EMMIS COMMUNICATIONS CORP
Form 10-K
May 10, 2011

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

(Mark One)

þ	**Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
	for the Fiscal Year Ended February 28, 2011
o	**Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**
	for the Transition Period from __________ to __________.

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)

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT: None
SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT: Class A common stock, $.01 par value of Emmis Communications Corporation; 6.25% Series A Cumulative Convertible Preferred Stock, $.01 par value of Emmis Communications Corporation.
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ
Indicate by check mark whether the registrant (1) has filed all documents and 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements

incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 o	Non-accelerated filer o	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 aggregate market value of the voting stock held by non-affiliates of the registrant, as of August 31, 2010, the last business day of the Registrant s most recently completed second fiscal quarter, was approximately $48,705,000.
The number of shares outstanding of each of Emmis Communications Corporation s classes of common stock, as of May 2, 2011, was:

33,477,464	Class A Common Shares, $.01 par value
4,722,684	Class B Common Shares, $.01 par value
0	Class C Common Shares, $.01 par value

DOCUMENTS INCORPORATED BY REFERENCE

Documents	**Form 10-K Reference**
Proxy Statement for 2011 Annual Meeting expected to be filed within 120 days	Part III

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FORWARD-LOOKING STATEMENTS

This report includes or incorporates forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. You can identify these forward-looking statements by our use of words such as intend, plan, may, will, project, estimate, anticipate, believe, expect, continue, potential, expressions, whether in the negative or affirmative. We cannot guarantee that we will achieve these plans, intentions or expectations. All statements regarding our expected financial position, business and financing plans are forward-looking statements.

Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have included important facts in various cautionary statements in this report that we believe could cause our actual results to differ materially from forward-looking statements that we make. These include, but are not limited to, the factors described in Part I, Item 1A, Risk Factors.

The forward-looking statements do not reflect the potential impact of any future acquisitions, mergers or dispositions. We undertake no obligation to update or revise any forward-looking statements because of new information, future events or otherwise.

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PART I

ITEM 1. BUSINESS.

GENERAL

We are a diversified media company, principally focused on radio broadcasting. We operate the 8th largest publicly traded radio portfolio in the United States based on total listeners. As of February 28, 2011, we own and operate seven FM radio stations serving the nation s top three markets New York, Los Angeles and Chicago, although one of our FM radio stations in Los Angeles is operated pursuant to a Local Marketing Agreement (LMA) whereby a third party provides the programming for the station and sells all advertising within that programming. Additionally, we own and operate fourteen FM and two AM radio stations with strong positions in St. Louis, Austin (we have a 50.1% controlling interest in our radio stations located there), Indianapolis and Terre Haute, IN.

In addition to our domestic radio properties, we operate an international radio business and publish several city and regional magazines. Internationally, we own and operate national radio networks in Slovakia and Bulgaria. Our publishing operations consist of *Texas Monthly*, *Los Angeles*, *Atlanta*, *Indianapolis Monthly*, *Cincinnati, Orange Coast,* and *Country Sampler* and related magazines. We also engage in various businesses ancillary to our broadcasting business, such as website design and development, digital sales consulting and operating a news information radio network in Indiana.

BUSINESS STRATEGY

We are committed to improving the operating results of our core assets while simultaneously seeking future growth opportunities in related businesses. Our strategy is focused on the following operating principles:

Develop unique and compelling content and strong local brands

Most of our established local media brands have achieved and sustained a leading position in their respective market segments over many years. Knowledge of local markets and consistently producing unique and compelling content that meets the needs of our target audiences are critical to our success. As such, we make substantial investments in areas such as market research, data analysis and creative talent to ensure that our content remains relevant, has a meaningful impact on the communities we serve and reinforces the core brand image of each respective property.

Extend the reach and relevance of our local brands through digital platforms

In recent years, we have placed substantial emphasis on enhancing the distribution of our content through digital platforms, such as the Internet and mobile phones. We believe these digital platforms offer excellent opportunities to further enhance the relationships we have with our audiences by allowing them to consume and share our content in new ways and providing us with new distribution channels for one-to-one communication with them.

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Deliver results to advertisers

Competition for advertising revenue is intense and becoming more so. To remain competitive, we focus on sustaining and growing our audiences, optimizing our pricing strategy and developing innovative marketing programs for our clients that allow them to interact with our audiences in more direct and measurable ways. These programs often include elements such as on-air endorsements, events, contests, special promotions, Internet advertising, email marketing, text messaging and online video. Our ability to deploy multi-touchpoint marketing programs allows us to deliver a stronger return-on-investment for our clients while simultaneously generating ancillary revenue streams for our media properties.

Extend sales efforts into new market segments

Given the competitive pressures in many of our traditional advertising categories, we are expanding our network of advertiser relationships into not-for-profits, political advertising, corporate philanthropy, environmental initiatives and government agencies. We believe our capabilities can address these clients under-served needs. The early return on these efforts has been encouraging and we plan to shift additional resources toward these efforts over time.

Enhance the efficiency of our operations

We believe it is essential that we operate our businesses as efficiently as possible. In recent years, we have undertaken a series of aggressive restructurings and cost cuts, and we continue to seek additional opportunities to streamline our operations.

Establish additional platforms for long-term growth and value creation

While our primary focus is on near-term performance improvement, we also believe it is important to make sensible investments in longer-term growth opportunities. For example, Emmis Interactive Inc., one of our subsidiaries, markets to other broadcasters and publishers a leading-edge Internet technology platform and digital media sales expertise that had been developed in-house at Emmis Radio. To date, the company has signed up nearly 250 third-party media properties as clients and continues to grow rapidly.

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RADIO STATIONS

In the following table, Market Rank by Revenue is the ranking of the market revenue size of the principal radio market served by our stations among all radio markets in the United States. Market revenue rankings are from BIA s Investing in Radio 2011 (1st Edition). Ranking in Primary Demographic Target is the ranking of the station within its designated primary demographic target among all radio stations in its market based on the based on the March 2011 Portable People Meter™ (PPM™) results or, in the case of our Terre Haute stations, based on the Fall 2010 Arbitron Survey. A t indicates the station tied with another station for the stated ranking. Station Audience Share represents a percentage generally computed by dividing the average number of persons in the primary demographic listening to a particular station during specified time periods by the average number of such persons in the primary demographic for all stations in the market area as determined by Arbitron.

STATION AND MARKET	MARKET RANK BY REVENUE	FORMAT	PRIMARY DEMOGRAPHIC TARGET AGES	RANKING IN PRIMARY DEMOGRAPHIC TARGET	STATION AUDIENCE SHARE
Los Angeles, CA [1]	1				
KPWR-FM		Hip-Hop	18-34	3	6.4
New York, NY	2				
WRKS-FM		Classic Soul/Today s R&B	25-54	15	3
WQHT-FM		Hip-Hop	18-34	1t	8.5
WRXP-FM		Adult Album Alternative	25-54	12t	3.2
Chicago, IL	3				
WLUP-FM		Classic Rock	25-54	8t	3.6
WKQX-FM		Alternative Rock	18-34	5	4.5
St. Louis, MO	21				
KPNT-FM		Alternative Rock	18-34	3	9.9
KSHE-FM		Album Oriented Rock	25-54	10	4.2
KIHT-FM		Classic Hits	25-54	6	6.2
KFTK-FM		Talk	25-54	11	4.1
Austin, TX	33				
KLBJ-AM		News/Talk	25-54	6	5.6
KLZT-FM		Mexican Regional	18-34	3t	8.6
KBPA-FM		Adult Hits	25-54	3	6.8
KLBJ-FM		Album Oriented Rock	25-54	11	4.4
KGSR-FM		Adult Album Alternative	25-54	16	2.3
KROX-FM		Alternative Rock	18-34	10	4.7
Indianapolis, IN	35				
WFNI-AM		Sports Talk	25-54	11	4.1
WYXB-FM		Soft Adult Contemporary	25-54	1t	7.8
WLHK-FM		Country	25-54	14	3.4
WIBC-FM		News/Talk	35-64	9	5.0
Terre Haute, IN	232				
WTHI-FM		Country	25-54	1	16.3

WWVR-FM	Classic Rock	25-54	3	13.5

[1] Our second station in Los Angeles, KXOS-FM, is operating pursuant to a Local Marketing Agreement (LMA). Under the terms of the LMA, Grupo Radio Centro, S.A.B. de C.V provides the programming for the station and sells all advertising within that programming. Emmis continues to own and operate KXOS-FM.

In addition to our other domestic radio broadcasting operations, we own and operate Network Indiana, a radio network that provides news and other programming to nearly 85 affiliated radio stations in Indiana. Internationally, we own and operate national radio networks in Slovakia and Bulgaria. We also engage in various businesses ancillary to our broadcasting business, such as consulting and broadcast tower leasing.

PUBLISHING OPERATIONS

We publish the following magazines:

	Monthly Paid & Verified Circulation[1]
Regional Magazines:	
Texas Monthly	304,883
Los Angeles	138,677
Atlanta	65,530
Orange Coast	56,635
Indianapolis Monthly	40,664
Cincinnati	37,426
Specialty Magazines[2]:	
Country Sampler	351,904
Country Business	20,414

INTERNET AND NEW TECHNOLOGIES

We believe that the growth of the Internet and other new technologies present not only a challenge, but an opportunity for broadcasters and publishers. The primary challenge is increased competition for the time and attention of our listeners and readers. The opportunity is to further enhance the relationships we already have with our listeners and readers by expanding products and services offered by our stations and magazines.

COMMUNITY INVOLVEMENT

We believe that to be successful, we must be integrally involved in the communities we serve. We see ourselves as community partners. To that end, each of our stations and magazines participates in many community programs, fundraisers and activities that benefit a wide variety of organizations. Charitable organizations that have been the beneficiaries of our contributions, marathons, walkathons, dance-a-thons, concerts, fairs and festivals include, among others, Big Brothers/Big Sisters, Coalition for the Homeless, Indiana Black Expo, the Children s Wish Fund, the National Multiple Sclerosis Foundation and Special Olympics. Several years ago, the National Association of Broadcasters Education Foundation honored us with the Hubbard Award, honoring a broadcaster for extraordinary involvement in serving the community. Emmis was the second broadcaster to receive this prestigious honor, after the Hubbard family, for which the award is named.

INDUSTRY INVOLVEMENT

We have an active leadership role in a wide range of industry organizations. Our senior managers have served in various capacities with industry associations, including as directors of the National Association of Broadcasters, the Radio Advertising Bureau, the Radio Futures Committee, the Arbitron Advisory Council, and as founding members of the Radio Operators Caucus and Magazine Publishers of America. Our chief executive officer has been honored with the National Association of Broadcasters National Radio Award and as Radio Ink s Radio Executive of the Year. Ou management and on-air personalities have won numerous industry awards.

1 Source: Publisher s Statement subject to audit by the Audit Bureau of Circulations (as of December 31, 2010)

2 Our specialty magazines are circulated bimonthly

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COMPETITION

Radio broadcasting stations compete with the other broadcasting stations in their respective market areas, as well as with other advertising media such as newspapers, cable, magazines, outdoor advertising, transit advertising, the Internet and direct marketing. Competition within the broadcasting industry occurs primarily in individual market areas, so that a station in one market (e.g., New York) does not generally compete with stations in other markets (e.g., Chicago). In each of our markets, our stations face competition from other stations with substantial financial resources, including stations targeting the same demographic groups. In addition to management experience, factors that are material to competitive position include the station s rank in its market in terms of the number of listeners or viewers, authorized power, assigned frequency, audience characteristics, local program acceptance and the number and characteristics of other stations in the market area. We attempt to improve our competitive position with programming and promotional campaigns aimed at the demographic groups targeted by our stations. We also seek to improve our position through sales efforts designed to attract advertisers that have done little or no radio advertising by emphasizing the effectiveness of radio advertising in increasing the advertisers revenues. The policies and rules of the Federal Communications Commission (the FCC) permit certain joint ownership and joint operation of local stations. All of our radio stations take advantage of these joint arrangements in an effort to lower operating costs and to offer advertisers more attractive rates and services. Although we believe that each of our stations can compete effectively in its market, there can be no assurance that any of our stations will be able to maintain or increase its current audience ratings or advertising revenue market share.

Although the broadcasting industry is highly competitive, barriers to entry exist. The operation of a broadcasting station in the United States requires a license from the FCC. Also, the number of stations that can operate in a given market is limited by the availability of the frequencies that the FCC will license in that market, as well as by the FCC s multiple ownership rules regulating the number of stations that may be owned and controlled by a single entity and cross ownership rules which limit the types of media properties in any given market that can be owned by the same person or company.

ADVERTISING SALES

Our stations and magazines derive their advertising revenue from local and regional advertising in the marketplaces in which they operate, as well as from the sale of national advertising. Local and most regional sales are made by a station s or magazine s sales staff. National sales are made by firms specializing in such sales, which are compensated on a commission-only basis. We believe that the volume of national advertising revenue tends to adjust to shifts in a station s audience share position more rapidly than does the volume of local and regional advertising revenue. During the year ended February 28, 2011, approximately 21% of our total advertising revenues were derived from national sales, and 79% were derived from local and regional sales. For the year ended February 28, 2011, our radio stations derived a higher percentage of their advertising revenues from local and regional sales (84%) than our publishing entities (63%).

EMPLOYEES

As of February 28, 2011, Emmis had approximately 870 full-time employees and approximately 350 part-time employees. Approximately 55 employees are represented by unions at our various radio stations. We consider relations with our employees to be good.

INTERNET ADDRESS AND INTERNET ACCESS TO SEC REPORTS

Our Internet address is *www.emmis.com*. Through our Internet website, free of charge, you may obtain copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. These reports will be available the same day we electronically file such material with, or furnish such material to, the SEC. We have been making such reports available on the same day they are filed during the period covered by this report.

FEDERAL REGULATION OF BROADCASTING

Radio broadcasting in the United States is subject to the jurisdiction of the FCC under the Communications Act of 1934 (the Communications Act), as amended in part by the Telecommunications Act of 1996 (the 1996 Act). Radio broadcasting is prohibited except in accordance with a license issued by the FCC upon a finding that the public interest, convenience and necessity would be served by the grant of such license. The FCC has the power to revoke licenses for, among other things, false statements made in applications or willful or repeated violations of the Communications Act or of FCC rules. In general, the Communications Act provides that the FCC shall allocate broadcast licenses for radio stations in such a manner as will provide a fair, efficient and equitable distribution of service throughout the United States. The FCC determines the operating frequency, location and power of stations; regulates the equipment used by stations; and regulates numerous other areas of radio broadcasting pursuant to rules, regulations and policies adopted under authority of the Communications Act. The Communications Act, among other things, prohibits the assignment of a broadcast license or the transfer of control of an entity holding such a license without the prior approval of the FCC. Under the Communications Act, the FCC also regulates certain aspects of media that compete with broadcast stations.

The following is a brief summary of certain provisions of the Communications Act and of specific FCC regulations and policies. Reference should be made to the Communications Act as well as FCC rules, public notices and rulings for further information concerning the nature and extent of federal regulation of radio stations. Other legislation has been introduced from time to time which would amend the Communications Act in various respects, and the FCC from time to time considers new regulations or amendments to its existing regulations. We cannot predict whether any such legislation will be enacted or whether new or amended FCC regulations will be adopted or what their effect would be on Emmis.

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LICENSE RENEWAL. Radio stations operate pursuant to broadcast licenses that are ordinarily granted by the FCC for maximum terms of eight years and are subject to renewal upon approval by the FCC. The following table sets forth our FCC license expiration dates in addition to the call letters, license classification, antenna elevation above average terrain (for our FM stations only), power and frequency of all owned stations as of March 31, 2011:

Radio Market	Stations	City of License	Frequency	Expiration Date of License[1]	FCC Class	Height Above Average Terrain (in feet)	Power (in Kilowatts)
Los Angeles, CA	KPWR-FM	Los Angeles, CA	105.9	December 2013	B	3035	25
	KXOS-FM	Los Angeles, CA	93.9	December 2013	B	3009	18.5
New York, NY	WRXP-FM	New York, NY	101.9	June 2014	B	1355	6.2
	WQHT-FM	New York, NY	97.1	June 2014	B	1339	6.7
	WRKS-FM	New York, NY	98.7	June 2014	B	1362	6
Chicago, IL	WKQX-FM	Chicago, IL	101.1	December 2012	B	1394	5.7
	WLUP-FM	Chicago, IL	97.9	December 2012	B	1394	4
St. Louis, MO	KFTK-FM	Florissant, MO	97.1	February 2013	C1	561	100
	KIHT-FM	St. Louis, MO	96.3	February 2013	C1	1027	80
	KPNT-FM[3]	Collinsville, IL	105.7	February 2005[2]	C	1375	100
	KSHE-FM	Crestwood, MO	94.7	February 2013	C0	1027	100
Austin, TX	KBPA-FM	San Marcos, TX	103.5	August 2013	C0	1257	100
	KGSR-FM	Cedar Park, TX	93.3	August 2013	C	1926	100
	KLZT-FM	Bastrop, TX	107.1	August 2013	C2	499	49
	KLBJ-AM	Austin, TX	590	August 2013	B	N/A	5 D / 1 N
	KLBJ-FM	Austin, TX	93.7	August 2013	C	1050	97
	KROX-FM	Buda, TX	101.5	August 2013	C2	843	12.5
Indianapolis, IN	WFNI-AM	Indianapolis, IN	1070	August 2012	B	N/A	50 D / 10 N
	WLHK-FM	Shelbyville, IN	97.1	August 2012	B	732	23
	WIBC-FM	Indianapolis, IN	93.1	August 2004[2]	B	991	13.5
	WYXB-FM	Indianapolis, IN	105.7	August 2012	B	492	50
Terre Haute, IN	WTHI-FM	Terre Haute, IN	99.9	August 2012	B	489	50
	WWVR-FM	West Terre Haute, IN	105.5	August 2012	A	295	3.3

Under the Communications Act, at the time an application is filed for renewal of a station license, parties in interest, as well as members of the public, may apprise the FCC of the service the station has provided during the preceding license term and urge the denial of the application. If such a petition to deny presents information from which the FCC concludes (or if the FCC concludes on its own motion) that there is a substantial and material question as to whether grant of the renewal application would be in the public interest under applicable rules and policy, the FCC may conduct a hearing on specified issues to determine whether the renewal application should be granted. The Communications Act provides for the grant of a renewal application upon a finding by the FCC that the licensee:

- has served the public interest, convenience and necessity;
- has committed no serious violations of the Communications Act or the FCC rules; and

has committed no other violations of the Communications Act or the FCC rules which would constitute a pattern of abuse.

If the FCC cannot make such a finding, it may deny the renewal application, and only then may the FCC consider competing applications for the same frequency. In a vast majority of cases, the FCC renews a broadcast license even when petitions to deny have been filed against the renewal application.

[1] Under the Communications Act, a license expiration date is extended automatically pending action on the renewal application.

[2] Renewal application is pending.

[3] The FCC has authorized changes in technical facilities for KPNT-FM at a new transmitter site as follows: FCC Class, C1; Height Above Average Terrain, 715 ft; and Effective Radiated Power, 64 kW. The station is authorized to continue operation with its existing facilities until the new facilities are constructed. The KPNT-FM changes require change of the city of license of station KSEF-FM from Farmington to St. Genevieve, MO, which the FCC has approved.

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A petition to deny has been filed against the renewal application for KPNT and remains pending. A petition to deny was also filed against the renewal application for WKQX. The FCC denied the petition and granted the renewal application, but an application for review of that decision was filed and remains pending. An informal objection was filed against the renewal applications of the Company s Indiana radio stations and was rejected by the FCC, and the licenses of all the Indiana radio stations except WIBC were renewed. A petition was filed with the FCC seeking reconsideration of grant of those license renewals, and was rejected. However, an application for review of the decision denying reconsideration was subsequently filed, and remains pending. See PROGRAMMING AND OPERATION.

REVIEW OF OWNERSHIP RESTRICTIONS. The FCC is required by statute to review all of its broadcast ownership rules on a quadrennial basis (*i.e.*, every four years) and to repeal or modify any of its rules that are no longer necessary in the public interest.

In June of 2003, the FCC modified several of its regulations governing the ownership of radio stations in local markets. In June of 2004, however, the United States Court of Appeals for the Third Circuit released a decision which, while affirming the FCC in certain respects, found fault with other aspects of the FCC s revised rules, remanded them to the agency for further proceedings, and extended a stay on the implementation of certain of the new rules. In December of 2007, the FCC adopted a decision pursuant to the remand ordered by the Court of Appeals. The FCC relaxed its long-standing prohibition on common ownership of a television or radio station and daily newspaper in the same market, presumptively allowing such ownership under limited circumstances. The FCC, however, largely left intact its other pre-2003 ownership rules, including those limiting the number of radio stations that may be commonly owned, or owned in combination with a television station, in a local market. The FCC s decision was appealed by a number of parties (not including Emmis). The appeals have been consolidated in the Third Circuit and remain pending. Several other parties also jointly filed a petition for reconsideration of the December 2007 decision with the FCC, and that petition similarly remains pending. In 2010, the FCC commenced its most recent statutory quadrennial review of its broadcast ownership rules, and that proceeding is also ongoing. We cannot predict whether such appeals or proceedings will result in modifications of the ownership rules or the impact (if any) that such modifications would have on our business.

The discussion below reviews the pertinent ownership rules currently in effect and the changes in the newspaper/broadcast rule adopted in the FCC s December 2007 decision.

Local Radio Ownership:

The local radio ownership rule limits the number of commercial radio stations that may be owned by one entity in a given radio market based on the number of radio stations in that market:

- if the market has 45 or more radio stations, one entity may own up to eight stations, not more than five of which may be in the same service (AM or FM);
- if the market has between 30 and 44 radio stations, one entity may own up to seven stations, not more than four of which may be in the same service;
- if the market has between 15 and 29 radio stations, one entity may own up to six stations, not more than four of which may be in the same service; and
- if the market has 14 or fewer radio stations, one entity may own up to five stations, not more than three of which may be in the same service, however one entity may not own more than 50% of the stations in the market.

Each of the markets in which our radio stations are located has at least 15 radio stations.

