preferred stock dividends. Management s most recent operating income and cash flow projections considered the current economic crisis, which has reduced advertising demand in general, as well as the restricted credit environment. As of the filing of this Form 10-Q, management believes the Company can meet its liquidity needs through the end of fiscal year 2010 with cash and cash equivalents on hand, projected cash flows from operations and, to the extent necessary, through its borrowing capacity under the Credit Agreement, which was approximately $16.0 million at November 30, 2009. Based on these projections, management also believes the Company will be in compliance with its debt covenants through the end of fiscal year 2010. However, continued global economic challenges, or other unforeseen circumstances, such as those described in Item 1A Risk Factors on our Form 10-K, as amended by Amendment No. 1 on Form 10-K/A, for the year ended February 28, 2009, may negatively impact the Company s operations beyond those assumed in its projections. Management considered the risks that the current economic conditions may have on its liquidity projections, as well as the Company s ability to meet its debt covenant requirements. If economic conditions deteriorate to an extent that we could not meet our liquidity needs or it appears that noncompliance with debt covenants is likely to result, the Company would implement several remedial measures, which could include further operating cost and capital expenditure reductions, ceasing to operate certain unprofitable properties and the sale of assets. If these measures are not successful in maintaining compliance with our debt covenants, the Company would attempt to negotiate for relief through a further amendment with its lenders or waivers of covenant noncompliance, which could result in higher interest costs, additional fees and reduced borrowing limits. There is no assurance that the Company would be successful in obtaining relief from its debt covenant requirements in these circumstances. Failure to comply with our debt covenants and a corresponding failure to negotiate a favorable amendment or waivers with the Company s lenders could result in the acceleration of the maturity of all the Company s outstanding debt, which would have a material adverse effect on the Company s business and financial position.

Operating Activities

Cash flows provided by operating activities were $20.0 million for the nine-month period ended November 30, 2009 versus $39.8 million in the same period of the prior year. The decrease in cash flows provided by operating activities was mainly attributable to a decrease in net revenues, net of station operating expenses excluding depreciation and amortization expense, of $30.2 million coupled with a decrease in cash provided by discontinued operations of $14.1 million. These decreases in cash provided by operating activities were partially offset by an increase in cash provided by working capital, which was up approximately $18.5 million. The increase in cash provided by working capital was largely driven by the receipt of $10.2 million related to our national representation performance guarantee and the collection of the first two years of LMA fees for KMVN-FM.

Investing Activities

Cash flows provided by investing activities were $1.7 million for the nine-month period ended November 30, 2009 versus $34.6 million in the same period of the prior year. During the nine-month period ended November 30, 2009, the Company completed the sale of its airplane and received $9.0 million in proceeds. This was partially offset by the $4.9 million purchase of our noncontrolling partners ownership interests in two of our Bulgarian radio networks and $2.3 million of capital expenditures. During the nine-month period ended November 30, 2008, the Company s main investing activity was the sale of WVUE-TV for $41.0 million in cash. Investing activities generally include capital expenditures and business acquisitions and dispositions.

We expect capital expenditures related to continuing operations to be approximately $4.5 million in the current fiscal year, compared to $20.4 million in fiscal 2009, which included approximately $14.4 million of capital expenditures related to the airplane. We expect that future requirements for capital expenditures will include capital expenditures incurred during the ordinary course of business. We expect to fund such capital expenditures with cash generated from operating activities and borrowings under our credit facility.

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Financing Activities

Cash flows used in financing activities were $54.4 million for the nine-month period ended November 30, 2009, versus $30.7 million in the same period of the prior year. Cash flows used in financing activities in the nine-month period ended November 30, 2009 primarily relate to the net debt repayments of $44.5 million under our Credit Agreement, payment of $4.8 million of debt-related fees and $5.0 million used to pay distributions to noncontrolling interests ($2.0 million of which is related to Slager and thus classified as discontinued operations). Cash flows used in financing activities for the nine-month period ended November 30, 2008 primarily relate to the $16.2 million of net repayments of debt under our Credit Agreement, $6.7 million used to pay preferred stock dividends and $7.0 million used to pay cash distributions to noncontrolling interests ($2.2 million of which is related to Slager and thus classified as discontinued operations). Our financing activities for the nine-month period ended November 30, 2009, were funded by cash generated by operating activities, remaining cash from our sale of WVUE-TV in July 2008 and the sale of our corporate airplane.

As of November 30, 2009, Emmis had $343.0 million of borrowings under its senior credit facility ($3.4 million current and $339.6 million long-term) and $140.5 million of Preferred Stock outstanding. All outstanding amounts under our credit facility bear interest, at our option, at a rate equal to the Eurodollar rate or an alternative Base Rate plus a margin. As of November 30, 2009, our weighted average borrowing rate under our credit facility including our interest rate exchange agreements was approximately 7.6%.