For purposes of applying these numerical limits, the FCC has also adopted rules with respect to (i) so-called local marketing agreements, or LMAs, by which the licensee of one radio station provides programming for another licensee s radio station in the same market and sells all of the advertising within that programming and (ii) so-called joint sale agreements, or JSAs, by which the licensee of one station sells the advertising time on another station in the market. Under these rules, an entity that owns one or more radio stations in a market and programs more than 15% of the broadcast time, or sells more than 15% of the advertising time, on another radio station in the same market pursuant to an LMA or JSA is generally required to count the station toward its media ownership limits even though it does not own the station. As a result, in a market where we own one or more radio stations, we generally cannot provide programming to another station under an LMA, or sell advertising on another station pursuant to a JSA, if we

could not acquire that station under the local radio ownership rule. On April 3, 2009, Emmis entered into an LMA for KXOS-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 KXOS-FM started on April 15, 2009 and will continue for up to 7 years. The LMA fee is $7 million per year. 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 programming for broadcast.

Although the FCC s June 2003 decision did not change the numerical caps under the local radio rule, the FCC adjusted the rule by deciding that both commercial and noncommercial stations could be counted in determining the number of stations in a radio market. The decision also altered the definition of the relevant local market for purposes of the rule. The FCC grandfathered existing station clusters not in compliance with the numerical caps as calculated pursuant to the new market definition, but provided that they could be sold intact only to small businesses meeting certain requirements. In December 2007, the FCC expanded this policy to allow an owner to sell a grandfathered station cluster to *any* buyer, so long as the buyer commits to file, within 12 months, an application with the FCC to transfer the excess station(s) to an eligible small business or to a trust for ultimate sale to such an entity. The change in market definition appears to impact the Austin, Texas market, such that we exceed the numerical cap for FM stations. If we chose to sell our Austin cluster of stations, we would have to either sell the cluster to a buyer meeting the requirements described above or spin off one FM station to a separate buyer.

Cross-Media Ownership:

The FCC s radio/television cross-ownership rule generally permits the common ownership of the following combinations in the same market, to the extent permitted under the FCC s television duopoly rule and local radio rules:

- up to two commercial television stations and six commercial radio stations or one commercial television station and seven commercial radio stations in a market where at least 20 independent media voices will remain post-merger;
- up to two commercial television stations and four commercial radio stations in a market where at least 10 independent media voices will remain post-merger; and
- two commercial television stations and one commercial radio station in a market with less than 10 independent media voices that will remain post-merger.

For purposes of this rule, the FCC counts as voices commercial and non-commercial broadcast television and radio stations as well as some daily newspapers and no more than one cable operator. The FCC will consider permanent waivers of its revised radio/television cross-ownership rule only if one of the stations is a failed station.

As noted above, the FCC rules formerly prohibited common ownership of a daily newspaper and a radio or television station in the same local market. In its December 2007 decision, the FCC adopted rules that contain a presumption in favor of allowing ownership of one television or radio station in combination with one daily newspaper in the 20 largest media markets. In smaller markets, there is a presumption against allowing such ownership. In the case of proposed TV/newspaper combinations, the TV station may not be among the top four ranked stations in its market, and there must be at least eight independently owned and operated TV stations in the market post-transaction. The Third Circuit had stayed implementation of the December 2007 changes to the newspaper/television cross-ownership ban, but the stay was lifted on March 23, 2010, and accordingly the changes are now in effect.

ALIEN OWNERSHIP. Under the Communications Act, no FCC license may be held by a corporation if more than one-fifth of its capital stock is owned or voted by aliens or their representatives, a foreign government or representative thereof, or an entity organized under the laws of a foreign country (collectively, Non-U.S. Persons). Furthermore, the Communications Act provides that no FCC license may be granted to an entity directly or indirectly controlled by another entity of which more than one-fourth of its capital stock is owned or voted by Non-U.S. Persons if the FCC finds that the public interest will be served by the denial of such license. The FCC staff has interpreted this provision to require an affirmative public interest finding to permit the grant or holding of a license, and such a finding has been made only in limited circumstances. The foregoing restrictions on alien ownership apply in modified form to other types of business organizations, including partnerships and limited liability companies. An LMA with a foreign owned company is not prohibited as long as the non-foreign holder of the FCC license continues to control and operate the station. Our Second Amended and Restated Articles of Incorporation and Amended and Restated Code of By-Laws authorize the Board of Directors to prohibit such restricted alien ownership, voting or transfer of capital stock as would cause Emmis to violate the Communications Act or FCC regulations.

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ATTRIBUTION OF OWNERSHIP INTERESTS. In applying its ownership rules, the FCC has developed specific criteria in order to determine whether a certain ownership interest or other relationship with an FCC licensee is significant enough to be attributable or cognizable under its rules. Specifically, among other relationships, certain stockholders, officers and directors of a broadcasting company are deemed to have an attributable interest in the licenses held by that company, such that there would be a violation of the FCC s rules where the broadcasting company and such a stockholder, officer or director together hold attributable interests in more than the permitted number of stations or a prohibited combination of outlets in the same market. The FCC s regulations generally deem the following relationships and interests to be attributable for purposes of its ownership restrictions:

- all officer and director positions in a licensee or its direct/indirect parent(s);
- voting stock interests of at least 5% (or 20%, if the holder is a passive institutional investor, *i.e.*, a mutual fund, insurance company or bank);
- any equity interest in a limited partnership or limited liability company where the limited partner or member is materially involved in the media-related activities of the LP or LLC and has not been insulated from such activities pursuant to specific FCC criteria;
- equity and/or debt interests which, in the aggregate, exceed 33% of the total asset value of a station or other media entity (the equity/debt plus policy), if the interest holder supplies more than 15% of the station s total weekly programming (usually pursuant to a time brokerage, local marketing or network affiliation agreement) or is a same-market media entity (*i.e.*, broadcast company or newspaper). In December of 2007, the FCC increased these limits under certain circumstances where the equity and/or debt interests are in a small business meeting certain requirements.

To assess whether a voting stock interest in a direct or indirect parent corporation of a broadcast licensee is attributable, the FCC uses a multiplier analysis in which non-controlling voting stock interests are deemed proportionally reduced at each non-controlling link in a multi-corporation ownership chain.

Under existing FCC policy, in the case of corporations having a single majority shareholder, the interests of minority shareholders are generally not deemed attributable. Because Jeffrey H. Smulyan s voting interest in the Company currently exceeds 50%, this exemption appears to apply to the Company. Elimination of the exemption is, however, under consideration by the FCC. If the exemption is eliminated, or if Mr. Smulyan s voting interest falls to or below 50%, then the interests of any minority shareholders that meet or exceed the thresholds described above would become attributable and would be combined with the Company s interests for purposes of determining compliance with FCC ownership rules.

Ownership-rule conflicts arising as a result of aggregating the media interests of the Company and its attributable shareholders could require divestitures by either the Company or the affected shareholders. Any such conflicts could result in Emmis being unable to obtain FCC consents necessary for future acquisitions. Conversely, Emmis media interests could operate to restrict other media investments by shareholders having or acquiring an interest in Emmis.

ASSIGNMENTS AND TRANSFERS OF CONTROL. The Communications Act prohibits the assignment of a broadcast license or the transfer of control of a broadcast licensee without the prior approval of the FCC. In determining whether to grant such approval, the FCC considers a number of factors, including compliance with the various rules limiting common ownership of media properties, the character of the assignee or transferee and those persons holding attributable interests therein and compliance with the Communications Act s limitations on alien ownership as well as other statutory and regulatory requirements. When evaluating an assignment or transfer of control application, the FCC is prohibited from considering whether the public interest might be served by an assignment of the broadcast license or transfer of control of the licensee to a party other than the assignee or transferee specified in the application.

PROGRAMMING AND OPERATION. The Communications Act requires broadcasters to serve the public interest. Beginning in the late 1970s, the FCC gradually relaxed or eliminated many of the more formalized procedures it had developed to promote the broadcast of certain types of programming responsive to the needs of a station s community of license. However, licensees continue to be required to present programming that is responsive to community problems, needs and interests and to maintain certain records demonstrating such responsiveness.

Federal law prohibits the broadcast of obscene material at any time and the broadcast of indecent material during specified time periods; these prohibitions are subject to enforcement by the FCC and carry fines of up to $325,000 per violation.

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In August of 2004, Emmis entered into a Consent Decree with the FCC, pursuant to which (i) the company adopted a compliance plan intended to avoid future indecency violations, (ii) the company admitted, solely for purposes of the Decree, that certain prior broadcasts were indecent, (iii) the company agreed to make a voluntary payment of $300,000 to the U.S. Treasury, (iv) the FCC rescinded its prior enforcement actions against the company based on allegedly indecent broadcasts, and agreed not to use against the company any indecency violations based on complaints within the FCC s possession as of the date of the Decree or similar complaints based on pre-Decree broadcasts, and (v) the FCC found that neither the alleged indecency violations nor the circumstances surrounding a civil suit filed by a WKQX announcer raised any substantial and material questions concerning the company s qualifications to hold FCC licenses. The Consent Decree was subsequently upheld by a federal court of appeals. Petitions were filed against the license renewal applications of stations WKQX and KPNT, and an informal objection was filed against the license renewals of the company s Indiana radio stations, in each case based primarily on the matters covered by the Decree. The petition against KPNT remains pending. The objections against the Indiana license renewals, a petition for reconsideration of the grant of those applications, and the petition against WKQX were rejected by the FCC, but applications for review of those FCC actions are pending. Subsequent to the approval of the Consent Decree, the company has received letters of inquiry from the FCC alleging additional violations of the indecency rules. The broadcasts covered by these letters of inquiry are not covered by the Consent Decree and could result in the imposition of liability.

The FCC s indecency rules are also the subject of ongoing litigation. In July 2010, the Second Circuit held the FCC s indecency standards to be unconstitutionally vague in violation of the First Amendment. The Second Circuit later vacated the agency decision at issue in another appeal based on its earlier decision. The FCC may seek further review of these two rulings. A separate appeal involving the FCC s indecency rules in the Third Circuit, as well as several district court actions regarding those rules, remain pending. The outcome of these judicial proceedings will affect future FCC policies in this area and could impact the FCC s action on the outstanding complaints involving Emmis stations.

In 2006, the FCC commenced an industry-wide inquiry into possible violations of sponsorship identification requirements and payola in the radio industry. Its initial inquiries were directed to four radio groups (Emmis was not one of them), and in April 2007, those groups entered into Consent Decrees with the FCC to resolve outstanding investigations and allegations. Emmis has received similar inquiries from the FCC and has submitted responses; additional responses may be submitted in the future.

Stations also must pay regulatory and application fees and follow various rules promulgated under the Communications Act that regulate, among other things, political advertising, sponsorship identification, equal employment opportunities, contest and lottery advertisements, and technical operations, including limits on radio frequency radiation.

Failure to observe FCC rules and policies can result in the imposition of various sanctions, including monetary fines, the grant of short-term (less than the maximum term) license renewals or, for particularly egregious violations, the denial of a license renewal application or the revocation of a license.

ADDITIONAL DEVELOPMENTS AND PROPOSED CHANGES. The FCC has adopted rules implementing a new low power FM (LPFM) service, and approximately 800 such stations are in operation. In November of 2007, the FCC adopted rules that, among other things, enhance LPFM s interference protection from subsequently-authorized full-service stations. Congress then passed legislation eliminating certain minimum distance separation requirements between full-power and LPFM stations, thereby reducing the interference protection afforded to FM stations. We cannot predict whether any LPFM stations will interfere with the coverage of our radio stations.

In June 2009, the FCC adopted rules that allow an AM radio station to use currently authorized FM translator stations to retransmit the AM station s programming within the AM station s authorized service area.

The FCC also has authorized the launch and operation of a satellite digital audio radio service (SDARS) system. In July of 2008, the two original SDARS companies Sirius Satellite Radio, Inc. and XM Satellite Radio Holdings, Inc. merged into a new company called Sirius XM, which currently provides nationwide programming service. Sirius XM also offers channels that provide local traffic and weather information for major cities. We cannot predict the impact of SDARS or of the merger of Sirius and XM on our radio stations listenership.

In October of 2002, the FCC issued an order selecting a technical standard for terrestrial digital audio broadcasting (DAB, also known as high definition radio or HD Radio). The in-band, on-channel (IBOC) technology chosen by the agency allows AM and FM radio broadcasters to introduce digital operations and permits existing stations to operate on their current frequencies in either full analog mode, full digital mode, or a combination of both (at reduced power). In March 2005, the FCC announced that, pending adoption of final rules, it would allow stations on an interim basis to broadcast multiple digital channels. In March 2007, the FCC adopted service rules for HD Radio®. Significantly, the FCC decided to allow FM stations to broadcast digital multicast streams without seeking prior FCC authority, to provide datacasting services, to lease excess digital capacity to third parties, and to offer subscription services pursuant to requests for experimental authority. Under the new rules, FM stations may operate in the extended hybrid mode, which provides more flexibility for multicasting and datacasting services; and may use separate analog and digital antennas without seeking prior FCC authority. FM translators, FM boosters and low power FM stations may also broadcast digitally where feasible, and AM stations may now operate digitally during nighttime hours. The new rules mandate that broadcasters offering digital service provide at least one free over-the-air signal comparable in quality to their analog signal and that they simulcast their analog programming on their main digital stream, and prohibit broadcasters from operating exclusively in digital. The FCC declined either to set any mandatory deadline for broadcasters to convert to digital operations or to impose additional public interest obligations (beyond those that already apply to analog broadcasters) on digital broadcasters. The FCC did, however, adopt a Further Notice of Proposed Rulemaking seeking comment on (among other things) whether additional public interest obligations are necessary, including consideration of a requirement that radio stations report their public service programming in detail on a standardized form and post that form and all other contents of their public inspection files on the station s website. (The FCC subsequently imposed such a requirement on television stations in November of 2007, which is the subject of a pending appeal.) In January 2010, the FCC revised its DAB service rules to allow FM DAB stations to increase the permitted power levels of DAB transmissions. In September 2008, shortly after approving the Sirius-XM merger, the FCC sought comment on whether it should mandate the inclusion of HD Radio® features in satellite radio receivers. That proceeding remains pending, and we cannot predict its outcome or the impact that a decision might have on our business.

On May 1, 2007, the Copyright Royalty Board (CRB) published royalty rates and terms for non-interactive Internet streaming of sound recordings for 2006-2010. The new rates apply to all nonsubscription and new subscription services that stream sound recordings on the Internet, including radio stations that simulcast their broadcast programming over the Internet. The new rates represent a substantial increase from the previous rates. Several parties, including certain commercial broadcasters, appealed the CRB decision to the United States Court of Appeals for the D.C. Circuit. In February 2009, before the appeal was decided, the National Association of Broadcasters and SoundExchange, the entity that represents the recording industry and receives royalty payments from webcasters, negotiated a settlement setting rates and terms for 2006-2015 that resulted in the withdrawal of all commercial broadcasters from the appeal. Under the settlement, a commercial broadcaster could elect to pay pursuant to the settlement rates in lieu of the CRB rates, which Emmis elected to do. The rates set under the settlement increase from 0.08 cent per listener per song in 2006 to 0.25 cent per listener per song in 2015. A separate settlement between SoundExchange and the Digital Media Association resulted in a minimum annual fee of $500 per station or channel for commercial webcasters. A proceeding to set rates for 2011-2015 is underway, but broadcasters such as Emmis that have elected to pay the rates set by the settlement agreement will not be eligible for those rates.

Legislation has also been introduced in past Congresses that would require terrestrial radio broadcasters to pay performance royalties to performers, ending a long-standing copyright law exception, and similar legislation may be introduced in the future. If enacted, such legislation could have an adverse impact on the cost of music programming.

In December of 2007, the FCC initiated a proceeding to consider imposing requirements intended to promote broadcasters service to their local communities, including (i) requiring stations to establish a community advisory board, (ii) reinstating a requirement that a station s main studio be in its community of license and (iii) imposing local programming guidelines that, if not met, would result in additional scrutiny of a station s license renewal application. While many broadcasters have opposed these proposals, we cannot predict how the FCC will resolve the issue.

Congress and the FCC also have under consideration, and may in the future consider and adopt, new laws, regulations and policies regarding a wide variety of additional matters that could, directly or indirectly, affect the operation, ownership and profitability of our broadcast stations, result in the loss of audience share and advertising revenues for our broadcast stations and/or affect our ability to acquire additional broadcast stations or finance such acquisitions. Such matters include, but are not limited to:

- proposals to impose spectrum use or other fees on FCC licensees;
- proposals to reallocate spectrum used for broadcasting to other services;
- proposals to repeal or modify some or all of the FCC s multiple ownership rules and/or policies;
- proposals to change rules relating to political broadcasting;

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technical and frequency allocation matters;

AM stereo broadcasting;

proposals to modify service and technical rules for digital radio, including possible additional public interest requirements for terrestrial digital audio broadcasters;

proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages;

proposals to tighten safety guidelines relating to radio frequency radiation exposure;

proposals permitting FM stations to accept formerly impermissible interference;

proposals to reinstate holding periods for licenses;

changes to broadcast technical requirements, including those relative to the implementation of SDARS and DAB;

proposals to reallocate spectrum associated with TV channels 5 and 6 for FM radio broadcasting;

proposals to modify broadcasters public interest obligations;

proposals to limit the tax deductibility of advertising expenses by advertisers; and

proposals to regulate violence and hate speech in broadcasts.

We cannot predict whether any proposed changes will be adopted, what other matters might be considered in the future, or what impact, if any, the implementation of any of these proposals or changes might have on our business.

The foregoing is only a brief summary of certain provisions of the Communications Act and of specific FCC regulations. Reference should be made to the Communications Act as well as FCC regulations, public notices and rulings for further information concerning the nature and extent of federal regulation of broadcast stations.

REGULATION OF BROADCASTING IN OTHER COUNTRIES

Each of our broadcast properties outside the United States also operates pursuant to licenses granted by a government regulator comparable to the FCC. The following table sets forth the regulator, the city or country of license and the license expiration date for each of our international radio properties:

Property	Country	Regulator	Expiration
Radio Expres	Slovakia	Council for Broadcasting and Retransmission	February 2013
Radio FM+	Bulgaria	The Council for Electronic Media	Februry 2024 to February 2026
Radio Fresh	Bulgaria	The Council for Electronic Media	Februry 2025 to February 2026
Star FM	Bulgaria	The Council for Electronic Media	February 2026

Broadcast licenses in many foreign countries do not necessarily confer the same renewal expectancy as U.S. radio stations broadcast licenses. While we believe that we have reasonable prospects for securing extensions of our remaining international broadcast licenses, we cannot be sure that such extensions will be granted or that the terms and conditions of such extensions will not have a material adverse effect on our international operations. For instance, on October 28, 2009, the Hungarian National Radio and Television Board (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.

In addition, the broadcast licenses in these countries require our stations to comply with various other regulatory requirements, including broadcast content requirements (e.g., a certain amount of local news), limits on the amounts and types of advertising, and the like.

GEOGRAPHIC FINANCIAL INFORMATION

The Company s segments operate primarily in the United States with national radio networks in Slovakia and Bulgaria. The following tables summarize relevant financial information by geographic area. Net revenues and noncurrent assets related to discontinued operations are excluded for all periods presented.

	Year Ended Febraury 28,		
	2009	2010	2011
	(amounts in thousands)		
Net Revenues:			
Domestic	$ 285,878	$ 226,373	$ 236,887
International	22,053	16,193	14,427
Total	$ 307,931	$ 242,566	$ 251,314

	As of February 28,		
	2009	2010	2011
	(amounts in thousands)		
Noncurrent Assets:			
Domestic	$ 594,034	$ 412,977	$ 401,153
International	13,687	10,490	8,299
Total	$ 607,721	$ 423,467	$ 409,452

ITEM 1A. RISK FACTORS.

The risk factors listed below, in addition to those set forth elsewhere in this report, could affect the business and future results of the Company. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

Risks Related to our Indebtedness:

Our substantial indebtedness could adversely affect our financial health.

We have a significant amount of indebtedness. At February 28, 2011, our total indebtedness was $331.0 million, and our shareholders deficit was $189.7 million. Our substantial indebtedness could have important consequences to investors. For example, it could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- increase our vulnerability to generally adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;
- result in higher interest expense in the event of increases in interest rates because some of our debt is at variable rates of interest;

limit our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate;

place us at a competitive disadvantage compared to our competitors that have less debt; and

limit, along with the financial and other restrictive covenants in our Credit Agreement, our ability to borrow additional funds.

If we cannot continue to comply with the financial covenants in our debt instruments, or obtain waivers or other relief from our lenders, we may default, which could result in loss of our sources of liquidity and acceleration of our indebtedness.

We have a substantial amount of indebtedness, and the instrument governing such indebtedness contains restrictive financial covenants. Our ability to comply with the covenants in the Credit Agreement will depend upon our future performance and various other factors, such as business, competitive, technological, legislative and regulatory factors, some of which are beyond our control. We may not be able to maintain compliance with all of these covenants. In that event, we would need to seek an amendment to the Credit Agreement, or would need to refinance our senior secured credit facility. Under amendments to the Credit Agreement, certain covenants have been modified or suspended, but more stringent covenant requirements are scheduled to resume in late 2012. There can be no assurance that we can obtain future amendments or waivers of the Credit Agreement, or refinance our senior secured credit facility and, even if so, it is likely that such relief would only last for a specified period, potentially necessitating additional amendments, waivers or refinancings in the future. In the event that we do not maintain compliance with the covenants under the Credit Agreement, the lenders could declare an event of default, subject to applicable notice and cure provisions, resulting in a material adverse impact on our financial position. Upon the occurrence of an event of default under the Credit Agreement, the lenders could elect to declare all amounts outstanding under our senior secured credit facility to be immediately due and payable and terminate all commitments to extend further credit. If we were unable to repay those amounts, the lenders could proceed against the collateral granted to them to secure that indebtedness. Our lenders have taken security interests in substantially all of our consolidated assets. If the lenders accelerate the repayment of borrowings, we may be forced to liquidate certain assets to repay all or part of the senior secured credit facility, and we cannot be assured that sufficient assets will remain for us to continue our business operations after we have paid all of the borrowings under the senior secured credit facility. Our ability to liquidate assets is affected by the regulatory restrictions associated with radio stations, including FCC licensing, which may make the market for these assets less liquid and increase the chances that these assets will be liquidated at a significant loss.