The debt service requirements of Emmis over the next twelve-month period (excluding interest under our credit facility) are expected to be $4.5 million. This amount is comprised of $3.4 million for repayment of term notes under our Credit Agreement and $1.1 million related to foreign broadcasting license obligations. Although the Credit Agreement bears interest at variable rates, we have entered into three separate interest rate exchange agreements that effectively fix the rate we will pay on substantially all of the debt outstanding under our Credit Agreement. Interest that Emmis will be required to pay related to the interest rate exchange agreements (plus the applicable margin of 4% under the Credit Agreement) over the next twelve months is expected to be $16.1 million. Our $165 million notional amount interest rate exchange agreement matures on March 28, 2010. Interest to be paid on Credit Agreement debt outstanding that is in excess of our interest rate exchange agreements is not presently determinable given that the Credit Agreement bears interest at variable rates.

The terms of Emmis Preferred Stock provide for a quarterly dividend payment of $.78125 per share on each January 15, April 15, July 15 and October 15. Emmis has not declared a preferred stock dividend since October 15, 2008. As of November 30, 2009, cumulative preferred dividends in arrears total $8.8 million. Failure to pay the dividend is not a default under the terms of the Preferred Stock. However, if dividends remain unpaid for more than six quarters, the holders of the Preferred Stock are entitled to elect two persons to our board of directors. The Second Amendment to our Credit Agreement prohibits the Company from paying dividends on the Preferred Stock during the Suspension Period (as defined in the Credit Agreement) (See Liquidity and Capital Resources). Payment of future preferred stock dividends is at the discretion of the Company s Board of Directors.

At January 7, 2010, we had $13.1 million available for additional borrowing under our credit facility, which is net of $0.9 million in outstanding letters of credit. Availability under the credit facility depends upon our continued compliance with certain operating covenants and financial ratios. Emmis was in compliance with these covenants as of November 30, 2009. As part of our business strategy, we continually evaluate potential acquisitions, dispositions and swaps of radio stations, publishing properties and other businesses, striving to maintain a portfolio that we believe leverages our strengths and holds promise for long-term appreciation in value. If we elect to take advantage of future acquisition opportunities, we may incur additional debt or issue additional equity or debt securities, depending on market conditions and other factors. In addition, Emmis currently has the option, but not the obligation, to purchase our 49.9% partner s entire interest in the Austin radio partnership based on an 18-multiple of trailing 12-month cash flow. The option, which does not expire, has not been exercised.

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Intangibles

Approximately 70% of our total assets consisted of intangible assets, such as FCC broadcast licenses, foreign broadcasting licenses, and goodwill, the value of which depends significantly upon the operational results of our businesses. In the case of our U.S. radio stations, we would not be able to operate the properties without the related FCC license for each property. FCC licenses are renewed every eight years; consequently, we continually monitor our stations compliance with the various regulatory requirements. Historically, all of our FCC licenses have been renewed at the end of their respective periods, and we expect that all FCC licenses will continue to be renewed in the future. Our foreign broadcasting licenses expire during periods ranging from December 2012 to February 2013. We will need to submit applications to extend our foreign licenses upon their expiration to continue our broadcast operations in these countries. While we expect to actively seek renewal of our foreign licenses, most of the countries in which we operate do not have the regulatory framework or history that we have with respect to license renewals in the United States. This makes the risk of non-renewal (or of renewal on less favorable terms) of foreign licenses greater than for United States licenses.

Regulatory, Legal and Other Matters

The Company is a party to various legal and regulatory proceedings arising in the ordinary course of business. In the opinion of management of the Company, there are no legal or regulatory proceedings pending against the Company that are likely to have a material adverse effect on the Company.

On October 28, 2009, the ORTT announced that it was awarding to another bidder the national radio license then held by our majority-owned subsidiary, Slager. Slager ceased broadcasting effective November 19, 2009. We have continued to explore our legal remedies in both the Hungarian and international forums, but we can not predict the outcome of these efforts.

Certain individuals and groups have challenged applications for renewal of the FCC licenses of certain of the Company s stations. The challenges to the license renewal applications are currently pending before the Commission. Emmis does not expect the challenges to result in the denial of any license renewals.