The terms of our indebtedness and the indebtedness of our direct and indirect subsidiaries may restrict our current and future operations, particularly our ability to respond to changes in market conditions or to take some actions.

Our Credit Agreement imposes significant operating and financial restrictions on us. These restrictions significantly limit or prohibit, among other things, our ability and the ability of our subsidiaries to incur additional indebtedness, issue preferred stock, incur liens, pay dividends, enter into asset purchase or sale transactions, merge or consolidate with another company, dispose of all or substantially all of our assets or make certain other payments or investments. These restrictions currently limit our ability to grow our business through acquisitions and could limit our ability to respond to market conditions or meet extraordinary capital needs. They also could restrict our corporate activities in other ways. These restrictions could adversely affect our ability to finance our future operations or capital needs.

To service our indebtedness and other obligations, we will require a significant amount of cash. Our ability to generate cash depends on many factors beyond our control.

Our ability to make payments on and to refinance our indebtedness, to pay dividends and to fund capital expenditures will depend on our ability to generate cash in the future. This ability to generate cash, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. Our businesses might not generate sufficient cash flow from operations. We might not be able to complete future offerings, and future borrowings might not be available to us in an amount sufficient to enable us to pay our indebtedness or to fund our other liquidity needs. We may need to refinance all or a portion of our indebtedness on or before maturity. We cannot assure investors that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Risks Related to our Business

Our results of operations could be negatively impacted by weak economic conditions and instability in financial markets.

We believe that advertising is a discretionary business expense. Spending on advertising tends to decline disproportionately during an economic recession or downturn as compared to other types of business spending.

Consequently, a downturn in the United States economy generally has an adverse effect on our advertising revenue and, therefore, our results of operations. A recession or downturn in the economy of any individual geographic market, particularly a major market such as Los Angeles or New York, also generally has a significant effect on us. The recent recession in the global economy negatively impacted our results of operations. While economic conditions appear to be improving, we can not ensure that our results of operations won t be negatively impacted by future economic downturns or by delays in economic recovery.

Even with a recovery from the recent recession in the economy, an individual business sector (such as the automotive industry) that tends to spend more on advertising than other sectors might be forced to maintain a reduced level of advertising expenditures if that sector experiences a slower recovery than the economy in general, or might reduce its advertising expenditures further if additional downturns occur. If that sector s spending represents a significant portion of our advertising revenues, any reduction in its advertising expenditures may affect our revenue.

We may lose audience share and advertising revenue to competing radio stations or other types of media.

We operate in highly competitive industries. Our radio stations compete for audiences and advertising revenue with other radio stations and station groups, as well as with other media. Shifts in population, demographics, audience tastes, consumer use of technology and forms of media and other factors beyond our control could cause us to lose market share. Any adverse change in a particular market, or adverse change in the relative market positions of the stations located in a particular market, could have a material adverse effect on our revenue or ratings, could require increased promotion or other expenses in that market, and could adversely affect our revenue in other markets. Other radio broadcasting companies may enter the markets in which we operate or may operate in the future. These companies may be larger and have more financial resources than we have. Our radio stations may not be able to maintain or increase their current audience ratings and advertising revenue in the face of such competition.

We routinely conduct market research to review the competitive position of our stations in their respective markets. If we determine that a station could improve its operating performance by serving a different demographic within its market, we may change the format of that station. Our competitors may respond to our actions by more aggressive promotions of their stations or by replacing the format we vacate, limiting our options if we do not achieve expected results with our new format.

From time to time, other stations may change their format or programming, a new station may adopt a format to compete directly with our stations for audiences and advertisers, or stations might engage in aggressive promotional campaigns. These tactics could result in lower ratings and advertising revenue or increased promotion and other expenses and, consequently, lower earnings and cash flow for us. Any failure by us to respond, or to respond as quickly as our competitors, could also have an adverse effect on our business and financial performance.

Because of the competitive factors we face, we cannot assure investors that we will be able to maintain or increase our current audience ratings and advertising revenue.

Our domestic radio operations are heavily concentrated in the New York and Los Angeles markets.

Our radio operations in New York and Los Angeles, including the LMA fee we receive from GRC, account for approximately 45% of our domestic radio revenues. Our results from operations can be materially affected by decreased ratings or resulting revenues in either one of these markets.

We must respond to the rapid changes in technology, services and standards that characterize our industry in order to remain competitive.

The radio broadcasting industry is subject to rapid technological changes, evolving industry standards and the emergence of competition from new technologies and services. We cannot assure that we will have the resources to acquire new technologies or to introduce new services that could compete with these new technologies. Various media technologies and services that have been developed or introduced include:

- satellite-delivered digital audio radio service, which has resulted in subscriber-based satellite radio services with numerous niche formats;

- audio programming by cable systems, direct-broadcast satellite systems, personal communications systems, Internet content providers and other digital audio broadcast formats;

- personal digital audio devices (e.g., audio via Wi-Fi, mobile phones, iPods®, iPhones®, WiMAX, the Internet and MP3 players);

- in-band on-channel digital radio (i.e., HD digital radio), which provides multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM radio services; and

- low-power FM radio, which could result in additional FM radio broadcast outlets.

New media has resulted in fragmentation in the advertising market, but we cannot predict the effect, if any, that additional competition arising from new technologies may have on the radio broadcasting industry or on our financial condition and results of operations. We also cannot ensure that our investments in HD digital radio and other technologies will produce the desired returns.

Our business depends on maintaining our licenses with the FCC. We could be prevented from operating a radio station if we fail to maintain its license.

The radio broadcasting industry is subject to extensive and changing regulation. The Communications Act and FCC rules and policies require FCC approval for transfers of control and assignments of FCC licenses. The filing of petitions or complaints against FCC licensees could result in the FCC delaying the grant of, or refusing to grant, its consent to the assignment of licenses to or from an FCC licensee or the transfer of control of an FCC licensee. In certain circumstances, the Communications Act and FCC rules and policies will operate to impose limitations on alien ownership and voting of our common stock. There can be no assurance that there will be no changes in the current regulatory scheme, the imposition of additional regulations or the creation of new regulatory agencies, which changes could restrict or curtail our ability to acquire, operate and dispose of stations or, in general, to compete profitably with other operators of radio and other media properties.

Each of our domestic radio stations operates pursuant to one or more licenses issued by the FCC. Under FCC rules, radio licenses are granted for a term of eight years. Our licenses expire at various times through June 2014. Although we will apply to renew these licenses, third parties may challenge our renewal applications. While we are not aware of facts or circumstances that would prevent us from having our current licenses renewed, there can be no assurance that the licenses will be renewed or that renewals will not include conditions or qualifications that could adversely affect our business and operations. Failure to obtain the renewal of any of our broadcast licenses may have a material adverse effect on our business and operations. In addition, if we or any of our officers, directors or significant stockholders materially violates the FCC s rules and regulations or the Communications Act, is convicted of a felony or is found to have engaged in unlawful anticompetitive conduct or fraud upon another government agency, the FCC may, in response to a petition from a third party or on its own initiative, in its discretion, commence a proceeding to impose sanctions upon us which could involve the imposition of monetary fines, the revocation of our broadcast licenses or other sanctions. If the FCC were to issue an order denying a license renewal application or revoking a license, we would be required to cease operating the applicable radio station only after we had exhausted all rights to administrative and judicial review without success.

The FCC has engaged in vigorous enforcement of its indecency rules against the broadcast industry, which could have a material adverse effect on our business.

The FCC s rules prohibit the broadcast of obscene material at any time and indecent material between the hours of 6 a.m. and 10 p.m. Broadcasters risk violating the prohibition on the broadcast of indecent material because of the FCC s broad definition of such material, coupled with the spontaneity of live programming.

Congress has dramatically increased the penalties for broadcasting obscene, indecent or profane programming and broadcasters can potentially face license revocation, renewal or qualification proceedings in the event that they broadcast indecent material. In addition, the FCC s heightened focus on indecency, against the broadcast industry generally, may encourage third parties to oppose our license renewal applications or applications for consent to acquire broadcast stations. As a result of these developments, we have implemented certain measures that are designed to reduce the risk of broadcasting indecent material in violation of the FCC s rules. These and other future modifications to our programming in an effort to reduce the risk of indecency violations could have an adverse effect on our competitive position.

Any changes in current FCC ownership regulations may negatively impact our ability to compete or otherwise harm our business operations.

The FCC is required to review all of its broadcast ownership rules every four years and to repeal or modify any of its rules that are no longer necessary in the public interest. We cannot predict the impact of these reviews on our business or their effect on our ability to acquire broadcast stations in the future or to continue to own and freely transfer stations that we have already acquired.

In 2003, we acquired a controlling interest in five FM stations and one AM station in the Austin, Texas market. Under ownership regulations released after the date of our acquisition, it appears that we would be permitted to own or control only four FM stations in the Austin market (ownership of one AM station would continue to be allowed). The new rules do not require divestiture of existing non-conforming station combinations, but do provide that such clusters may be transferred only to defined small business entities or to buyers that commit to selling any excess stations to

such entities within one year. Consequently, if we wish to sell our interest in the Austin stations, we will have to either sell to an entity that meets those FCC requirements or exclude at least one FM station from the transaction.

Changes in current Federal regulations could adversely affect our business operations.
Congress and the FCC have under consideration, and may in the future consider and adopt, new laws, regulations and policies that could, directly or indirectly, affect the profitability of our broadcast stations. In particular, Congress is considering a revocation of radio s exemption from paying royalties to performing artists for use of their recordings (radio already pays a royalty to songwriters). A requirement to pay additional royalties could have an adverse effect on our business operations and financial performance.

Our business strategy and our ability to operate profitably depend on the continued services of our key employees, the loss of whom could materially adversely affect our business.
Our ability to maintain our competitive position depends to a significant extent on the efforts and abilities of our senior management team and certain key employees. Although our executive officers are typically under employment agreements, their managerial, technical and other services would be difficult to replace if we lose the services of one or more of them or other key personnel. Our business could be seriously harmed if one of them decides to join a competitor or otherwise competes directly or indirectly against us.

Our radio stations employ or independently contract with several on-air personalities and hosts of syndicated radio programs with significant loyal audiences in their respective broadcast areas. These on-air personalities are sometimes significantly responsible for the ranking of a station and, thus, the ability of the station to sell advertising. These individuals may not remain with our radio stations and may not retain their audiences.

Future operation of our business may require significant additional capital.
The continued development, growth and operation of our businesses may require substantial capital. In particular, additional acquisitions may require large amounts of capital. We intend to fund our growth, including acquisitions, if any, with cash generated from operations, borrowings under our Amended and Restated Revolving Credit and Term Loan Agreement, dated November 2, 2006, as further amended on March 3, 2009, August 19, 2009 and March 29, 2011 (the Credit Agreement), and proceeds from future issuances of debt and equity, both public and private. Currently, the Credit Agreement substantially limits our ability to make acquisitions. Our ability to raise additional debt or equity financing is subject to market conditions, our financial condition and other factors. If we cannot obtain financing on acceptable terms when needed, our results of operations and financial condition could be adversely impacted.

Our current and future operations are subject to certain risks that are unique to operating in a foreign country.
We currently have international operations in Slovakia and Bulgaria. Therefore, we are exposed to risks inherent in international business operations. The risks of doing business in foreign countries include the following:

- changing regulatory or taxation policies, including changes in tax policies that have been proposed by the Obama Administration related to foreign earnings;
- currency exchange risks;
- changes in diplomatic relations or hostility from local populations;
- seizure of our property by the government or restrictions on our ability to transfer our property or earnings out of the foreign country;
- potential instability of foreign governments, which might result in losses against which we are not insured; and
- difficulty of enforcing agreements and collecting receivables through some foreign legal systems.

Broadcast licenses in many foreign countries do not necessarily confer the same renewal expectancy as U.S. radio stations broadcast licenses. While we believe that we have reasonable prospects for securing extensions of our remaining international broadcast licenses, we cannot be sure that such extensions will be granted or that the terms and conditions of such extensions will not have a material adverse effect on our international operations. For instance,

on October 28, 2009, the Hungarian National Radio and Television Board (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 continue to explore Hungarian, European Union, and international arbitration forums as we believe the award of the license by the ORTT to the other bidder violated Hungarian law and various bilateral investment treaties.

***Exchange rates may cause future losses in our international operations*.**
Because we own assets in foreign countries and derive revenue from our international operations, we may incur currency translation losses due to changes in the values of foreign currencies and in the value of the United States dollar. We cannot predict the effect of exchange rate fluctuations upon future operating results.
We have incurred losses over the past three years and we may incur future losses.
We have reported net losses in our consolidated statement of operations over the past three years predominately due to the recording of non-cash impairment charges related to FCC licenses and goodwill. As of February 28, 2011, our FCC licenses and goodwill comprise 75% of our total assets. If events occur or circumstances change that would reduce the fair value of the FCC licenses and goodwill below the amount reflected on the balance sheet, we may be required to recognize impairment charges, which may be material, in future periods.
Our failure to comply under the Sarbanes-Oxley Act of 2002 could cause a loss of confidence in the reliability of our financial statements.
In connection with the preparation of our financial statements for the period ended August 31, 2009, the Company discovered a material weakness in its internal control over financial reporting. As disclosed in our Form 10-Q Report for the period ended November 30, 2009, we remediated the material weakness. As such, as of November 30, 2009, based upon the controls evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls were once again effective to provide reasonable assurance that information relating to Emmis 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. In future periods, there are no assurances that we will not have additional material weaknesses that would be required to be reported or that we will be able to comply with the reporting deadline requirements of Section 404. A reported material weakness or the failure to meet the reporting deadline requirements of Section 404 could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. This loss of confidence could cause a decline in the market price of our stock.
Our operating results have been and may again be adversely affected by acts of war, terrorism and natural catastrophes.
Acts of war and terrorism against the United States, and the country s response to such acts, may negatively affect the U.S. advertising market, which could cause our advertising revenues to decline due to advertising cancellations, delays or defaults in payment for advertising time, and other factors. In addition, these events may have other negative effects on our business, the nature and duration of which we cannot predict.
For example, after the September 11, 2001 terrorist attacks, we decided that the public interest would be best served by the presentation of continuous commercial-free coverage of the unfolding events on our stations. This temporary policy had a material adverse effect on our advertising revenues and operating results for the month of September 2001. Future events like those of September 11, 2001 may cause us to adopt similar policies, which could have a material adverse effect on our advertising revenues and operating results.
Additionally, the attacks on the World Trade Center on September 11, 2001 resulted in the destruction of the transmitter facilities that were located there. Although we had no transmitter facilities located at the World Trade Center, broadcasters that had facilities located in the destroyed buildings experienced temporary disruptions in their ability to broadcast. Since we tend to locate transmission facilities for stations serving urban areas on tall buildings or other significant structures, such as the Empire State Building in New York, further terrorist attacks or other disasters could cause similar disruptions in our broadcasts in the areas affected. If these disruptions occur, we may not be able to locate adequate replacement facilities in a cost-effective or timely manner or at all. Failure to remedy disruptions caused by terrorist attacks or other disasters and any resulting degradation in signal coverage could have a material adverse effect on our business and results of operations.
Similarly, hurricanes, floods, tornadoes, earthquakes, wild fires and other natural disasters can have a material adverse effect on our operations in any given market. While we generally carry property insurance covering such catastrophes, we cannot be sure that the proceeds from such insurance will be sufficient to offset the costs of rebuilding or repairing

our property or the lost income.

Risks Related to our Common Stock:

One shareholder controls a majority of the voting power of our common stock, and his interest may conflict with those of investors.

As of May 2, 2011, our Chairman of the Board of Directors, Chief Executive Officer and President, Jeffrey H. Smulyan, beneficially owned shares representing approximately 64% of the outstanding combined voting power of all classes of our common stock, as calculated pursuant to Rule 13d-3 of the Exchange Act. He therefore is in a position to exercise substantial influence over the outcome of most matters submitted to a vote of our shareholders, including the election of directors.

Our common stock may cease to be listed on the National Association of Securities Dealers Automated Quotation (Nasdaq) Global Select Market.

Our common stock is currently listed on the Nasdaq Global Select Market under the symbol EMMS. We may not be able to meet the continued listing requirements of the Nasdaq Global Select Market, which require, among other things, a minimum closing price of our common stock and a minimum market capitalization. In the past, we have received written deficiency notices from The Nasdaq Stock Market advising us that the closing bid price of our Class A common stock did not meet the continued listing requirements pursuant to NASDAQ Listing Rule 5450(a)(1). In each of these instances, we were able to satisfy the requirements for continued listing by maintaining a closing bid price equal to or in excess of $1.00 for a minimum of ten consecutive trading days. If we are unable to satisfy the requirements of the Nasdaq Global Select Market for continued listing, our common stock would be subject to delisting from that market, and we might or might not be eligible to list our shares on another Nasdaq market. Any such delisting of our common stock could also cause our 6.25% Series A Cumulative Convertible Preferred Stock, which is listed on the Nasdaq Global Select Market under the symbol EMMSP, to also be delisted. A delisting of our stock from the Nasdaq Global Select Market could negatively impact us by, among other things, reducing the liquidity and market price of our stock.

The difficulties associated with any attempt to gain control of our company could adversely affect the price of our Class A common stock.

Jeffrey H. Smulyan has substantial influence over the decision as to whether a change in control will occur for our company. There are also provisions contained in our articles of incorporation, by-laws and Indiana law that could make it more difficult for a third party to acquire control of Emmis. In addition, FCC approval for transfers of control of FCC licenses and assignments of FCC licenses are required. These restrictions and limitations could adversely affect the trading price of our Class A common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. PROPERTIES.

The types of properties required to support each of our radio stations include offices, studios and transmitter/antenna sites. We typically lease our studio and office space, although we do own some of our facilities, with each of our owned properties subject to a mortgage under our Credit Agreement. Most of our studio and office space leases contain lease terms with expiration dates of five to fifteen years. A station s studios are generally housed with its offices in downtown or business districts. We generally consider our facilities to be suitable and of adequate size for our current and intended purposes. We own many of our main transmitter/antenna sites and lease the remainder of our transmitter/antenna sites with lease terms that generally range from five to twenty years. The transmitter/antenna site for each station is generally located so as to provide maximum market coverage, consistent with the station s FCC license. In general, we do not anticipate difficulties in renewing facility or transmitter/antenna site leases or in leasing additional space or sites if required. We have approximately $42.7 million in aggregate annual minimum rental commitments under real estate leases. Many of these leases contain escalation clauses such as defined contractual increases or cost-of-living adjustments.

Our principal executive offices are located at 40 Monument Circle, Suite 700, Indianapolis, Indiana 46204, in approximately 91,500 square feet of owned office space which is shared by our Indianapolis radio stations and our Indianapolis Monthly publication.

We own substantially all of our other equipment, consisting principally of transmitting antennae, transmitters, studio equipment and general office equipment. The towers, antennae and other transmission equipment used by our stations are generally in good condition, although opportunities to upgrade facilities are periodically reviewed.

ITEM 3. LEGAL PROCEEDINGS.

Emmis is a party to various legal proceedings arising in the ordinary course of business. In the opinion of management of the company, however, there are no legal proceedings pending against the company that we believe are likely to have a material adverse effect on the company.

Effective December 31, 2009, our radio music license agreements with the two largest performance rights organizations, American Society of Composers, Authors and Publishers (ASCAP) and Broadcast Music, Inc. (BMI), expired. The Radio Music License Committee (RMLC), which negotiates music licensing fees for most of the radio industry with ASCAP and BMI and of which we are a participant, filed motions in Federal District Court for the Southern District of New York against ASCAP and BMI on behalf of the radio industry, seeking interim fees and a determination of fair and reasonable industry-wide license fees. The court approved reduced interim fees for ASCAP and BMI. The final fees, still to be determined by the court, may be retroactive to January 1, 2010 and may be different from the interim fees.

On December 24, 2010, Emmis entered into an agreement with Bose McKinney & Evans, LLP (Bose) and JS Acquisition, LLC (JS Acquisition) for the purpose of coordinating the prosecution of certain litigation (the Litigation) by JS Acquisition against Alden Global Capital (together with its affiliates and related parties, Alden) relating to the going private transaction in which Emmis, JS Acquisition and Alden participated in fiscal 2011. Under the terms of the agreement, Bose is representing both Emmis and JS Acquisition in connection with the Litigation. Emmis has agreed to initially invest up to $0.2 million in support of the prosecution of JS Acquisition s claim in exchange for first recoupment of 150% of the amount invested from any JS Acquisition recovery. The investment by Emmis was unanimously approved by Emmis Board of Directors, including all of its independent directors. Subsequently, Alden sued each of the directors of Emmis in New York state court alleging breach of fiduciary duty and related claims. Emmis believes the Alden claims are without merit. In addition, on March 21, 2011, Emmis filed suit against Alden in Federal District Court for the Southern District of New York, seeking recoupment of approximately $0.3 million of short-swing profits under section 16 of the Securities Exchange Act of 1934.

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.

EXECUTIVE OFFICERS OF THE REGISTRANT

Listed below is certain information about the executive officers of Emmis or its affiliates who are not directors or nominees to be directors.

NAME	POSITION	AGE AT FEBRUARY 28, 2011	YEAR FIRST ELECTED OFFICER
Richard F. Cummings	President - Radio Programming	59	1984
J. Scott Enright	Executive Vice President, General Counsel and Secretary	48	1998
Gregory T. Loewen	President - Publishing Division and Chief Strategy Officer	39	2007

Set forth below is the principal occupation for the last five years of each executive officer of the Company or its affiliates who is not also a director.

Mr. Cummings was appointed President Radio Programming in March 2009. Mr. Cummings served as Radio Division President from December 2001 to February 2009. Prior to becoming Radio Division President, Mr. Cummings was Executive Vice President of Programming. Mr. Cummings joined Emmis in 1981.