Quantitative and Qualitative Disclosures About Market Risk

Based on amounts outstanding at November 30, 2009, (including the interest rate exchange agreements in place, one of which expires on March 28, 2010) if the interest rate on our variable debt were to increase by 1.0%, our annual interest expense would increase by approximately $1.1 million.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Discussion regarding these items is included in management s discussion and analysis of financial condition and results of operations.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this quarterly report, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures (Disclosure Controls). This evaluation (the Controls Evaluation) was performed under the supervision and with the participation of management, including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

Based upon the Controls Evaluation, our CEO and CFO concluded that as of November 30, 2009, our Disclosure Controls are effective to provide reasonable assurance that information relating to Emmis Communications Corporation and Subsidiaries that is required to be disclosed by us in the reports that we file or submit, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission s rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

As previously disclosed under Item 4. Controls and Procedures in our Quarterly Report on Form 10-Q for the period ending August 31, 2009, our management identified a material weakness in our internal control over financial reporting at February 28, 2009 and May 31, 2009. A material weakness is defined in Section 210.1-02(4) of Regulation S-X as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Management concluded that the Company failed to institute procedures to accurately compute the valuation allowance related to the Company s deferred tax assets. As a result, in determining the valuation allowance of our deferred tax assets, the Company netted deferred tax assets related to indefinite-lived intangibles and deferred tax liabilities related to indefinite-lived intangible assets. In accordance with generally accepted accounting principles, deferred tax assets and deferred tax liabilities associated with our indefinite-lived intangible assets should not be netted because the timing of the reversal of the deferred tax liabilities is unknown.

During the period covered by this quarterly report, we completed remediation measures to address the material weakness identified above. Specifically, we modified the presentation of our reconciliations of deferred tax assets and liabilities to adequately identify deferred tax assets existing as of the balance sheet date. We believe this change in presentation has remediated the internal control weakness. In connection with the filing of this Form 10-Q, under the direction of our CEO and CFO, we have evaluated our disclosure controls and procedures in effect, including the remedial actions discussed above, and we have concluded that as of the filing of this Form 10-Q, our disclosure controls and procedures are effective.

It should be noted that any control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met.

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PART II OTHER INFORMATION

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

During the three-month period ended November 30, 2009, there were no repurchases of our Class A common stock or Preferred Stock pursuant to a previously announced share repurchase program by the Company s Board of Directors. There was, however, withholding of shares of stock upon vesting of restricted stock to cover withholding tax obligations. The following table provides information on our repurchases related to the withholding of shares of stock in payment of employee tax obligations upon vesting of restricted stock during the three months ended November 30, 2009:

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
September 1, 2009 September 30, 2009	7,165	$ 0.66		$ 36,150,565
October 1, 2009 October 31, 2009	190	$ 1.53		$ 36,150,565
November 1, 2009 November 30, 2009	352	$ 1.12		$ 36,150,565
	7,707			

Item 5. Other Information

Nasdaq Listing Status

On October 28, 2009, the Company received a letter from The Nasdaq Stock Market (Nasdaq) advising it that the Company s Class A common stock had regained compliance with the Nasdaq Marketplace Rule 5450(a)(1)(the Minimum Bid Rule). Previously, on September 15, 2009, the Company had received a notice of deficiency with respect to the Class A shares from Nasdaq notifying the Company that for the 30 consecutive business days preceding the date of the letter, the bid price of the Company s common stock had closed below the $1.00 per share minimum bid price required for continued listing, and that the Class A shares had 180 days to regain compliance by meeting or exceeding the minimum bid price for a period of at least 10 consecutive trading days.

Item 6. Exhibits

(a) Exhibits.

The following exhibits are filed or incorporated by reference as a part of this report:

3.1	Second Amended and Restated Articles of Incorporation of Emmis Communications Corporation, as amended effective June 13, 2005 incorporated by reference from Exhibit 3.1 to the Company s Form 10-K for the fiscal year ended February 28, 2006.
3.2	Amended and Restated Bylaws of Emmis Communications Corporation incorporated by reference from Exhibit 3.2 to the Company s Form 10-Q for the quarter ended August 31, 2009.
4.1	Form of stock certificate for Class A common stock, incorporated by reference from Exhibit 3.5 to the 1994 Emmis Registration Statement on Form S-1, File No. 33-73218 (the 1994 Registration Statement).
31.1	Certification of Principal Executive Officer of Emmis Communications Corporation pursuant to Rule 13a-14(a) under the Exchange Act.*
31.2	Certification of Principal Financial Officer of Emmis Communications Corporation pursuant to Rule 13a-14(a) under the Exchange Act.*
32.1	Section 1350 Certification of Principal Executive Officer of Emmis Communications Corporation.*
32.2	Section 1350 Certification of Principal Financial Officer of Emmis Communications Corporation.*

* Filed with this report.

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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.

EMMIS COMMUNICATIONS CORPORATION

Date: January 8, 2010	By: /s/ PATRICK M. WALSH Patrick M. Walsh Executive Vice President, Chief Financial Officer and Chief Operating Officer