Mr. Enright was appointed Executive Vice President, General Counsel and Secretary in March 2009. Previously, Mr. Enright served as Senior Vice President, Associate General Counsel and Secretary of Emmis from September 2006 to February 2009 and as Vice President, Associate General Counsel and Assistant Secretary from the date he joined Emmis in October 1998, adding the office of Secretary in 2002.

Mr. Loewen was appointed President Publishing Division and Chief Strategy Officer in March 2010. Previously, Mr. Loewen served as Chief Strategy Officer from February 2007 to February 2010. Prior to joining Emmis in February 2007, Mr. Loewen served as Vice President of Digital Media and Strategy for The Toronto Star.

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

MARKET INFORMATION FOR OUR COMMON STOCK

Emmis Class A common stock is traded in the over-the-counter market and is quoted on the Nasdaq Global Select Market under the symbol EMMS. There is no established public trading market for Emmis Class B common stock or Class C common stock.

The following table sets forth the high and low sales prices of the Class A common stock for the periods indicated.

QUARTER ENDED	HIGH	LOW
May 2009	0.78	0.25
August 2009	1.11	0.24
November 2009	1.62	0.63
February 2010	1.44	0.82
May 2010	2.45	0.88
August 2010	2.30	1.48
November 2010	1.76	0.50
February 2011	1.40	0.43

HOLDERS

At May 4, 2011, there were 5,583 record holders of the Class A common stock, and there was one record holder of the Class B common stock.

DIVIDENDS

Emmis currently intends to retain future earnings for use in its business and has no plans to pay any dividends on shares of its common stock in the foreseeable future.

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 February 28, 2011, cumulative preferred dividends in arrears total $21.0 million. Failure to pay the dividend is not a default under the terms of the Preferred Stock. However, since dividends have remained unpaid for more than six quarters, the holders of the Preferred Stock are entitled to elect two persons to our board of directors. The company has received nominations for these director positions for the 2011 annual meeting of shareholders expected to be held in July 2011. The Second Amendment and Third Amendment to our Credit Agreement prohibit 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.

SHARE REPURCHASES

During the three-month period ended February 28, 2011, 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 February 28, 2011:

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
December 1, 2010 December 31, 2010		N/A		$ 36,150,565
January 1, 2011 January 31, 2011	10,760	$ 0.80		$ 36,150,565
February 1, 2011 February 28, 2011		N/A		$ 36,150,565
	10,760			

ITEM 6. SELECTED FINANCIAL DATA.

As a smaller reporting company, we are not required to provide this information.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION.

GENERAL

The following discussion pertains to Emmis Communications Corporation (ECC) and its subsidiaries (collectively, Emmis or the 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 more than 70% 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 weekly for markets measured by the Portable People Meter™ and four times a year for markets measured by diaries. Because audience ratings in a station s local market are critical to the station s financial success, our strategy is to use market research, 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 preempt advertising spots paid for in cash with advertising spots paid for in trade.

The following table summarizes the sources of our revenues for the past three years. 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.

	Year ended February 28,					
	2009	% of Total	2010	% of Total	2011	% of Total
Net revenues:						
Local	$ 184,134	59.8%	$ 143,924	59.3%	$ 140,872	56.1%
National	57,753	18.8%	31,572	13.0%	36,845	14.7%
Political	1,466	0.5%	410	0.2%	1,657	0.7%
Publication Sales	14,006	4.5%	12,844	5.3%	13,025	5.2%
Non Traditional	18,973	6.2%	17,903	7.4%	19,022	7.6%
Other	31,599	10.2%	35,913	14.8%	39,893	15.7%
Total net revenues	$ 307,931		$ 242,566		$ 251,314	

A significant portion of our expenses varies in connection with changes in revenue. These variable expenses primarily relate to costs in our sales department, such as salaries, commissions and bad debt. Our costs that do not vary as much in relation to revenue are mostly in our programming and general and administrative departments, such as talent costs, syndicated programming fees, utilities, office expenses and salaries. Lastly, our costs that are highly discretionary are costs in our marketing and promotions department, which we primarily incur to maintain and/or increase our audience and market share.

KNOWN TRENDS AND UNCERTAINTIES

Although advertising revenues are on an upswing following the recent global recession, domestic radio revenue growth has been challenged for several years. Management believes this is principally the result of three factors: (1) the proliferation of advertising inventory caused by the emergence of new media, such as various media distributed via the Internet, telecommunication companies and cable interconnects, as well as social networks and social coupon sites, all of 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, and (3) the adoption of a new method of gathering ratings data, which has shown an increase in cumulative audience size, but a decrease in time spent listening as compared to the previous method of gathering ratings data.

The Company and the radio industry have begun several initiatives to address these issues. The radio industry is working aggressively to increase the number of portable digital media devices that contain an FM tuner, including smartphones and music players. In many countries, FM tuners are common features in portable digital media devices. The radio industry is working with leading United States network providers, device manufacturers, regulators and legislators to ensure that FM tuners are included in future portable digital media devices. Including FM as a feature on these devices has the potential to increase radio listening and improve perception of the radio industry while offering network providers the benefits of a proven emergency notification system, reduced network congestion from audio streaming services, and a host of new revenue generating applications.

The Company has also aggressively worked to harness the power of broadband and mobile media distribution in the development of emerging business opportunities by becoming one of the fifteen largest streaming audio providers in the United States, developing highly interactive websites with content that engages our listeners, using SMS texting and delivering real-time traffic to navigation devices.

Along with the rest of the radio industry, the majority of our stations have deployed 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. 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 the Austin and Indianapolis markets in the fall of 2010. In each market in which the service has launched, there has been a compression in the relative ratings of all stations in the market, increasing 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 Chicago have trailed the performance of their respective markets. Management believes this relative underperformance is principally due our lack of scale in these markets. We are overly dependent on the performance of one or two stations in these markets, and as the competitive environment shifts, our ability to adapt is limited. Furthermore, some of our competitors operate larger station clusters in Los Angeles and Chicago than we do, enabling them to use their market share to extract a greater percentage of available advertising revenue through discounting unit rates.

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. In connection with the LMA, the call letters of the station changed from KMVN-FM to KXOS-FM. The performance of Emmis other Los Angeles radio station, KPWR-FM, trailed the performance of the overall market. For the twelve-month period ended February 28, 2011, KPWR-FM s gross revenues were down 5.0% whereas the independent accounting firm Miller, Kaplan, Arase & Co. (Miller Kaplan) reported that the Los Angeles market total gross revenues were up 4.6% versus the same period of the prior year.

Our radio cluster in Chicago trailed the performance of the overall Chicago radio market during the twelve-month period ended February 28, 2011. For the twelve-month period ended February 28, 2011, our Chicago radio stations gross revenues were down 2.7%, whereas Miller Kaplan reported that Chicago radio market total gross revenues were up 6.0% versus the same period of the prior year.

While our performance in Los Angeles and Chicago during the twelve-month period ended February 28, 2011 was disappointing, all of our remaining markets for which Miller Kaplan data is available (New York, St. Louis, Indianapolis and Austin) outperformed their respective markets.

As part of our business strategy, we continually evaluate potential acquisitions of radio stations, publishing properties and other businesses that we believe hold promise for long-term appreciation in value and leverage our strengths. However, Emmis Operating Company s (the Company s principal operating subsidiary, hereinafter EOC) Credit Agreement substantially limits our ability to make acquisitions. We also regularly review our portfolio of assets and may opportunistically dispose of assets when we believe it is appropriate to do so. In particular, we have one radio station in New York City and two radio stations in Chicago where we believe the sale value could exceed the prospects for cash flow generation as part of our portfolio. Although we remain optimistic about the growth potential of these stations, we are exploring the sale of one or more of these stations to reduce our indebtedness.

CRITICAL ACCOUNTING POLICIES

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

Revenue Recognition

Broadcasting revenue is recognized as advertisements are aired. Publication revenue is recognized in the month of delivery of the publication. Both broadcasting revenue and publication revenue recognition is subject to meeting certain conditions such as persuasive evidence that an arrangement exists and collection is reasonably assured. These criteria are generally met at the time the advertisement is aired for broadcasting revenue and upon delivery of the publication for publication revenue. Advertising revenues presented in the financial statements are reflected on a net basis, after the deduction of advertising agency fees, usually at a rate of 15% of gross revenues.

Allowance for Doubtful Accounts

An allowance for doubtful accounts is recorded based on management s judgment of the collectability of receivables. When assessing the collectability of receivables, management considers, among other things, historical loss experience and existing economic conditions.

FCC Licenses and Goodwill

We have made acquisitions in the past for which a significant amount of the purchase price was allocated to FCC licenses and goodwill assets. As of February 28, 2011, we have recorded approximately $353.0 million in goodwill and FCC licenses, which represents approximately 75% of our total assets.

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. We consider our FCC licenses to be indefinite-lived intangibles. 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 there is a general expectancy of renewal of radio broadcast licenses in most countries and 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, as was demonstrated in Hungary when our broadcasting license was not renewed in November 2009 under circumstances that even a Hungarian court ruled violated Hungarian law and various bilateral investment treaties. We treat our foreign broadcasting licenses as definite-lived intangibles and amortize them over their respective license periods.

We do not amortize goodwill or other indefinite-lived intangible assets, but rather test for impairment at least annually or more frequently if events or circumstances indicate that an asset may be impaired. When evaluating our radio broadcasting licenses for impairment, the testing is performed at the unit of accounting level as determined by Accounting Standards Codification (ASC) Topic 350-30-35. In our case, radio stations in a geographic market cluster are considered a single unit of accounting, provided that they are not being operated under a Local Marketing Agreement by another broadcaster.

We complete our annual impairment tests on December 1 of each year and perform additional interim impairment testing whenever triggering events suggest such testing is warranted.

Valuation of Indefinite-lived Broadcasting Licenses

Fair value of our FCC Licenses is estimated to be 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. To determine the fair value of our FCC Licenses, the Company uses an income valuation method when it performs its impairment tests. Under this method, the Company projects cash flows that would be generated by each of its units of accounting assuming the unit of accounting was commencing operations in its respective market 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 commenced operations at the beginning of the valuation period. 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. Each of these assumptions may change in the future based upon changes in general economic conditions, audience behavior, consummated transactions, and numerous other variables that may be beyond our control.

The projections incorporated into our annual license valuations take into consideration the recent economic recession and credit crisis, which has led to a further weakened and less profitable radio marketplace with a higher cost of capital. Between its October 1, 2008 interim impairment assessment and its December 1, 2010 annual assessment, the Company incorporated several more conservative estimates into its assumptions to reflect the deterioration in both the U.S. economy and the radio marketplace as well as the repricing of risk. Specifically, discount rates increased from 11.7% to 12.1% in the October 1, 2008 assessment to a range of 12.0% to 12.3% in the December 1, 2010 assessment. Also, operating profit margins decreased from a range of 27.7% to 43.7% in the October 1, 2008 assessment to a range of 25.1% to 37.1% in the December 1, 2010 assessment. Assumptions incorporated into the annual impairment testing as of December 1, 2010 were similar to those used in our December 1, 2009 annual impairment testing, although revenue growth rates were slightly higher as a result of the pace of the industry s recent revenue recovery, which also helped to lower the discount rates. We expect the ongoing recovery in radio revenues to continue throughout our fiscal 2012. Below are some of the key assumptions used in our annual and interim impairment assessments. The methodology used to value our FCC licenses has not changed in the three-year period ended February 28, 2011.

	October 1, 2008		**December 1, 2008**		**August 1, 2009**		**December 1, 2009**		**December 1, 2010**	
Discount Rate	11.7%	12.1%	11.5%	11.9%	12.6%	13.0%	12.7%	13.1%	12.0%	12.3%
Long-term Revenue Growth Rate (Years 4-8)	2.0%	3.5%	2.0%	3.3%	2.0%	3.3%	2.0%	3.5%	2.5%	3.5%
Revenue Growth Rate (All Years)	1.5%	3.4%	0.7%	3.3%	1.5%	3.2%	2.0%	3.4%	2.7%	3.8%
Mature Market Share	6.3%	30.8%	6.3%	30.5%	6.3%	30.6%	6.2%	30.0%	6.1%	28.2%
Operating Profit margin	27.7%	43.7%	27.1%	42.7%	26.5%	42.7%	26.0%	40.9%	25.1%	37.1%

Valuation of 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. 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 or analyst reports that include valuations of magazine divisions within publicly traded media conglomerates. For the annual assessment performed as of December 1, 2010, the Company applied a market multiple of 7.5 times and 6.0 times the reporting unit s operating performance for our radio and publishing reporting units, respectively. Management believes this methodology for valuing radio and publishing properties is a common approach and believes that the multiples used in the valuation are reasonable given our peer comparisons and recent market transactions. To corroborate the step-one reporting unit fair values determined using the market approach described above, management also uses an income approach, which is a discounted cash flow method to determine the fair value of the reporting unit.

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. The methodology used to value our goodwill has not changed in the three-year period ended February 28, 2011.

Sensitivity Analysis

Based on the results of our December 1, 2010 annual impairment assessment, the fair value of our broadcasting licenses was approximately $418.9 million which was in excess of the $328.8 million carrying value by $90.1 million, or 27.4%. The fair values exceeded the carrying values of all of our units of accounting except our Austin radio cluster, where we recorded an impairment charge of $7.0 million. Should our estimates or assumptions worsen, or should negative events or circumstances occur in the units that have limited fair value cushion, additional license impairments may be needed.

	Radio Broadcasting Licenses		
		As of	
Unit of Accounting	**February 28, 2011 Carrying Value**	**December 1, 2010 Fair Value**	**Percentage by which fair value exceeds carrying value**
New York Cluster	145,588	161,168	10.7%
KXOS-FM (Los Angeles)	52,333	59,997	14.6%
Chicago Cluster	44,292	49,616	12.0%
Austin Cluster	39,025	39,025	0.0%
St. Louis Cluster	27,692	30,251	9.2%
Indianapolis Cluster	17,274	18,263	5.7%
KPWR-FM (Los Angeles)	2,018	59,997	2,873.1%
Terre Haute Cluster	574	597	4.0%
Total	328,796	418,914	27.4%

Our annual impairment testing on December 1, 2010 resulted in an impairment charge of $7.0 million. If we were to assume a 1% change in any of our three key assumptions (a reduction in the long-term revenue growth rate, a reduction in local commercial share or an increase in the discount rate) used to determine the fair value of our broadcasting licenses on December 1, 2010, the resulting impairment charge would have been an incremental $52.4 million, $58.8 million and $16.4 million, respectively. Also, if we were to assume a market multiple decrease of one or a 10% decrease in the two-year average station operating income, two of the key assumptions used to determine the fair value of our goodwill on December 1, 2010, the resulting estimates of enterprise valuations would still exceed the carrying values of the enterprises. As such, step two of the goodwill impairment testing would not be required. Thus no impairment would be recognized if these two key assumptions were lowered.

The sharp economic downturn in late 2008 and throughout calendar 2009 negatively impacted the radio broadcasting industry as advertising revenues declined and expectations for near-term growth declined throughout most of calendar 2009. The projected revenue growth levels for the industry when we completed our interim impairment testing on August 1, 2009 were lower than we had originally forecasted when we completed our fiscal 2009 annual impairment test on December 1, 2008. This decline caused us to record further impairment to broadcasting licenses and goodwill as part of our August 1, 2009 impairment review. As revenues decline, profitability levels are also negatively impacted as fixed costs represent a significant component of a radio station s operating expenses. As a result, the fair value of our asset base is particularly sensitive to the impact of declining revenues.

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.

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 $1.1 million and $0.7 million accrued for employee healthcare claims as of February 28, 2010 and 2011, respectively. The Company also maintains large deductible programs (ranging from $250 thousand to $500 thousand per occurrence) for workers compensation, employment liability, automotive liability and media liability claims.

ACQUISITIONS, DISPOSITIONS AND INVESTMENTS

The transactions described below impact the comparability of operating results for the three years ended February 28, 2011.

During the quarter ended May 31, 2009, Emmis completed a series of transactions with its noncontrolling partners of two of our Bulgarian radio networks that gave Emmis 100% ownership in those networks. The purchase price of these transactions totaled $4.9 million in cash, and a substantial portion was allocated to goodwill which was then determined to be substantially impaired. Emmis recorded an impairment loss of $3.7 million related to Bulgarian goodwill during the quarter ended May 31, 2009.

On May 29, 2009, Emmis sold the stock of its Belgium radio operation to Alfacam Group NV, a Belgian corporation, for 100 euros. Emmis recognized a gain on the sale of its Belgium radio operations of $0.4 million, which included a gain of $0.1 million related to the transfer of cumulative translation adjustments. The gain on sale of the Belgium radio operations is included in discontinued operations in the accompanying consolidated statements of operations. 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.

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 Company recognized a loss on the sale of WVUE-TV of $0.6 million, net of tax benefits of $0.4 million, which is included in income from discontinued operations in the accompanying consolidated statements of operations. In connection with the sale, the Company paid discretionary bonuses to the employees of WVUE-TV totaling $0.8 million, which is included in the calculation of the loss on sale. The sale of WVUE-TV completes 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.

RESULTS OF OPERATIONS

YEAR ENDED FEBRUARY 28, 2010 COMPARED TO YEAR ENDED FEBRUARY 28, 2011

Net revenues:

	For the years ended February 28,			
	2010	2011	$ Change	% Change
	(As reported, amounts in thousands)			
Net revenues:				
Radio	$ 177,566	$ 185,206	$ 7,640	4.3%
Publishing	65,000	66,108	1,108	1.7%
Total net revenues	$ 242,566	$ 251,314	$ 8,748	3.6%

Radio net revenues increased principally as a result of general economic growth in our domestic radio markets as the economy recovers from the recent recession. We typically monitor the performance of our domestic radio stations against the aggregate performance of the markets in which we operate based on reports for the periods prepared by the independent accounting firm Miller Kaplan. Miller Kaplan reports are generally prepared on a gross revenue basis and exclude revenues from barter arrangements. For the year ended February 28, 2011, revenues of our domestic radio stations were up 5.2%, whereas Miller Kaplan reported that revenues of our domestic radio markets were up 5.1%. We significantly outperformed in our middle markets (St. Louis, Indianapolis and Austin), which offset weakness at our Los Angeles and Chicago radio stations. The recovery in radio advertising has put greater demand on our advertising inventory. In fiscal 2011, our average minute rate was up 4.5% and our number of minutes sold was up 1.2%. Our international radio properties did not see the same level of recovery as our domestic radio properties and net revenues were down 10.9% for the fiscal year.

Publishing net revenues also increased principally due to the better economic climate, though the recovery in advertising for our publishing division has been slower to develop than what we have seen in our radio division.

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Station operating expenses excluding depreciation and amortization expense:

	For the years ended February 28,			
	2010	2011	$ Change	% Change
	(As reported, amounts in thousands)			
Station operating expenses, excluding depreciation and amortization expense:				
Radio	$ 141,557	$ 136,148	$ (5,409)	(3.8)%
Publishing	64,603	63,835	(768)	(1.2)%
Total station operating expenses, excluding depreciation and amortization expense	$ 206,160	$ 199,983	$ (6,177)	(3.0)%

Radio station operating expenses, excluding depreciation and amortization expense, decreased principally due to division-wide cost reduction efforts consisting, among other things, of headcount and wage reductions implemented during fiscal 2010. While most of the cost reduction efforts were implemented at the beginning of fiscal 2010, some were implemented later in the fiscal year and we experienced some of this benefit in fiscal 2011.

Publishing operating expenses, excluding depreciation and amortization expense, decreased principally due to division-wide cost reduction efforts in the prior year, similar to our radio division.

We expect station operating expenses, excluding depreciation and amortization, to grow modestly in fiscal 2012 as we have reinstituted merit wage increases for our employees and we are making targeted investments in sales training and enhancing our digital capabilities.

Corporate expenses excluding depreciation and amortization expense:

	For the years ended February 28,			
	2010	2011	$ Change	% Change
	(As reported, amounts in thousands)			
Corporate expenses excluding depreciation and amortization expense	$ 13,634	$ 15,710	$ 2,076	15.2%

Corporate expenses, excluding depreciation and amortization expense, increased due to costs incurred by the Company associated with the Going Private Transaction discussed in Note 9 to the accompanying consolidated financial statements. The Company recorded $3.6 million of costs associated with the transaction in the year ended February 28, 2011. Excluding these costs, corporate expenses would have decreased due to cost reduction efforts implemented during fiscal 2010, primarily consisting of headcount reductions and wage reductions.

Restructuring charge:

	For the year ended February 28,			
	2010	2011	$ Change	% Change
	(As reported, amounts in thousands)			
Restructuring charge	$ 3,350	$	$ (3,350)	(100.0)%

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 year

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 in the year ended February 28, 2010, as the enhanced plan was not finalized and communicated until March 5, 2009.

Impairment loss:

	For the year ended February 28, 2010	2011	$ Change	% Change
	(As reported, amounts in thousands)			
Impairment loss	$ 174,642	$ 7,005	$ (167,637)	(96.0)%

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.

We performed our annual impairment testing as of December 1, 2010, which resulted in an impairment loss of $7.0 million entirely attributable to radio FCC licenses in our Austin, Texas radio cluster.

Due to the stabilization in the economy and a recovery in radio revenues, we do not expect to record in the foreseeable future impairment charges in the size or magnitude of those recorded in fiscal 2010. Accordingly, we do not expect historical operating results to be indicative of future operating results.

Depreciation and amortization:

	For the years ended February 28, 2010	2011	$ Change	% Change
	(As reported, amounts in thousands)			
Depreciation and amortization:				
Radio	$ 8,128	$ 7,592	$ (536)	(6.6)%
Publishing	772	499	(273)	(35.4)%
Corporate	1,493	1,301	(192)	(12.9)%
Total depreciation and amortization	$ 10,393	$ 9,392	$ (1,001)	(9.6)%

The decrease in radio and publishing depreciation and amortization mostly relates to impairment charges related to our definite-lived intangible assets at our Bulgarian radio operation and our Orange Coast publication in connection with our interim impairment testing performed on August 1, 2009.

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Operating income (loss):

	For the years ended February 28, 2010	2011	$ Change	% Change
	(As reported, amounts in thousands)			
Operating income (loss):				
Radio	$ (140,120)	$ 34,458	$ 174,578	124.6%
Publishing	(9,200)	1,774	10,974	119.3%
Corporate	(16,166)	(17,011)	(845)	(5.2)%
Total operating income (loss)	$ (165,486)	$ 19,221	$ 184,707	111.6%

Operating income (loss) is significantly impacted by impairment losses recorded in fiscal 2010 and 2011, as discussed above. Excluding impairment losses, operating income would have been $9.2 million and $26.2 million for the years ended February 28, 2010 and 2011, respectively. Operating income excluding impairment losses increased due to higher net revenues coupled with lower station operating expenses, both of which are discussed above.

Interest expense:

	For the years ended February 28, 2010	2011	$ Change	% Change
	(As reported, amounts in thousands)			
Interest expense	$ 24,820	$ 21,099	$ (3,721)	(15.0)%

The August 2009 amendment to our Credit Agreement increased the interest rate on amounts outstanding under the Credit Agreement by 2%. However, in March 2010, an interest rate swap agreement matured that had fixed LIBOR on $165 million notional principal at 4.8%. Following its maturity, we began paying LIBOR at a floating rate, which lowered our interest on this portion of our debt by approximately 4.5%.

Gain on debt extinguishment:

	For the years ended February 28, 2010	2011	$ Change	% Change
	(As reported, amounts in thousands)			
Gain on debt extinguishment	$ 31,362	$	$ (31,362)	(100.0)%

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. 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 year ended February 28, 2010 of $0.5 million related to the write-off of deferred debt costs associated with the revolver reduction.

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Provision for (benefit from) income taxes:

	For the years ended February 28,			
	2010	2011	$ Change	% Change
	(As reported, amounts in thousands)			
Provision for (benefit from) income taxes	$ (39,840)	$ 6,452	$ 46,292	(116.2)%

Our effective income tax benefit for the year ended February 28, 2010 was 25%. We recorded a provision for income taxes in the year ended February 28, 2011 despite our pre-tax loss due to the valuation allowance we record against our deferred tax assets. We concluded that we should record valuation allowances against our deferred tax assets in our year ended February 28, 2009 and we continue to record a valuation allowance against newly created deferred tax assets until we can conclude that recovery of the asset is probable.

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

	For the years ended February 28,			
	2010	2011	$ Change	% Change
	(As reported, amounts in thousands)			
Income (loss) from discontinued operations, net of tax	$ 442	$ (2,740)	$ (3,182)	(719.9)%

Our television division, *Tu Ciudad Los Angeles*, Emmis Books and our international radio operations in Belgium and Hungary have been classified as discontinued operations in the accompanying consolidated financial statements. The financial results of these operations and related discussions are fully described in Note 1j to the accompanying consolidated financial statements. Below is a summary of the components of discontinued operations.

	Year ended February 28,	
	2010	2011
Income (loss) from operations:		
Slager Radio (Hungary)	$ 1,404	$ (2,740)
Belgium	(944)	
Tu Ciudad	(15)	
Emmis Books	(22)	
Total	423	(2,740)
Provision for income taxes	401	
Income from operations, net of tax	22	(2,740)
Gain on sale of discontinued operations:		
Belgium	420	
Total	420	
Benefit for income taxes		
Gain on sale of discontinued operations, net of tax	420	

Income from discontinued operations, net of tax	$	442	$	(2,740)

For a description of properties sold, see the discussion under Acquisitions, Dispositions and Investments and in Note 1(j) to our Consolidated Financial Statements. In the case of our radio operations in Hungary, the Hungarian government did not renew our broadcasting license in November 2009 and we were forced to cease operations. Our fiscal 2011 loss in Hungary was largely due to the reclassification of $2.0 million of accumulated foreign currency losses, previously reflected in accumulated other comprehensive income (loss), due to the substantial liquidation of that entity during the year ended February 28, 2011.

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Consolidated net loss:

	For the years ended February 28,			
	2010	2011	$ Change	% Change
	(As reported, amounts in thousands)			
Consolidated net loss	$ (118,492)	$ (11,539)	$ 106,953	(90.3%)

The decrease in net loss for the year ended February 28, 2011 is mostly due to the decrease in impairment charges, partially offset by the gain on debt extinguishment and benefit for income taxes recorded in the prior year, as discussed above.

YEAR ENDED FEBRUARY 28, 2009 COMPARED TO YEAR ENDED FEBRUARY 28, 2010

Net revenues:

	For the years ended February 28,			
	2009	2010	$ Change	% Change
	(As reported, amounts in thousands)			
Net revenues:				
Radio	$ 224,941	$ 177,566	$ (47,375)	(21.1)%
Publishing	82,990	65,000	(17,990)	(21.7)%
Total net revenues	$ 307,931	$ 242,566	$ (65,365)	(21.2)%

Radio net revenues decreased principally as a result of the precipitous decline of advertising spending in our domestic and international radio markets due to the global recession. We typically monitor the performance of our domestic radio stations against the aggregate performance of the markets in which we operate based on reports for the periods prepared by the independent accounting firm Miller Kaplan. Miller Kaplan reports are generally prepared on a gross revenue basis and exclude revenues from barter arrangements, and also exclude revenue Emmis recognized related to the guaranteed minimum amount of national sales by our national representation firm as discussed below. For the year ended February 28, 2010, revenues of our domestic radio stations were down 18.2%, whereas Miller Kaplan reported that revenues of our domestic radio markets were down 14.4%. 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.

Market weakness and our stations weakness have led us to discount our rates charged to advertisers. In fiscal 2010, our average unit rate was down 23.3% and our number of units sold was up 0.4%. The Company s national representation firm guaranteed a minimum amount of national sales for the years ended February 28, 2009 and February 29, 2008. Actual national sales, as defined by the representation agreement, were approximately $10.2 million lower than the guaranteed minimum amount of national sales in fiscal 2009 and the national representation firm has paid the shortfall to Emmis. As such, Emmis recognized $10.2 million of additional net revenues for the year ended February 28, 2009. Emmis recognized $3.7 million of additional net revenues related to the national representation firm s shortfall during the year ended February 29, 2008. Our agreement with our national representation firm does not contain guarantees for any period after the year ended February 28, 2009.

Publishing net revenues decreased principally due to the global recession that diminished demand for advertising inventory at all of our city/regional publications.

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Station operating expenses excluding depreciation and amortization expense:

	For the years ended February 28,			
	2009	2010	$ Change	% Change
	(As reported, amounts in thousands)			
Station operating expenses, excluding depreciation and amortization expense:				
Radio	$ 162,685	$ 141,557	$ (21,128)	(13.0)%
Publishing	76,322	64,603	(11,719)	(15.4)%
Total station operating expenses, excluding depreciation and amortization expense	$ 239,007	$ 206,160	$ (32,847)	(13.7)%

Radio station operating expenses, excluding depreciation and amortization expense, decreased 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 principally due to division-wide cost reduction efforts similar to our radio division.

Corporate expenses excluding depreciation and amortization expense:

	For the years ended February 28,			
	2009	2010	$ Change	% Change
	(As reported, amounts in thousands)			
Corporate expenses excluding depreciation and amortization expense	$ 18,503	$ 13,634	$ (4,869)	(26.3)%

Corporate expenses decreased principally 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.

Restructuring charge:

	For the year ended February 28,			
	2009	2010	$ Change	% Change
	(As reported, amounts in thousands)			
Restructuring charge	$ 4,208	$ 3,350	$ (858)	(20.4)%

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 year 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 in

the year ended February 28, 2010, as the enhanced plan was not finalized and communicated until March 5, 2009.

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Impairment loss:

	For the year ended February 28, 2009	2010	$ Change	% Change
	(As reported, amounts in thousands)			
Impairment loss	$ 373,137	$ 174,642	$ (198,495)	(53.2)%

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.

We performed our annual impairment testing as of December 1, 2009, but did not record any additional impairment charges.

Due to the stabilization in the economy and a recovery in radio revenues, we do not expect to record impairment charges in the foreseeable future in the size or magnitude of those recorded in fiscal 2009 or 2010. Accordingly, we do not expect historical operating results to be indicative of future operating results.

Depreciation and amortization:

	For the years ended February 28, 2009	2010	$ Change	% Change
	(As reported, amounts in thousands)			
Depreciation and amortization:				
Radio	$ 9,020	$ 8,128	$ (892)	(9.9)%
Publishing	1,231	772	(459)	(37.3)%
Corporate	2,152	1,493	(659)	(30.6)%
Total depreciation and amortization	$ 12,403	$ 10,393	$ (2,010)	(16.2)%

The decrease in radio and publishing depreciation and amortization mostly relates to impairment charges related to our definite-lived intangible assets at our Bulgarian radio operation and our Orange Coast publication in connection with our interim impairment testing performed on August 1, 2009.

Corporate depreciation and amortization expense decreased as a significant portion of the corporate property and equipment became fully depreciated at the end of fiscal 2009.

Operating loss:

	For the years ended February 28, 2009	2010	$ Change	% Change
	(As reported, amounts in thousands)			
Operating loss:				
Radio	$ (281,774)	$ (140,120)	$ 141,654	50.3%
Publishing	(27,585)	(9,200)	18,385	66.6%

Corporate	(29,982)	(16,166)	13,816	46.1%
Total operating loss	$ (339,341)	$ (165,486)	$ 173,855	51.2%

The decrease in operating loss is primarily due to lower year-over-year impairment losses. Excluding impairment losses, operating income would have been $33.8 million and $9.2 million for the years ended February 28, 2009 and 2010, respectively. Operating income excluding impairment losses decreased due to lower revenues, partially offset by expense reductions, both of which are discussed above.

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Interest expense:

	For the years ended February 28,			
	2009	2010	$ Change	% Change
	(As reported, amounts in thousands)			
Interest expense	$ 25,067	$ 24,820	$ (247)	(1.0)%

The August 2009 amendment to our Credit Agreement increased the interest rate on amounts outstanding under the Credit Agreement by 2%. This increase is offset by lower outstanding debt during most of Fiscal 2010 as a result of our Dutch auction tenders, which are discussed below in Gain on debt extinguishment.

Gain on debt extinguishment:

	For the years ended February 28,		
	2009	2010	$ Change
	(As reported, amounts in thousands)		
Gain 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 further 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 year ended February 28, 2010 of $0.5 million related to the write-off of deferred debt costs associated with the revolver reduction.

Benefit for income taxes:

	For the years ended February 28,			
	2009	2010	$ Change	% Change
	(As reported, amounts in thousands)			
Benefit for income taxes	$ (65,848)	$ (39,840)	$ 26,008	(39.5)%

Our effective income tax benefit for the years ended February 28, 2009 and 2010 were 18% and 25%, respectively. During the fourth quarter of fiscal 2009, the Company recorded a full valuation allowance for most of its deferred tax assets, including its net operating loss carryforwards. A portion of the impairment loss during the year ended February 28, 2010 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 year ended February 28, 2010, we recorded a $6.8 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 allowed Emmis to extend the previously allowed two-year carryback

period on net operating losses to five years and permitted the full offset of alternative minimum tax during such extended carryback period. Emmis received the $6.8 million tax refund during the year ended February 28, 2011. The alternative minimum tax asset previously had a full valuation allowance.

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Income from discontinued operations, net of tax:

	For the years ended February 28,			
	2009	2010	$ Change	% Change
	(As reported, amounts in thousands)			
Income from discontinued operations, net of tax	$ 4,922	$ 442	$ (4,480)	(91.0)%

Our television division, *Tu Ciudad Los Angeles*, Emmis Books and our international radio operations in Belgium and Hungary have been classified as discontinued operations in the accompanying consolidated financial statements. The financial results of these stations and related discussions are fully described in Note 1j to the accompanying consolidated financial statements. Below is a summary of the components of discontinued operations.

	Year ended February 28,	
	2009	2010
Income (loss) from operations:		
Television	$ 5,007	$
Slager Radio (Hungary)	10,311	1,404
Belgium	(3,635)	(944)
Tu Ciudad	(1,890)	(15)
Emmis Books	(103)	(22)
Total	9,690	423
Provision for income taxes	4,188	401
Income from operations, net of tax	5,502	22
Gain (loss) on sale of discontinued operations:		
Television	(1,017)	
Belgium		420
Total	(1,017)	420
Benefit for income taxes	(437)	
Gain (loss) on sale of discontinued operations, net of tax	(580)	420
Income from discontinued operations, net of tax	$ 4,922	$ 442

For a description of properties sold, see the discussion under Acquisitions, Dispositions and Investments and in Note 1(j) to our Consolidated Financial Statements.

Consolidated net loss:

	For the years ended February 28,			
	2009	2010	$ Change	% Change
	(As reported, amounts in thousands)			
Consolidated net loss	$ (294,953)	$ (118,492)	$ 176,461	(59.8%)

The decrease in net loss for the year ended February 28, 2010 is mostly due to the decrease in the impairment charge recorded during fiscal 2010 and the gain on the extinguishment of debt as a result of our Dutch auction tenders, both of which are partially offset by the decrease in the benefit for income taxes and decrease in other components of operating income as discussed above.

LIQUIDITY AND CAPITAL RESOURCES

CREDIT AGREEMENT

On March 29, 2011, Emmis and its principal operating subsidiary, Emmis Operating Company (the Borrower), entered into the Third Amendment to Amended and Restated Revolving Credit and Term Loan Agreement (the Third Amendment), by and among the Borrower, Emmis, 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, Emmis, 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.

Among other things, the Third Amendment provides that (i) the leverage ratio and fixed charge covenants will not apply to any amounts outstanding under the Credit Agreement until November 30, 2012, at which time they will be set at 5.0x and 1.15x for the life of the Credit Agreement and from November 30, 2011 through August 31, 2012 there will be a minimum Consolidated EBITDA (as defined in the Credit Agreement) test of $25.0 million per rolling four quarter test period, (ii) the requirement that annual audits be certified without qualification will be waived for the fiscal years ending February 2011 and 2012 and (iii) the ability of Emmis to engage in certain activities or transactions, including the payment of dividends, the incurrence of indebtedness and the ability to invest certain proceeds including from asset sales will be further restricted or prohibited and (iv) the terms of the existing Tranche B Term Loans held or purchased on or prior to the date of the Third Amendment by funds or accounts managed by Canyon Capital Advisors LLC (Canyon), are amended into an amended tranche of term loans with an extended maturity date of November, 2014. The total amount of Tranche B Term Loans outstanding as of March 29, 2011 was $329 million, and the amount of such term loans that Canyon amended into extended term loans was approximately $182.9 million. The pricing on such amended term loans is based on Emmis election on the following pricing grid:

Cash Portion	Paid-in-Kind Portion
7.50%	7.00%
7.75%	6.50%
8.00%	6.00%
8.25%	5.50%
8.50%	5.00%
8.75%	4.50%
9.00%	4.00%
9.25%	3.50%
9.50%	3.00%
9.75%[1]	2.50%[1]

Prior to the entry into the Third Amendment, Emmis entered into a backstop letter agreement, dated March 27, 2011, with Canyon (the Backstop Letter Agreement), pursuant to which Canyon agreed to consent to the Third Amendment and to purchase loans necessary to provide the required Lenders consent to the Third Amendment. In consideration of Canyon s entering into the Backstop Letter Agreement, Canyon will receive an exit fee of 6% (or 3% during the first six months after the Third Amendment effective date) on the Tranche B Term Loans and revolving credit commitments held or purchased by funds or accounts managed by Canyon as of March 29, 2011.

Prior to March 29, 2011, the Company had been operating pursuant to 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.

[1] If the Company elects 9.75% Cash Portion for any payment, it may also elect to pay some or all of the Paid-in-Kind portion in cash for such period.

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Much like the Third Amendment, the Second Amendment provided for the suspension of the Total Leverage Ratio and the Fixed Charge Coverage Ratio financial covenants (each as defined in the Credit Agreement). These financial covenants were suspended under the Second Amendment for a period that was to end no later than September 1, 2011 (the Second Amendment Suspension Period). The Second Amendment required that the Company maintain minimum Consolidated EBITDA (as defined by the Credit Agreement) for the annual period ending February 28, 2011 of $22.9 million, growing to $25.0 million by August 31, 2011. It also required that the Company maintain at least $5 million in Liquidity (as defined in the Credit Agreement) and had certain other financial and nonfinancial restrictions.

The Company was in compliance with all financial and non-financial covenants of the Credit Agreement, as amended, as of February 28, 2011. Our Liquidity (as defined in the Credit Agreement) as of February 28, 2011 was $18.2 million and our Consolidated EBITDA (as defined in the Credit Agreement) was $28.2 million. The impairment charges recorded by the Company during the three years ended February 28, 2011 are noncash and have no impact on our liquidity or debt covenant compliance.

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. As of the filing of this Form 10-K, management believes the Company can meet its liquidity needs through the end of fiscal year 2012 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 $17.4 million at February 28, 2011. Based on these projections, management also believes the Company will be in compliance with its debt covenants through the end of fiscal year 2012.

SOURCES OF LIQUIDITY

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 during the past few years have been, and are expected to continue to be, capital expenditures, working capital, debt service requirements and the repayment of debt.

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. No common stock repurchases pursuant to this program were made during the three years ended February 28, 2011.

At February 28, 2011, we had cash and cash equivalents of $6.1 million and net working capital of $12.1 million. At February 28, 2010, we had cash and cash equivalents of $6.8 million and net working capital of $17.7 million. Cash and cash equivalents held at various European banking institutions at February 28, 2010 and 2011 was $3.6 million and $5.8 million (which includes approximately $1.7 million of cash related to our Slager discontinued operation which is classified as current assets discontinued operations in the consolidated balance sheets), 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 year ended February 28, 2011, working capital decreased $5.6 million. The decrease in net working capital primarily relates to the $6.8 million tax refund received in December 2010 related to alternative minimum tax that Emmis paid, but was able to recoup due to the passage of the Worker, Homeownership, and Business Assistance Act of 2009. The refund was used to repay a portion of our Credit Agreement debt. 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 previously entered into three separate three-year interest rate exchange agreements, whereby the Company paid 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 were global financial institutions. One of these interest rate exchange agreements matured in March 2010 and the remaining two matured in March 2011.

Operating Activities

Cash flows provided by operating activities were $25.7 million and $19.6 million for the years ended February 28, 2010 and 2011, respectively. The decrease in cash flows provided by operating activities was mainly attributable to changes in working capital. The decrease in cash provided by working capital was largely driven by the receipt of $10.2 million related to our national representation firm s performance guarantee and the collection of $14.0 million for the first two years of LMA fees for KXOS-FM, both of which occurred in the year ended February 28, 2010. These fiscal 2010 receipts are partially offset by the receipt of $6.8 million related to the previously discussed federal tax refund during the year ended February 28, 2011.

Cash flows provided by operating activities were $43.6 million and $25.7 million for the years ended February 28, 2009 and 2010, respectively. 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 $32.5 million coupled with a decrease in cash provided by discontinued operations of $4.0 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 $8.4 million. The increase in cash provided by working capital during the year ended February 28, 2010 was largely driven by the receipt of $10.2 million related to our national representation firm s performance guarantee and the collection of $14.0 million for the first two years of LMA fees for KXOS-FM.

Investing Activities

For the year ended February 28, 2011, cash used in investing activities was $4.2 million, almost all of which related to capital expenditures.

For the year ended February 28, 2010, cash used in investing activities was $0.6 million. This consisted of $4.8 million of capital expenditures and $4.9 million paid to purchase the noncontrolling interests share of our Bulgarian radio networks, both of which were partially offset by $9.1 million of cash received from the sale of property and equipment ($9.0 million of which related to our airplane purchased in fiscal 2009 and sold in fiscal 2010).

For the year ended February 28, 2009, cash provided by investing activities of $17.7 million mostly relate to the Company s sale of WVUE-TV for $41.0 million in cash which was partially offset by capital expenditures of $20.5 million. Approximately $14.4 million of capital expenditures relate to the Company s purchase of an airplane that it was previously leasing.

In the years ended February 2009, 2010 and 2011, our capital expenditures were $20.5 million, $4.8 million and $4.2 million, respectively. Recurring capital expenditures primarily relate to leasehold improvements to various office and studio facilities, broadcast equipment purchases, and tower upgrades. Our capital expenditures for the year ended February 28, 2009 include the $14.4 million purchase of our corporate jet, which was previously leased. We exercised our early buyout option on the jet and immediately began marketing it for sale. We closed on the sale of the corporate jet on April 14, 2009 and received $9.1 million in cash. We recognized a $7.3 million impairment loss on the corporate jet in fiscal 2009 as its carrying value, which included $2.0 million of previously capitalized major maintenance costs, exceeded its fair value as of February 28, 2009. 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 Agreement.

Financing Activities

Cash flows used in financing activities were $33.3 million, $58.3 million and $15.8 million for the years ended February 2009, 2010 and 2011, respectively. Cash flows used in financing activities during the year ended February 28, 2011 primarily relate to the net long-term debt repayments of $10.1 million and $5.6 million used to pay distributions to noncontrolling interests ($1.2 million of which is related to Slager and thus is classified as discontinued operations).

Cash flows used in financing activities during the year ended February 28, 2010 primarily relate to the net long-term debt repayments of $47.5 million, payment of $4.8 million of debt-related fees and $6.0 million used to pay distributions to noncontrolling interests ($2.0 million of which is related to Slager and thus is classified as discontinued operations).

Cash flows used in financing activities for the year ended February 28, 2009 primarily relate to the $17.3 million of net long-term debt repayments, $6.7 million used to pay preferred stock dividends and $8.5 million used to pay cash distributions to noncontrolling interests ($2.2 million of which is related to Slager and thus classified as discontinued operations).

As of February 28, 2011, Emmis had $331.0 million of borrowings under the Credit Agreement ($3.3 million current and $327.7 million long-term) and $140.5 million of Preferred Stock outstanding. Prior to the execution of the Third Amendment on March 29, 2011, all outstanding amounts under our credit facility bore interest, at our option, at a rate equal to the Eurodollar rate or an alternative Base Rate plus a margin. As of February 28, 2011, our weighted average borrowing rate under our credit facility including our interest rate exchange agreements was approximately 5.5%. Subsequent to the execution of the Third Amendment, approximately $182.9 million of borrowings under the Credit Agreement bears interest pursuant to a grid under which 7.5% to 12.25% per annum is to be paid in cash and 7.0% to 0.0% per annum is to be paid in kind, subject to a minimum yield of 12.25% per annum (see previous discussion under Credit Agreement). The remainder of the debt bears interest, at our option, at a rate equal to the Eurodollar rate or an alternative Base Rate plus a margin.

The debt service requirements of Emmis over the next twelve-month period (excluding interest under our credit facility) are expected to be $3.3 million for repayment of term notes under our Credit Agreement. Prior to the execution of the Third Amendment on March 29, 2011, all outstanding amounts under the Credit Agreement bore interest at variable rates. We had entered into two separate interest rate exchange agreements that effectively fixed the rate we paid on a portion of the debt outstanding under our Credit Agreement. Interest that Emmis was required to pay related to the interest rate exchange agreements (plus the applicable margin of 4% under the Credit Agreement) through their maturity in March 2011 was $0.9 million. Subsequent to the execution of the Third Amendment, interest on the extended Tranche B Term Loans held by Canyon will be a minimum of 12.25% per annum. Based on the $182.9 million extended Tranche B Term Loans held by Canyon on March 29, 2011, Emmis minimum interest expense would be $22.4 million. The Company may, at its election, choose to pay a portion of the interest due to Canyon in-kind. See the previous section Credit Agreement for more discussion.

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 February 28, 2011, cumulative preferred dividends in arrears total $21.0 million. Failure to pay the dividend is not a default under the terms of the Preferred Stock. However, since dividends have 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 Company has received nominations for these director positions for the 2012 annual meeting of shareholders expected to be held in July 2011. The Second Amendment and Third Amendment to our Credit Agreement prohibit the Company from paying dividends on the Preferred Stock during the Suspension Period (as defined in the Credit Agreement) (See Liquidity and Capital Resources). Subject to the restrictions of the Credit Agreement, payment of future preferred stock dividends is at the discretion of the Company s Board of Directors.

At April 29, 2011, we had $11.4 million available for additional borrowing under our credit facility, which is net of $0.6 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 February 28, 2011. As part of our business strategy, we continually evaluate potential acquisitions of radio stations, publishing properties and other businesses that we believe hold promise for long-term appreciation in value and leverage our strengths. However, Emmis Operating Company s Credit Agreement, as amended, substantially limits our ability to make acquisitions. We also regularly review our portfolio of assets and may opportunistically dispose of assets when we believe it is appropriate to do so. In particular, we have one radio station in New York City and two radio stations in Chicago where we believe the sale value could exceed the prospects for cash flow generation as part of our portfolio. Although we remain optimistic about the growth potential of these stations, we are exploring the sale of one or more of these stations to reduce our indebtedness.

INTANGIBLES

As of February 28, 2011, approximately 75% of our total assets consisted of intangible assets, such as FCC broadcast licenses, goodwill, subscription lists and similar assets, the value of which depends significantly upon the operational results of our businesses. In the case of our domestic 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 the activities of our stations for compliance with regulatory requirements. Historically, all of our FCC licenses have been renewed at the end of their respective eight-year periods, and we expect that all of our FCC

licenses will continue to be renewed in the future. Our various foreign broadcasting licenses in Slovakia and Bulgaria expire in January 2013 and February 2013. We will need to submit applications to seek to extend our foreign licenses upon their expiration to continue our broadcast operations in these countries.

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NEW ACCOUNTING PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board issued Accounting Standards Update No. 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. These amended standards eliminate a mandatory quantitative approach to determine whether a variable interest provides the entity with a controlling financial interest in a variable interest entity in favor of a qualitatively focused analysis, and require an ongoing reassessment of whether an entity is the primary beneficiary. These amended standards were effective March 1, 2010. The adoption of these standards did not have any effect on the Company s results of operations, cash flows or financial position.

SEASONALITY

Our results of operations are usually subject to seasonal fluctuations, which result in higher second and third quarter revenues and operating income. For our radio operations, this seasonality is due to the younger demographic composition of many of our stations. Advertisers increase spending during the summer months to target these listeners. In addition, advertisers generally increase spending across all segments during the months of October and November, which are part of our third quarter, in anticipation of the holiday season.

INFLATION

The impact of inflation on operations has not been significant to date. However, there can be no assurance that a high rate of inflation in the future would not have an adverse effect on operating results, particularly since a significant portion of our senior bank debt is comprised of variable-rate debt.

OFF-BALANCE SHEET FINANCINGS AND LIABILITIES

Other than interest rate swap agreements, which are discussed in Note 6 to the consolidated financial statements, and lease commitments, legal contingencies incurred in the normal course of business, contractual commitments to purchase goods and services and employment contracts for key employees, all of which are discussed in Note 12 to the consolidated financial statements, the Company does not have any material off-balance sheet financings or liabilities. The Company does not have any majority-owned and controlled subsidiaries that are not included in the consolidated financial statements, nor does the Company have any interests in or relationships with any special-purpose entities that are not reflected in the consolidated financial statements or disclosed in the Notes to Consolidated Financial Statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

As a smaller reporting company, we are not required to provide this information.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Emmis Communications Corporation s management is responsible for establishing and maintaining adequate internal control over financial reporting. Pursuant to the rules and regulations of the Securities and Exchange Commission, internal control over financial reporting is a process designed by, or under the supervision of, Emmis Communications Corporation s principal executive and principal financial officers and effected by Emmis Communications Corporation s board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

(1) Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Emmis Communications Corporation;

(2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Emmis Communications Corporation are being made only in accordance with authorizations of management and directors of Emmis Communications Corporation; and

(3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Emmis Communications Corporation s assets that could have a material effect on the financial statements.

Management has evaluated the effectiveness of its internal control over financial reporting as of February 28, 2011, based on the control criteria established in a report entitled *Internal Control Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such evaluation, we have concluded that Emmis Communications Corporation s internal control over financial reporting is effective as of February 28, 2011.

This annual report does not include an attestation report of the company s registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the company s registered public accounting firm pursuant to the rules of the Securities and Exchange Commission that permit the company, as a smaller reporting company, to provide only management s report in this annual report.

/s/ Jeffrey H. Smulyan	/s/ Patrick M. Walsh
Jeffrey H. Smulyan	Patrick M. Walsh
Chairman, President and Chief Executive Officer	Executive Vice President, Chief Operating Officer and Chief Financial Officer

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Emmis Communications Corporation and Subsidiaries

We have audited the accompanying consolidated balance sheets of Emmis Communications Corporation and Subsidiaries as of February 28, 2010 and 2011 and the related consolidated statements of operations, changes in shareholders equity (deficit), and cash flows for each of the three years in the period ended February 28, 2011. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Emmis Communications Corporation and Subsidiaries at February 28, 2010 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended February 28, 2011, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP
Indianapolis, Indiana
May 10, 2011

EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	For the years ended February 28,		
	2009	2010	2011
NET REVENUES	$ 307,931	$ 242,566	$ 251,314
OPERATING EXPENSES:			
Station operating expenses excluding depreciation and amortization expense of $10,251, $8,900 and $8,091 respectively	239,007	206,160	199,983
Corporate expenses excluding depreciation and amortization expense of $2,152, $1,493 and $1,301 respectively	18,503	13,634	15,710
Restructuring charge	4,208	3,350	
Impairment loss	373,137	174,642	7,005
Depreciation and amortization	12,403	10,393	9,392
(Gain) loss on disposal of assets	14	(127)	3
Total operating expenses	647,272	408,052	232,093
OPERATING INCOME (LOSS)	(339,341)	(165,486)	19,221
OTHER INCOME (EXPENSE):			
Interest expense	(25,067)	(24,820)	(21,099)
Gain on debt extinguishment		31,362	
Other income (expense), net	(1,315)	170	(469)
Total other income (expense)	(26,382)	6,712	(21,568)
LOSS BEFORE INCOME TAXES AND DISCONTINUED OPERATIONS	(365,723)	(158,774)	(2,347)
(BENEFIT) PROVISION FOR INCOME TAXES	(65,848)	(39,840)	6,452
LOSS FROM CONTINUING OPERATIONS	(299,875)	(118,934)	(8,799)
(GAIN) LOSS FROM DISCONTINUED OPERATIONS, NET OF TAX	(4,922)	(442)	2,740
CONSOLIDATED NET LOSS	(294,953)	(118,492)	(11,539)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	5,316	4,162	4,019
NET LOSS ATTRIBUTABLE TO THE COMPANY	(300,269)	(122,654)	(15,558)

PREFERRED STOCK DIVIDENDS	8,933	9,123	9,711
NET LOSS ATTRIBUTABLE TO COMMON SHAREHOLDERS	$ (309,202)	$ (131,777)	$ (25,269)

The accompanying notes to consolidated financial statements are an integral part of these statements.

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)

	For the years ended February 28,		
	2009	2010	2011
Amounts attributable to common shareholders:			
Continuing operations	$ (311,742)	$ (131,821)	$ (22,998)
Discontinued operations	2,540	44	(2,271)
Net loss attributable to common shareholders	$ (309,202)	$ (131,777)	$ (25,269)
Basic net income (loss) per share attributable to common shareholders:			
Continuing operations	$ (8.57)	$ (3.56)	$ (0.61)
Discontinued operations	0.07		(0.06)
Net loss attributable to common shareholders	$ (8.50)	$ (3.56)	$ (0.67)
Basic weighted average common shares outstanding	36,374	37,041	37,863
Diluted net income (loss) per share attributable to common shareholders:			
Continuing operations	$ (8.57)	$ (3.56)	$ (0.61)
Discontinued operations	0.07		(0.06)
Net loss attributable to common shareholders	$ (8.50)	$ (3.56)	$ (0.67)
Diluted weighted average common shares outstanding	36,374	37,041	37,863

The accompanying notes to consolidated financial statements are an integral part of these statements.

EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	FEBRUARY 28, 2010	FEBRUARY 28, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,814	$ 6,068
Accounts receivable, net of allowance for doubtful accounts of $1,967 and $1,568, respectively	36,834	38,930
Prepaid expenses	15,248	13,615
Income tax receivable	8,618	343
Other	997	1,986
Current assets discontinued operations	6,052	2,063
Total current assets	74,563	63,005
PROPERTY AND EQUIPMENT:		
Land and buildings	29,443	29,661
Leasehold improvements	19,258	18,831
Broadcasting equipment	61,288	60,798
Office equipment and automobiles	42,337	43,130
Construction in progress	973	1,926
	153,299	154,346
Less-accumulated depreciation and amortization	103,095	108,605
Total property and equipment, net	50,204	45,741
INTANGIBLE ASSETS:		
Indefinite lived intangibles	335,801	328,796
Goodwill	24,175	24,175
Other intangibles	10,153	10,153
	370,129	363,124
Less-accumulated amortization	6,320	7,464
Total intangible assets, net	363,809	355,660
OTHER ASSETS:		
Deferred debt issuance costs, net of accumulated amortization of $1,399 and $2,502, respectively	4,227	2,938
Investments	3,122	2,814
Deposits and other	2,105	2,299

Total other assets, net	9,454	8,051
Noncurrent assets discontinued operations	138	20
Total assets	$ 498,168	$ 472,477

The accompanying notes to consolidated financial statements are an integral part of these statements.

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	FEBRUARY 28, 2010	FEBRUARY 28, 2011
LIABILITIES AND SHAREHOLDERS DEFICIT		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 10,062	$ 9,832
Current maturities of long-term debt	3,413	3,293
Accrued salaries and commissions	6,475	9,757
Accrued interest	4,513	3,147
Deferred revenue	24,269	18,615
Other	5,728	5,409
Current liabilities discontinued operations	2,381	817
Total current liabilities	56,841	50,870
CREDIT FACILITY DEBT, NET OF CURRENT PORTION	337,758	327,704
OTHER NONCURRENT LIABILITIES	19,342	14,018
DEFERRED INCOME TAXES	73,305	81,411
Total liabilities	487,246	474,003
COMMITMENTS AND CONTINGENCIES (NOTE 12)		
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 IN 2010 AND 2011, RESPECTIVELY	140,459	140,459
SHAREHOLDERS DEFICIT:		
Class A common stock, $0.01 par value; authorized 170,000,000 shares; issued and outstanding 32,661,550 shares and 33,499,770 shares in 2010 and 2011, respectively	327	335
Class B common stock, $0.01 par value; authorized 30,000,000 shares; issued and outstanding 4,930,680 and 4,722,684 shares in 2010 and 2011, respectively	49	47
Class C common stock, $0.01 par value; authorized 30,000,000 shares; none issued		
Additional paid-in capital	527,120	528,786
Accumulated deficit	(705,135)	(720,693)
Accumulated other comprehensive income (loss)	(1,320)	1,776
Total shareholders deficit	(178,959)	(189,749)
NONCONTROLLING INTERESTS	49,422	47,764

Total deficit	(129,537)	(141,985)
Total liabilities and deficit	$ 498,168	$ 472,477

The accompanying notes to consolidated financial statements are an integral part of these statements.

EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (DEFICIT)
FOR THE THREE YEARS ENDED FEBRUARY 28, 2011
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	Class A Common Stock		Class B Common Stock	
	Shares	Amount	Shares	Amount
BALANCE, FEBRUARY 29, 2008	30,607,664	$ 306	4,956,305	$ 50
Issuance of Common Stock to employees and officers and related income tax benefits	1,144,367	11		
Preferred stock dividends				
Tax benefit on stock based compensation				
Conversion of preferred stock to common stock	160,625	2		
Payments of dividends and distributions to noncontrolling interests				
Comprehensive Loss:				
Net loss				
Change in value of derivative instrument				
Cumulative translation adjustment				
Total comprehensive loss				
BALANCE, FEBRUARY 28, 2009	31,912,656	319	4,956,305	50
Exercise of stock options and related income tax benefits	5,000			
Issuance of Common Stock to employees and officers and related income tax benefits	718,269	7		
Conversion of Class B Common Stock to Class A Common Stock	25,625	1	(25,625)	(1)
Payments of dividends and distributions to noncontrolling interests				
Comprehensive Loss:				
Net loss				
Change in value of derivative instrument				
Cumulative translation adjustment				
Total comprehensive loss				
BALANCE, FEBRUARY 28, 2010	32,661,550	327	4,930,680	49
Issuance of Common Stock to employees and officers and related income tax benefits	630,224	6		
Conversion of Class B Common Stock to Class A Common Stock	207,996	2	(207,996)	(2)

Payments of dividends and distributions to noncontrolling interests				
Comprehensive Loss:				
Net loss				
Change in value of derivative instrument				
Cumulative translation adjustment				
Total comprehensive loss				
BALANCE, FEBRUARY 28, 2011	33,499,770	335	4,722,684	47

The accompanying notes to consolidated financial statements are an integral part of these statements.

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY (DEFICIT) (CONTINUED)
FOR THE THREE YEARS ENDED FEBRUARY 28, 2011
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Equity (Deficit)
BALANCE, FEBRUARY 29, 2008	$ 515,341	$ (276,597)	$ (1,615)	$ 53,758	$ 291,243
Issuance of Common Stock to employees and officers and related income tax benefits	6,282				6,293
Preferred stock dividends		(5,615)			(5,615)
Tax benefit on stock based compensation	(138)				(138)
Conversion of preferred stock to common stock	3,291				3,293
Payments of dividends and distributions to noncontrolling interests				(8,516)	(8,516)
Comprehensive Income:					
Net loss		(300,269)		7,855	
Cumulative translation adjustment			(1,523)	(96)	
Change in fair value of derivative instrument			474		
Total comprehensive loss					(293,559)
BALANCE, FEBRUARY 28, 2009	$ 524,776	$ (582,481)	$ (2,664)	$ 53,001	$ (6,999)
Exercise of stock options and related income tax benefits	1				1
Issuance of Common Stock to employees and officers and related income tax benefits	2,343				2,350
Conversion of Class B Common Stock to Class A Common Stock					
Payments of dividends and distributions to noncontrolling interests				(7,211)	(7,211)
Comprehensive Loss:					
Net loss		(122,654)		4,162	
Cumulative translation adjustment			(1,365)	(530)	
Change in value of derivative instrument			2,709		
Total comprehensive loss					(117,678)

BALANCE, FEBRUARY 28, 2010	$ 527,120	$ (705,135)	$ (1,320)	$ 49,422	$ (129,537)
Issuance of Common Stock to employees and officers and related income tax benefits	1,666				1,672
Conversion of Class B Common Stock to Class A Common Stock					
Payments of dividends and distributions to noncontrolling interests				(5,589)	(5,589)
Comprehensive Loss:					
Net loss		(15,558)		4,019	
Cumulative translation adjustment			1,318	(88)	
Change in value of derivative instrument			1,778		
Total comprehensive loss					(8,531)
BALANCE, FEBRUARY 28, 2011	$ 528,786	$ (720,693)	$ 1,776	$ 47,764	$ (141,985)

The accompanying notes to consolidated financial statements are an integral part of these statements.

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN THOUSANDS)

	FOR THE YEARS ENDED FEBRUARY 28,		
	2009	2010	2011
OPERATING ACTIVITIES:			
Consolidated net loss	$ (294,953)	$ (118,492)	$ (11,539)
Adjustments to reconcile net loss to net cash provided by operating activities -			
Discontinued operations	(4,922)	(442)	2,740
Impairment losses	373,137	174,642	7,005
Gain on debt extinguishment		(31,362)	
Depreciation and amortization	13,034	11,255	10,682
Provision for bad debts	3,122	1,899	817
Provision (benefit) for deferred income taxes	(67,440)	(34,341)	6,175
Noncash compensation	5,822	2,441	1,794
(Gain) loss on disposal of fixed assets	14	(127)	3
Changes in assets and liabilities -			
Accounts receivable	11,238	4,124	(3,333)
Prepaid expenses and other current assets	(8,926)	14,610	1,150
Other assets	5,740	(723)	56
Accounts payable and accrued liabilities	(224)	(2,497)	1,630
Deferred revenue	1,174	6,789	(5,653)
Income taxes	1,168	(10,239)	7,430
Other liabilities	(3,521)	2,943	(1,392)
Net cash provided by operating activities discontinued operations	9,176	5,182	1,994
Net cash provided by operating activities	43,639	25,662	19,559
INVESTING ACTIVITIES:			
Purchases of property and equipment	(20,518)	(4,779)	(4,247)
Proceeds from the sale of assets	9	9,109	
Cash paid for acquisitions	(335)	(4,882)	
Deposits on acquisitions and other	(230)	102	43
Net cash provided by (used in) investing activities discontinued operations	38,775	(153)	
Net cash provided by (used in) investing activities	17,701	(603)	(4,204)

The accompanying notes to consolidated financial statements are an integral part of these statements.

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EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(DOLLARS IN THOUSANDS)

	FOR THE YEARS ENDED FEBRUARY 28,		
	2009	2010	2011
FINANCING ACTIVITIES:			
Payments on long-term debt	(23,338)	(130,660)	(29,156)
Proceeds from long-term debt	6,000	83,235	19,000
Settlement of tax withholding obligations	(547)	(69)	(90)
Dividends and distributions paid to noncontrolling interests	(6,283)	(3,947)	(4,413)
Proceeds from exercise of stock options and employee stock purchases		1	
Payments for debt related costs		(4,846)	
Adjusted tax benefit on stock-based compensation	(138)		
Preferred stock dividends	(6,738)		
Net cash used in financing activities discontinued operations	(2,233)	(2,042)	(1,176)
Net cash used in financing activities	(33,277)	(58,328)	(15,835)
Effect of exchange rate on cash and cash equivalents	(714)	(663)	(266)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,349	(33,932)	(746)
CASH AND CASH EQUIVALENTS:			
Beginning of period	13,397	40,746	6,814
End of period	$ 40,746	$ 6,814	$ 6,068
SUPPLEMENTAL DISCLOSURES:			
Cash paid for (refund from)-			
Interest	$ 27,488	$ 22,396	$ 21,176
Income taxes	4,484	5,110	(7,026)
Non-cash financing transactions-			
Value of stock issued to employees under stock compensation program and to satisfy accrued incentives	10,120	2,412	1,756
ACQUISITION OF *ORANGE COAST*			
Fair value of assets acquired	$		
Purchase price withheld	335		
Cash paid	(335)		
Liabilities recorded	$		

ACQUISITION OF NONCONTROLLING BULGARIAN RADIO INTERESTS		
Fair value of assets acquired	$	4,882
Cash paid		(4,882)
Liabilities recorded	$	

The accompanying notes to consolidated financial statements are an integral part of these statements.

EMMIS COMMUNICATIONS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN THOUSANDS UNLESS INDICATED OTHERWISE)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation

The following discussion pertains to Emmis Communications Corporation (ECC) and its subsidiaries (collectively, Emmis, the Company, or we). Emmis foreign subsidiaries report on a fiscal year ending December 31, which Emm consolidates into its fiscal year ending February 28 (29). All significant intercompany balances and transactions have been eliminated.

b. Organization

Emmis is a diversified media company with radio broadcasting and magazine publishing operations. As of February 28, 2011, we own and operate seven FM radio stations serving the nation s top three markets New York, Los Angeles and Chicago, although one of our FM radio stations in Los Angeles is operated pursuant to a Local Marketing Agreement (LMA) whereby a third party provides the programming for the station and sells all advertising within that programming. Additionally, we own and operate fourteen FM and two AM radio stations with strong positions in St. Louis, Austin (we have a 50.1% controlling interest in our radio stations located there), Indianapolis and Terre Haute. In addition to our domestic radio, we operate a radio news network in Indiana, and publish *Texas Monthly*, *Los Angeles*, *Atlanta*, *Indianapolis Monthly*, *Cincinnati, Orange Coast,* and *Country Sampler* and related magazines. Internationally, we own and operate national radio networks in Slovakia and Bulgaria. We also engage in various businesses ancillary to our business, such as website design and development, and digital sales consulting.

Substantially all of ECC s business is conducted through its subsidiaries. Our Amended and Restated Revolving Credit and Term Loan Agreement, dated November 2, 2006, as further amended on March 3, 2009, August 19, 2009 and March 29, 2011 (the Credit Agreement), contains certain provisions that may restrict the ability of ECC s subsidiaries to transfer funds to ECC in the form of cash dividends, loans or advances.

c. Revenue Recognition

Broadcasting revenue is recognized as advertisements are aired. Publication revenue is recognized in the month of delivery of the publication. Both broadcasting revenue and publication revenue recognition is subject to meeting certain conditions such as persuasive evidence that an arrangement exists and collection is reasonably assured. These criteria are generally met at the time the advertisement is aired for broadcasting revenue and upon delivery of the publication for publication revenue. Advertising revenues presented in the financial statements are reflected on a net basis, after the deduction of advertising agency fees, usually at a rate of 15% of gross revenues. Revenue associated with guaranteed minimum national sales is recognized when shortfalls in national sales become probable as further discussed in Note 1s.

d. Allowance for Doubtful Accounts

An allowance for doubtful accounts is recorded based on management s judgment of the collectability of receivables. When assessing the collectability of receivables, management considers, among other things, historical loss experience and existing economic conditions. The activity in the allowance for doubtful accounts for the three years ended February 28, 2011 was as follows:

	Balance At Beginning Of Year	Provision	Write-Offs	Balance At End Of Year
Year ended February 28, 2009	1,687	3,122	(2,747)	2,062
Year ended February 28, 2010	2,062	1,899	(1,994)	1,967
Year ended February 28, 2011	1,967	817	(1,216)	1,568

e. Local Programming and Marketing Agreement Fees

The Company from time to time enters into local programming and marketing agreements (LMAs) in connection with acquisitions of radio stations, pending regulatory approval of transfer of the FCC licenses. Under the terms of these agreements, the Company makes specified periodic payments to the owner-operator in exchange for the right to program and sell advertising for a specified portion of the station s inventory of broadcast time. The Company records revenues and expenses associated with the portion of the station s inventory of broadcast time it manages. Nevertheless, as the holder of the FCC license, the owner-operator retains control and responsibility for the operation of the station, including responsibility over all programming broadcast on the station. The Company also enters into LMAs in connection with dispositions of radio stations. In such cases the Company may receive periodic payments in exchange for allowing the buyer to program and sell advertising for a portion of the station s inventory of broadcast time.

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 started on April 15, 2009 and will continue for up to 7 years, for $7 million a year plus reimbursement of certain expenses. 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 programming to be broadcast. In connection with the LMA, the call letters of the station changed from KMVN-FM to KXOS-FM. GRC paid $14 million to Emmis during the year ended February 28, 2010, which represented the first two years of LMA fees. Emmis recorded $6.1 million and $7.0 million of LMA fee income for the years ended February 28, 2010 and 2011, respectively, which is included in net revenues in the accompanying consolidated statements of operations. The remainder of the advanced LMA fee payment is recorded in deferred revenue ($0.9 million).

The consummation of the LMA and Put and Call Agreement for KXOS-FM resulted in the creation of a variable interest entity (VIE) pursuant to ASC 810-10. This VIE holds the FCC license for KXOS-FM and the VIE has no material liabilities. As noted earlier, Emmis receives an LMA fee from GRC related to GRC s use of the FCC License held by the VIE. Emmis carrying value in the KXOS-FM FCC license is disclosed in Note 10. As is the case with all of Emmis FCC licenses and as discussed further in Note 10, the fair value of an FCC license is primarily driven by market revenues, market revenue growth rates, discount rates and other factors generally beyond our control. Emmis has reported impairment losses related to KXOS-FM in prior years and may incur impairment losses in the future. Any such impairment losses are noncash in nature and have no impact on our cash flows or compliance with covenants contained in our senior credit facility. Pursuant to a review of the variable interest guidance included within ASC 810-10, the Company concluded that it is the primary beneficiary of the VIE and thus should consolidate the VIE. In its assessment, Emmis considered, among other factors, its role in the design and creation of the VIE and power over the activities that most significantly impact the economic performance of the VIE.

f. Share-based Compensation

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. See Note 4 for more discussion of share-based compensation.

g. Cash and Cash Equivalents

Emmis considers time deposits, money market fund shares and all highly liquid debt investment instruments with original maturities of three months or less to be cash equivalents. At times, such deposits may be in excess of FDIC insurance limits.

h. Property and Equipment

Property and equipment are recorded at cost. Depreciation is generally computed using the straight-line method over the estimated useful lives of the related assets, which are 39 years for buildings, the shorter of economic life or expected lease term for leasehold improvements, and five to seven years for broadcasting equipment, office equipment and automobiles. Maintenance, repairs and minor renewals are expensed as incurred; improvements are capitalized. On a continuing basis, the Company reviews the carrying value of property and equipment for impairment. If events or changes in circumstances were to indicate that an asset carrying value may not be recoverable, a write-down of the asset would be recorded through a charge to operations. See Note 1q for more discussion of impairment losses related to our property and equipment. Depreciation expense for the years ended February 2009, 2010 and 2011 was $9.3 million, $8.8 million and $8.2 million, respectively.

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i. Intangible Assets and Goodwill

Indefinite-lived Intangibles and Goodwill

In connection with past acquisitions, a significant amount of the purchase price was allocated to radio broadcasting licenses, goodwill and other intangible assets. Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible net assets acquired. In accordance with ASC Topic 350, *Intangibles Goodwill and Other,* goodwill and radio broadcasting licenses are not amortized, but are tested at least annually for impairment at the reporting unit level and unit of accounting level, respectively. We test for impairment annually, on December 1 of each year, or more frequently when events or changes in circumstances or other conditions suggest impairment may have occurred. Impairment exists when the asset carrying values exceed their respective fair values, and the excess is then recorded to operations as an impairment charge. See Note 10, Intangible Assets and Goodwill, for more discussion of our interim and annual impairment tests performed during the three years ended February 28, 2011.

Definite-lived Intangibles

The Company s definite-lived intangible assets consist primarily of our foreign broadcasting license in Slovakia and trademarks 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 cost of the broadcast license in Slovakia is being amortized over the term of the license, which expires in February 2013.

j. Discontinued operations and assets held for sale

The results of operations and related disposal costs, gains and losses for business units that the Company has sold or expects to sell are classified in discontinued operations for all periods presented.

A summary of the income from discontinued operations is presented below:

	Year ended February 28,		
	2009	**2010**	**2011**
Income (loss) from operations:			
Television	$ 5,007	$	$
Slager Radio (Hungary)	10,311	1,404	(2,740)
Belgium	(3,635)	(944)	
Tu Ciudad	(1,890)	(15)	
Emmis Books	(103)	(22)	
Total	9,690	423	(2,740)
Provision for income taxes	4,188	401	
Income (loss) from operations, net of tax	5,502	22	(2,740)
Gain (loss) on sale of discontinued operations:			
Television	(1,017)		
Belgium		420	
Total	(1,017)	420	
Benefit for income taxes	(437)		
Gain (loss) on sale of discontinued operations, net of tax	(580)	420	
Income (loss) from discontinued operations, net of tax	$ 4,922	$ 442	$ (2,740)

Discontinued Operation Slager

On October 28, 2009, the Hungarian National Radio and Television Board (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 continue to explore Hungarian, European Union, and international arbitration forums as we believe the award of the license by the ORTT to the other bidder violated Hungarian law and various bilateral investment treaties.

Slager had historically been included in the radio segment. The following table summarizes certain operating results for Slager for all periods presented:

	Year ended February 28,		
	2009	**2010**	**2011**
Net revenues	$ 23,911	$ 12,914	$ 41
Station operating expenses, excluding depreciation and amortization expense	13,517	10,534	940
Depreciation and amortization	1,548	1,837	
Interest expense		58	
Other income (expense)	1,465	919	(1,841)
Income before taxes	10,311	1,404	(2,740)
Provision for income taxes	1,821	401	
Net income (loss) attributable to minority interests	2,382	398	(469)

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 for all periods presented. Belgium had historically been included in the radio segment. The following table summarizes certain operating results for Belgium for all periods presented:

	For the year ended February 28,		
	2009	**2010**	**2011**
Net revenues	$ 2,031	$ 703	$
Station operating expenses, excluding depreciation and amortization expense	4,547	1,647	
Depreciation and amortization	387		
Impairment loss	271		
Interest expense	484		
Other income, net	23		
Loss before income taxes	3,635	944	

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 and recorded a loss on sale of $0.6 million, net of tax. The sale of WVUE-TV completes 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. In connection with the sale, the Company paid discretionary bonuses to the employees of WVUE totaling $0.8 million, which is included in the calculation of the loss on sale.

The decision to explore strategic alternatives for the Company s television assets stemmed from the Company s desire to reduce its debt, coupled with the Company s view that its television stations needed to be aligned with a company with more significant financial resources and a singular focus on the challenges of American television, including the growth of digital video recorders and the industry s relationship with cable and satellite providers. The Company concluded its television assets were held for sale and the results of operations of the television division were classified as discontinued operations in the accompanying consolidated financial statements for all periods presented. The television division had historically been presented as a separate reporting segment of Emmis.

In August 2005, our television station in New Orleans, WVUE-TV, was significantly affected by Hurricane Katrina and the subsequent flooding. The Company received $3.1 million as final settlement of all Katrina-related insurance claims during the year ended February 28, 2009. The insurance proceeds are classified as income from discontinued operations in the accompanying consolidated statements of operations.

The following table summarizes certain operating results for the television division for all periods presented:

	Year ended February 28,		
	2009	2010	2011
Net revenues	$ 7,364	$	$
Station operating expenses excluding depreciation and amortization expense	2,365		
Impairment loss			
Income before taxes	5,007		
Provision for income taxes	3,181		
Gain (loss) on sale of stations, net of tax	(580)		

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. Operating expenses for the year ended February 28, 2009 include all shut-down related costs and are included in income from discontinued operations in the accompanying consolidated statements of operations. *Tu Ciudad Los Angeles* had historically been included in the publishing division. The following table summarizes certain operating results for *Tu Ciudad Los Angeles* for all periods presented:

	Year ended February 28,		
	2009	2010	2011
Net revenues	$ 818	$	$
Station operating expenses, excluding depreciation and amortization expense	2,596	15	
Depreciation and amortization	22		
Loss before taxes	1,890	15	
Benefit for income taxes	772		

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Discontinued Operations   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 February 2009 decision to totally cease operations. Emmis Books had historically been included in the publishing division. The following table summarizes certain operating results for Emmis Books for all periods presented:

	Year ended February 28,		
	2009	2010	2011
Net revenues	$ 57	$ (7)	$
Station operating expenses, excluding depreciation and amortization expense	146	15	
Depreciation and amortization	5		
Loss before taxes	103	22	
Benefit for income taxes	42		

Summary of Assets and Liabilities of Discontinued Operations:

	As of February 28, 2010		As of February 28, 2011	
	Slager	Other	Slager	Other
Current assets:				
Cash and cash equivalents	$	$	$ 1,658	$
Accounts receivable, net	3,299		63	
Prepaid expenses	180			
Income tax receivable	1,237		308	
Other	1,336		34	
Total current assets	6,052		2,063	
Noncurrent assets:				
Other noncurrent assets	138		20	
Total noncurrent assets	138		20	
Total assets	$ 6,190	$	$ 2,083	$
Current liabilities:				
Accounts payable and accrued expenses	$ 1,565	$ 303	$ 723	$ 94
Deferred revenue	513			
Total current liabilities	$ 2,078	$ 303	$ 723	$ 94

Airplane

On December 1, 2008, Emmis exercised its early purchase option on its leased Gulfstream airplane. Emmis paid $10.2 million in cash, net of a refundable deposit of $4.2 million, to AVN Air, LLC, the lessor of the aircraft. Emmis immediately began marketing the airplane for sale, and in February 2009, entered into an agreement to sell the aircraft

for $9.1 million in cash. During the year ended February 28, 2009, we recognized a $7.3 million impairment loss on the corporate airplane as its carrying value, which included $2.0 million of previously capitalized major maintenance costs, exceeded its fair value less estimated costs to sell, which we estimated at $8.9 million as of February 28, 2009. We classified this asset as held for sale at February 28, 2009. We closed on the sale of the airplane on April 14, 2009.

k. Advertising and Subscription Acquisition Costs

Advertising and subscription acquisition costs are expensed the first time the advertising takes place, except for certain direct-response advertising related to the identification of new magazine subscribers, the primary purpose of which is to elicit sales from customers who can be shown to have responded specifically to the advertising and that results in probable future economic benefits. When determining probable future economic benefits, the Company includes in its analysis future revenues from renewals if sufficient operating history exists. These direct-response advertising costs are capitalized as assets and amortized over the estimated period of future benefit, ranging from six months to two years subsequent to the promotional event. As of each balance sheet date, the Company evaluates the realizability of capitalized direct-response advertising by comparing the carrying value of such assets on a campaign-by-campaign basis to the probable remaining future primary net revenues expected to result directly from such advertising. If the carrying amounts of such advertising exceed the remaining future primary net revenues that are likely to be realized from such advertising, the excess is recorded as advertising expense immediately. As of February 28, 2010 and 2011, direct-response advertising costs capitalized as assets were approximately $1.2 million and $1.6 million, respectively. On an interim basis, the Company defers non direct-response advertising costs for major advertising campaigns for which future benefits can be demonstrated. These costs are amortized over the shorter of the period benefited or the remainder of the fiscal year. Advertising expense for the years ended February 2009, 2010 and 2011 was $9.0 million, $5.2 million and $5.1 million, respectively.

l. Investments

Equity method investments

Emmis has various investments accounted for under the equity method of accounting, the carrying values of which are summarized in the following table:

		February 28, 2010	February 28, 2011
Broadcast tower site investment	New Jersey	$ 1,150	$ 1,150
Broadcast tower site investment	Texas	1,340	1,351
Other		180	123
Total equity method investments		$ 2,670	$ 2,624

Emmis has a 50% ownership interest in a partnership in which the sole asset is land in New Jersey on which a transmission tower is located. The other owner has voting control of the partnership. During the year ended February 28, 2009 Emmis recorded a write-down to the carrying value of its 50% ownership interest in the partnership of $0.5 million as it determined the investment s fair value had other than temporarily declined. Emmis, through its investment in six radio stations in Austin, has a 25% ownership interest in a company that operates a tower site in Austin, Texas. Emmis also has other investments that are accounted for using the equity method of accounting, as Emmis does not control these entities, but none had a balance exceeding $0.2 million as of February 28, 2010 or 2011.

Available for sale investments

During the year ended February 28, 2009, Emmis made an investment of $0.3 million in a company that specialized in the development and distribution of mobile and on-line games. The cumulative investment in this company was $1.3 million as of February 28, 2009. During the year ended February 28, 2009, Emmis recorded a noncash impairment charge of $1.3 million, recorded in other expense in the accompanying consolidated statements of operations, as it deemed the investment was fully impaired and the impairment was other than temporary.

Emmis has made investments totaling $0.5 million in a company that specializes in digital radio transmission technology. During the year ended February 28, 2011, Emmis recorded a noncash impairment charge of $0.3 million, recorded in other expense in the accompanying consolidated statements of operations, as it deemed the investment was impaired and the impairment was other than temporary. This investment is carried at fair value, which totaled $0.2 million as of February 28, 2011. Although no unrealized or realized gains or losses have been recognized on this investment, unrealized gains and losses would be reported in other comprehensive income until realized, at which point they would be recognized in the consolidated statements of operations. If the Company determines that the value of the investment is other than temporarily impaired, the Company will recognize, through the statements of operations, a loss on the investment.

m. Deferred Revenue and Barter Transactions

Deferred revenue includes deferred magazine subscription revenue, deferred barter revenue and deferred LMA fees discussed in Note 1e. Magazine subscription revenue is recognized when the publication is shipped. Barter transactions are recorded at the estimated fair value of the product or service received. Broadcast revenue from barter transactions is recognized when commercials are broadcast or a publication is delivered. The appropriate expense or asset is recognized when merchandise or services are used or received. Barter revenues for the years ended February 2009, 2010 and 2011 were $13.0 million, $13.5 million and $12.8 million, respectively, and barter expenses were $12.8 million, $13.8 million, and $13.5 million, respectively.

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n. Foreign Currency Translation

The functional currencies of our international radio entities are shown in the following table. The balance sheets of these entities have been translated from their functional currencies to the U.S. dollar using the current exchange rate in effect at the subsidiaries balance sheet date (December 31 for our international radio entities). The results of operations for our international radio entities have been translated using an average exchange rate for the period. During fiscal 2011 we reclassified $2.0 million of accumulated foreign currency losses related to our investment in Slager due to the substantial liquidation of that entity during the period. Subsequent to the reclassification, no translation adjustments are recorded for Slager in accumulated other comprehensive income. The net translation adjustments reflected in shareholders deficit during the respective periods were as follows:

	Functional Currency	For the Years Ended February 28, 2009	2010	2011
Foreign currency transalation adjustments				
Hungary	Forint	$ (759)	$ (1,018)	$ 170
Belgium	Euro	47	(538)	
Slovakia	Euro [1]	1,680	(99)	(773)
Bulgaria	Leva	(2,491)	290	(81)
Reclassification due to substantial liquidation				
Hungary	Forint			2,002
		$ (1,523)	$ (1,365)	$ 1,318

o. Earnings Per Share

ASC Topic 260 requires dual presentation of basic and diluted loss per share (EPS) on the face of the income statement for all entities with complex capital structures. Basic EPS is computed by dividing net loss available to common shareholders by the weighted-average number of common shares outstanding for the period (36,374,120, 37,040,538 and 37,862,677 shares for the years ended February 2009, 2010 and 2011, respectively). Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted. Potentially dilutive securities at February 2009, 2010 and 2011 consisted of stock options, restricted stock and the 6.25% Series A cumulative convertible preferred stock. The conversion of stock options and the preferred stock and the vesting of restricted stock is not included in the calculation of diluted net loss per common share for each of the three years ended February 28, 2011 as the effect of these conversions would be antidilutive to the net loss available to common shareholders from continuing operations. Thus, the weighted average common equivalent shares used for purposes of computing diluted EPS are the same as those used to compute basic EPS for all periods presented. 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:

	For the year ended February 28, 2009	2010	2011
		(shares in 000 s)	
6.25% Series A cumulative convertible preferred stock	6,854	6,854	6,854
Stock options and restricted stock awards	8,628	8,650	8,266
Antidilutive common share equivalents	15,482	15,504	15,120

[1] In Slovakia, the Euro became the official currency on January 1, 2009. Prior to January 1, 2009, the official currency was the Koruna.

p. Income 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.

q. Long-Lived Tangible Assets

The Company periodically considers whether indicators of impairment of long-lived tangible assets are present. If such indicators are present, the Company determines whether the sum of the estimated undiscounted cash flows attributable to the assets in question are less than their carrying value. If less, the Company recognizes an impairment loss based on the excess of the carrying amount of the assets over their respective fair values. Fair value is determined by discounted future cash flows, appraisals and other methods. If the assets determined to be impaired are to be held and used, the Company recognizes an impairment charge to the extent the asset s carrying value is greater than the fair value. The fair value of the asset then becomes the asset s new carrying value, which, if applicable, the Company depreciates or amortizes over the remaining estimated useful life of the asset.

In the year ended February 28, 2009, the Company determined that the long-lived assets related to its corporate jet and Belgium radio operations were impaired. The Company recorded $7.3 million and $0.3 million noncash impairment charges related to the corporate jet and Belgium radio operation long-lived assets, respectively. The impairment charges related to the corporate jet and Belgium long-lived assets are recorded in the consolidated statements of operations in impairment loss and discontinued operations, respectively. The Company also recorded impairment charges for various definite-lived intangible assets during the year ended February 28, 2010. See Note 10 for more discussion.

r. Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses in the financial statements and in disclosures of contingent assets and liabilities. Actual results could differ from those estimates.

s. National Representation Agreement

On October 1, 2007, Emmis terminated its existing national sales representation agreement with Interep National Radio Sales, Inc. (Interep) and entered into a new agreement with Katz Communications, Inc. (Katz) extending through March 2018. Emmis existing contract with Interep extended through September 2011. Emmis, Interep and Katz entered into a tri-party termination and mutual release agreement under which Interep agreed to release Emmis from its future contractual obligations in exchange for a one-time payment of $15.3 million, which was paid by Katz on behalf of Emmis as an inducement for Emmis to enter into the new long-term contract with Katz. Emmis measured and recognized the charge associated with terminating the Interep contract as of the effective termination date, which was recorded as a noncash contract termination fee in the year ended February 2008. The liability established as a result of the termination represents an incentive received from Katz that is being recognized as a reduction of our national agency commission expense over the term of the agreement with Katz. The current portion of this liability is included in other current liabilities and the long-term portion of this liability is included in other noncurrent liabilities in the accompanying consolidated balance sheets at February 28, 2010 and 2011.

As part of the representation agreement, Katz guaranteed a minimum amount of national sales for Emmis fiscal year ended February 2009. For the year ended February 28, 2009, actual national sales as defined by the representation agreement were approximately $10.2 million lower than the guaranteed minimum amount of national sales. As such, Emmis recognized $10.2 million of additional net revenues for the year ended February 28, 2009. The performance guarantees did not extend past February 28, 2009.

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t. 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. As of the filing of this Form 10-K, management believes the Company can meet its liquidity needs through the end of fiscal year 2012 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 $17.4 million at February 28, 2011. Based on these projections, management also believes the Company will be in compliance with its debt covenants through the end of fiscal year 2012.

u. Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board issued Accounting Standards Update No. 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. These amended standards eliminate a mandatory quantitative approach to determine whether a variable interest provides the entity with a controlling financial interest in a variable interest entity in favor of a qualitatively focused analysis, and require an ongoing reassessment of whether an entity is the primary beneficiary. These amended standards were effective March 1, 2010. The adoption of these standards did not have any effect on the Company s results of operations, cash flows or financial position.

2. COMMON STOCK

Emmis has authorized Class A common stock, Class B common stock, and Class C common stock. The rights of these three classes are essentially identical except that each share of Class A common stock has one vote with respect to substantially all matters, each share of Class B common stock has 10 votes with respect to substantially all matters, and each share of Class C common stock has no voting rights with respect to substantially all matters. Class B common stock is owned by our Chairman, CEO and President, Jeffrey H. Smulyan. All shares of Class B common stock convert to Class A common stock upon sale or other transfer to a party unaffiliated with Mr. Smulyan. At February 28, 2010 and 2011, no shares of Class C common stock were issued or outstanding.

3. REDEEMABLE PREFERRED STOCK

Each share of redeemable preferred stock is convertible into a number of shares of common stock, which is determined by dividing the liquidation preference of the share of preferred stock ($50.00 per share) by the conversion price. The conversion price is $20.495, which results in a conversion ratio of 2.44 shares of common stock per share of preferred stock. Dividends are cumulative and payable quarterly in arrears on January 15, April 15, July 15, and October 15 of each year at an annual rate of $3.125 per preferred share. Emmis may redeem the preferred stock for cash at 100% of the liquidation preference per share, plus in each case accumulated and unpaid dividends, if any, whether or not declared to the redemption date.

Emmis last paid its quarterly dividend on October 15, 2008. As of February 28, 2011, dividends in arrears totaled $21.0 million, or $7.49 per share of preferred stock. Failure to pay the dividend is not a default under the terms of the Preferred Stock. However, since dividends have remained unpaid for more than six quarters, the holders of Preferred Stock are entitled to elect two persons to our board of directors. The Second Amendment and Third Amendment to our Credit Agreement prohibit the Company from paying dividends on the Preferred Stock during the Suspension Period (as defined in the Credit Agreement). Subject to the restrictions of the Credit Agreement, payment of future dividends on the Preferred Stock will be determined by the Company s Board of Directors. We do not know when or whether we will resume paying such dividends.

4. SHARE-BASED PAYMENTS

The amounts recorded as share-based compensation expense primarily relate to restricted common stock issued under employment agreements, common stock issued to employees in lieu of cash bonuses, Company matches of common stock in our 401(k) plans, and annual stock option and restricted stock grants. Nonvested options do not share in dividends.

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 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.

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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 the 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, information related to the historical exercise activity of our options was impacted by the way the Company processed the equitable adjustment of a special dividend in November 2006. 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 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 years ended February 2009, 2010 and 2011:

	Year Ended February 28,		
	2009	2010	2011
Risk-Free Interest Rate:	1.7% - 3.5%	2.3% - 2.8%	1.9% - 2.9%
Expected Dividend Yield:	0%	0%	0%
Expected Life (Years):	6.0 - 6.5	6.0 - 6.5	6.0 - 6.5
Expected Volatility:	48.6% - 70.1%	72.3% - 100.4%	98.9% - 107.6%

The following table presents a summary of the Company s stock options outstanding at February 28, 2011, and stock option activity during the year ended February 28, 2011 (Price reflects the weighted average exercise price per share):

	Options	**Price**	**Weighted Average Remaining Contractual Term**	**Aggregate Intrinsic Value**
Outstanding, beginning of year	9,038,076	$ 10.18		
Granted	158,902	0.72		
Exercised				
Forfeited	42,049	0.78		
Expired	639,438	20.72		
Outstanding, end of year	8,515,491	9.26	4.9	$ 1,374,788
Exercisable, end of year	5,568,830	13.75	3.2	$ 10,004

The Company did not receive any cash from option exercises in the years ended February 2009 and 2011, and received less than $0.1 million of cash from option exercises in the year ended February 2010. The Company did not record an income tax benefit related to option exercises in the years ended February 2009, 2010 and 2011.

The weighted average grant date fair value of options granted during the years ended February 2009, 2010 and 2011 was $1.10, $0.44 and $0.59, respectively. The total intrinsic value of options exercised during the years ended February 2009, 2010 and 2011 was less than $0.1 million in each year.

A summary of the Company s nonvested options at February 28, 2011, and changes during the year ended February 28, 2011, is presented below:

	Options	**Weighted Average Grant Date Fair Value**
Nonvested, beginning of year	3,235,738	$ 0.78

Granted	158,902	0.59
Vested	405,930	2.74
Forfeited	42,049	0.54
Nonvested, end of year	2,946,661	0.50

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There were 3.7 million shares available for future grants under the various option plans at February 28, 2011. The vesting dates of outstanding options range from March 2011 to December 2013, and expiration dates range from March 2011 to December 2020.

Restricted Stock Awards

The Company began granting restricted stock awards to employees and directors of the Company in 2005. 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. Restricted stock award grants prior to fiscal 2011 were granted out of the Company s 2004 Equity Compensation Plan and restricted stock award grants during fiscal 2011 were granted out of the Company s 2010 Equity Compensation Plan. The Company also awards, out of the Company s 2010 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.

The following table presents a summary of the Company s restricted stock grants outstanding at February 28, 2011, and restricted stock activity during the year ended February 28, 2011 (Price reflects the weighted average share price at the date of grant):

	Awards	Price
Grants outstanding, beginning of year	398,363	$ 5.02
Granted	643,820	1.36
Vested (restriction lapsed)	864,760	2.63
Forfeited	2,467	2.95
Grants outstanding, end of year	174,956	3.37

The total grant date fair value of shares vested during the years ended February 2009, 2010 and 2011 was $5.9 million, $3.3 million and $2.3 million, respectively.

Recognized Noncash Compensation Expense

The following table summarizes stock-based compensation expense and related tax benefits recognized by the Company in the three years ended February 28, 2011:

	Year Ended February 28,		
	2009	2010	2011
Station operating expenses excluding depreciation and amortization expense	$ 2,539	$ 701	$ 694
Corporate expenses	3,283	1,740	1,100
Stock-based compensation expense included in operating expenses	5,822	2,441	1,794
Tax benefit	(2,387)		
Recognized stock-based compensation expense, net of tax	$ 3,435	$ 2,441	$ 1,794

As of February 28, 2011, there was $0.5 million of unrecognized compensation cost related to nonvested share-based compensation arrangements. The cost is expected to be recognized over a weighted average period of approximately 1.1 years.

5. CREDIT AGREEMENT AND RELATED DEFERRED DEBT ISSUANCE COSTS

The Credit Agreement was comprised of the following at February 28, 2010 and 2011:

	2010	2011
Revolver	$ 2,000	$ 2,000
Term Loan B	339,150	328,994
	341,150	330,994
Less: current maturities	(3,392)	(3,290)
	$ 337,758	$ 327,704

On November 2, 2006, Emmis Operating Company (EOC or the Borrower), the principal operating subsidiary of the Company, amended and restated its Credit Agreement to provide for total borrowings of up to $600 million, including (i) a $455 million term loan and (ii) a $145 million revolver, of which $50 million may be used for letters of credit. The margin over the Eurodollar Rate or the alternative base rate varied under the revolver (ranging from 0% to 2.25%), depending on Emmis ratio of debt to consolidated operating cash flow, as defined in the agreement. The margins over the Eurodollar Rate and the alternative base rate were 2.00% and 1.00%, respectively, for the term loan facility. At February 28, 2010 and 2011, $0.9 million and $0.6 million, in letters of credit were outstanding, respectively. Net deferred debt costs of approximately $4.2 million and $2.9 million relating to the Credit Agreement are reflected in the accompanying consolidated balance sheets as of February 28, 2010 and 2011, respectively, and are being amortized over the life of the Credit Agreement as a component of interest expense. Substantially all of Emmis assets, including the stock of most of Emmis wholly-owned, domestic subsidiaries are pledged to secure the Credit Agreement. The Credit Agreement was amended twice during the year ended February 28, 2010, both of which are discussed below.

March 3, 2009 Credit Agreement Amendment

On March 3, 2009, ECC and 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, EOC 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 (as amended, supplemented, and restated or otherwise modified and in effect from time to time, the Credit Agreement). Among other things, the First Amendment (i) permitted 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) reduced the Total Revolving Credit Commitment (as defined in the Credit Agreement) from $145 million to $75 million, (iii) excluded 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) made Revolving Credit Loans (as defined in the Credit Agreement) subject to a pro forma incurrence test and (v) tightened 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.

Subsequent to the execution of the First Amendment, in April and May 2009, Emmis completed a series of Dutch auction tenders that purchased 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 was net of transaction costs of $1.0 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.

August 19, 2009 Credit Agreement Amendment

On August 19, 2009, ECC and EOC 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 and Bank of America, N.A., as administrative agent for itself and the other lenders party to the Credit Agreement.

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Among other things, the Second Amendment:

suspended 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),

provided 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 Ended	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

provided 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,

reduced the Total Revolving Credit Commitment (as defined in the Credit Agreement) from $75 million to $20 million,

set the applicable margin at 3% per annum for base rate loans and at 4% per annum for Eurodollar rate loans,

provided 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),

provided 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),

excluded 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,

granted the lenders a security interest in certain previously excluded real estate and other assets,

permitted the repurchase of debt under the Credit Agreement at a discount using proceeds of certain equity issuances, and

modified certain financial definitions and other restrictions on ECC and the Borrower.

The Company recorded a loss on debt extinguishment during the year ended February 28, 2010 of $0.5 million related to the write-off of deferred debt costs associated with the revolver reduction.

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On March 29, 2011, Emmis and its principal operating subsidiary, Emmis Operating Company, entered into the Third Amendment to Amended and Restated Revolving Credit and Term Loan Agreement (the Third Amendment). See Note 17 for more discussion. Prior to the execution of the Third Amendment, the term loan and revolver matured on November 1, 2013 and November 2, 2012, respectively. The borrowings under the term loan were payable in equal quarterly installments equal to 0.25% of the term loan, with the remaining balance payable November 1, 2013. The annual amortization schedule for the Credit Agreement prior to the execution of the Third Amendment, based upon amounts outstanding at February 28, 2011, was as follows:

Year Ended February 28 (29),	Revolver Amortization	Term Loan B Amortization	Total Amortization
2012		3,296	3,296
2013	2,000	3,264	5,264
2014		322,434	322,434
Total	$ 2,000	$ 328,994	$ 330,994

Proceeds from raising additional equity, issuing additional subordinated debt or from asset sales, as well as excess cash flow, are required to be used to repay amounts outstanding under the Credit Agreement.

Borrowings under the Credit Agreement depend upon our continued compliance with certain operating covenants and financial ratios. At February 28, 2011, we had $17.4 million available for additional borrowing under our credit facility, which is net of $0.6 million in outstanding letters of credit. As discussed above, during the Suspension Period the Company must maintain a minimum amount of trailing twelve-month Consolidated EBITDA (as defined in the Credit Agreement) and at least $5 million in Liquidity (as defined in the Credit Agreement). The Credit Agreement also contains certain other non-financial covenants. We were in compliance with all financial and non-financial covenants as of February 28, 2011. Our Liquidity (as defined in the Credit Agreement) as of February 28, 2011 was $18.2 million. Our minimum Consolidated EBITDA (as defined in the Credit Agreement) requirement and actual amount as of February 28, 2011 was as follows:

	As of February 28, 2011	
	Covenant Requirement	Actual Trailing Twelve-Month Consolidated EBITDA[1]
Trailing Twelve-month Consolidated EBITDA[1]	$ 22,900	$ 28,224

6. 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 ended November 2, 2009.

[1] (as defined in the Credit Agreement)

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. During fiscal 2011, such 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 years ended February 28, 2011.
Amounts reported in accumulated other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on the Company s variable-rate debt. During fiscal 2012, the Company estimates that an additional $0.3 million will be reclassified as an increase to interest expense.
As of February 28, 2011, 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	2	$ 175,000

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, 2010 and 2011. Accumulated other comprehensive income (loss) balances related to our derivative instruments as of February 28, 2010 and 2011 were ($1,289) and $489, respectively. In connection with the maturity of our $165 million swap in March 2010, the Company recognized $1,993 of income tax benefits that were previously recorded in Accumulated Other Comprehensive Income (Loss). 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, 2010 and 2011, 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, 2010		**As of February 28, 2011**		**As of February 28, 2010**		**As of February 28, 2011**	
	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								
Interest Rate Swap Agreements (Current Portion)	N/A	$	N/A	$	N/A	$ 569	Other Current Liabilities	$ 297
Interest Rate Swap Agreements (Long Term Portion)	N/A		N/A		Other Noncurrent Liabilities	3,499	Other Noncurrent Liabilities	
Total derivatives designated as hedging instruments		$		$		$ 4,068		$ 297

The table below presents the effect of the Company s derivative financial instruments on the consolidated statements of operations for the fiscal years ended February 2009, 2010 and 2011.

	Location of Gain or (Loss) Reclassified	**Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective**	**Amount of Gain or**

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion)			from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)			Portion and Amount Excluded from Effectiveness Testing)	(Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)		
	2009	2010	2011		2009	2010	2011		2009	2010	2011
Interest Rate Swap Agreements	$ (2,793)	$ (7,271)	$ (562)	Interest expense	$ (3,267)	$ (9,980)	$ (4,333)	N/A	$	$	$
Total	$ (2,793)	$ (7,271)	$ (562)		$ (3,267)	$ (9,980)	$ (4,333)		$	$	$

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 counterparties to its interest rate swaps have been 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 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, 2010 and 2011, the fair value of our derivatives instruments was net of CVAs totaling $0.3 million and less than $0.1 million, respectively.

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 February 28, 2011, the Company has not posted any collateral related to the interest rate swap agreements. The Company s swap agreements matured in March 2011.

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7. FAIR VALUE MEASUREMENTS

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, 2010 and 2011. 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 February 28, 2011			
	Level 1	Level 2	Level 3	
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs	Total
Available for sale securities	$	$	$ 189	$ 189
Total assets measured at fair value on a recurring basis	$	$	$ 189	$ 189
Interest rate swap agreements	$	$	$ 297	$ 297
Total liabilities measured at fair value on a recurring basis	$	$	$ 297	$ 297

	As of February 28, 2010		
	Level 1	Level 2	Level 3
	Quoted Prices in Active Markets for	Significant Other	Significant

	Identical Assets or Liabilities	Observable Inputs	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	$	$	$ 4,068	$ 4,068
Total liabilities measured at fair value on a recurring basis	$	$	$ 4,068	$ 4,068

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.

Interest rate 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 6. Because a more than insignificant portion of the valuation is based upon unobservable inputs, these interest rate swaps are considered a Level 3 input.

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

	For the Year Ended February 28, 2010		For the Year Ended February 28, 2011	
	Available For Sale Securities	Derivative Instruments	Available For Sale Securities	Derivative Instruments
Beginning Balance	$ 452	$ 6,777	$ 452	$ 4,068
Other than temporary impairment loss			(263)	
Realized losses included in earnings		(9,980)		(4,333)
Changes in other comprehensive income		7,271		562
Ending Balance	$ 452	$ 4,068	$ 189	$ 297

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 10, Intangible Assets And Goodwill, and are adjusted to fair value only when the carrying values exceed 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 10 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 February 28, 2011, along with the impairment loss recognized on the fair value measurement for the year then ended:

	As of February 28, 2011				
	Level 1	Level 2	Level 3		
	Quoted Prices in Active Markets for Identical Assets or Liabilities	Significant Other Observable Inputs	Significant Unobservable Inputs	Total	Year Ended February 28, 2011 Impairment Loss
Indefinite-lived intangibles	$	$	$ 328,796	$ 328,796	$ 7,005
Goodwill [1]					
Other intangibles, net			2,689	2,689	
Total	$	$	$ 331,485	$ 331,485	$ 7,005

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.

[1] Pursuant to ASC Topic 350-20-35, the fair value of goodwill is assessed only when the carrying value of the reporting unit exceeds its fair value. On December 1, 2010, the fair value of each of our reporting units exceeded their respective carrying values, thus fair value of goodwill was not assessed.

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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 debt: As of February 28, 2010 and 2011, the fair value of the Company s Credit Agreement debt based on bid prices as of those dates was $283.2 million and $311.1 million, respectively, while the carrying value was $341.2 million and $331.0 million, respectively.

6.25% Series A cumulative convertible preferred stock: As of February 28, 2010 and 2011, the fair value of the Company s 6.25% Series A cumulative convertible preferred stock based on quoted market prices was $41.0 million and $49.2 million, respectively, while the carrying value was $140.5 million for both periods.

8. ACQUISITIONS, DISPOSITIONS AND INVESTMENTS

Purchase of 100% of Bulgarian Radio Networks

During the quarter ended May 31, 2009, Emmis completed a series of transactions with its noncontrolling partners of two of our Bulgarian radio networks that gave Emmis 100% ownership in those networks. The purchase price of these transactions totaled $4.9 million in cash, and a substantial portion was allocated to goodwill which was then determined to be substantially impaired. Emmis recorded an impairment loss of $3.7 million related to Bulgarian goodwill during the quarter ended May 31, 2009.

Sale of Belgium Radio Operations

On May 29, 2009, Emmis sold the stock of its Belgium radio operation to Alfacam Group NV, a Belgian corporation, for 100 euros. Emmis recognized a gain on the sale of its Belgium radio operations of $0.4 million, which included a gain of $0.1 million related to the transfer of cumulative translation adjustments. The gain on sale of the Belgium radio operations is included in discontinued operations in the accompanying consolidated statements of operations. 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.

Sale of WVUE-TV to Louisiana Media Company

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 Company recognized a loss on the sale of WVUE-TV of $0.6 million, net of tax benefits of $0.4 million, which is included in income from discontinued operations in the accompanying statements of operations. In connection with the sale, the Company paid discretionary bonuses to the employees of WVUE totaling $0.8 million, which is included in the calculation of the loss on sale. The sale of WVUE-TV completes 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.

9. GOING PRIVATE TRANSACTION

On April 26, 2010, JS Acquisition, Inc., a corporation owned entirely by our Chairman, Chief Executive Officer and President, Mr. Jeffrey H. Smulyan, and Alden Global Capital (together with its affiliates and related parties, Alden) entered into a non-binding Letter of Intent (the Letter of Intent) with respect to a series of transactions relating to the equity securities of Emmis. Subsequently, JS Acquisition, LLC (together with its wholly owned subsidiary, JS Acquisition, Inc., JS Acquisition) and Alden entered into a formal Securities Purchase Agreement, and Emmis and JS Acquisition entered into a Merger Agreement, all of which were designed to take Emmis private in a series of transactions that involved (i) JS Acquisition offering to purchase all of the Class A Common Stock at a price of $2.40 per share (the Tender Offer), (ii) Emmis offering to exchange (the Exchange Offer) all of its 6.25% Series A Cumulative Convertible Preferred Stock (the Existing Preferred Stock) for 12% PIK Senior Subordinated Notes due 2017 (the New Notes), (iii) the adoption of certain amendments to the terms of the Existing Preferred Stock (the Proposed Amendments) and (iv) a subsequent merger of JS Acquisition into Emmis (the Merger and together with the Tender Offer, the Exchange Offer and the Proposed Amendments, the Going Private Transaction).

On September 9, 2010, Emmis announced that the Proposed Amendments had not received the requisite shareholder vote to pass and that the Exchange Offer had terminated. The Exchange Offer was conditioned upon, among other things, the adoption of the Proposed Amendments. The same day, Emmis was informed that the Tender Offer, which was also conditioned upon adoption of the Proposed Amendments, had also terminated. The Company recorded $3.6 million of costs associated with the transaction in the year ended February 28, 2011, which is included in

corporate expenses excluding depreciation and amortization expense in the accompanying consolidated statements of operations.

10. INTANGIBLE ASSETS AND GOODWILL

In accordance with the provisions of ASC Topic 350, *Intangibles Goodwill and Other,* the Company reviews goodwill and other intangibles at least annually for impairment. In connection with any such review, if the recorded value of goodwill and other intangibles is greater than its fair value, the intangibles are written down and charged to results of operations. FCC licenses are renewed every eight years at a nominal cost, and historically all of our FCC licenses have been renewed at the end of their respective eight-year periods. Since we expect that all of our FCC licenses will continue to be renewed in the future, we believe they have indefinite lives.

Impairment testing

The Company generally performs its annual impairment review of indefinite-lived intangibles as of December 1 each year, but given economic conditions and revenue declines in the domestic radio broadcasting industry and publishing industry, the Company performed interim impairment reviews as of October 1, 2008 and August 1, 2009. Impairment recorded as a result of our interim and annual impairment testing is summarized in the table below. We will perform additional interim impairment assessments whenever triggering events suggest such testing for the recoverability of these assets is warranted.

	Interim Assessment			Annual Assessment			
	FCC Licenses	Goodwill	Definite-lived	FCC Licenses	Goodwill	Definite-lived	Total
Year Ended February 28, 2009	187,580	22,585		116,980	35,684	3,056	365,885
Year Ended February 28, 2010	160,910	8,928	4,804				174,642
Year Ended February 28, 2011	N/A	N/A	N/A	7,005			7,005

Valuation of Indefinite-lived Broadcasting Licenses

Fair value of our FCC Licenses is estimated to be 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. To determine the fair value of our FCC Licenses, the Company uses an income valuation method when it performs its impairment tests. Under this method, the Company projects cash flows that would be generated by each of its units of accounting assuming the unit of accounting was commencing operations in its respective market 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 commenced operations at the beginning of the valuation period. 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. Each of these assumptions may change in the future based upon changes in general economic conditions, audience behavior, consummated transactions, and numerous other variables that may be beyond our control.

The projections incorporated into our annual license valuations take into consideration the recent economic recession and credit crisis, which has led to a further weakened and less profitable radio marketplace with a higher cost of capital. Between its October 1, 2008 interim impairment assessment and its December 1, 2010 annual assessment, the Company incorporated several more conservative estimates into its assumptions to reflect the deterioration in both the U.S. economy and the radio marketplace as well as the repricing of risk. Specifically, discount rates increased from 11.7% to 12.1% in the October 1, 2008 assessment to a range of 12.0% to 12.3% in the December 1, 2010 assessment. Also, operating profit margins decreased from a range of 27.7% to 43.7% in the October 1, 2008 assessment to a range of 25.1% to 37.1% in the December 1, 2010 assessment. Assumptions incorporated into the annual impairment testing as of December 1, 2010 were similar to those used in our December 1, 2009 annual impairment testing, although revenue growth rates were slightly higher as a result of the pace of the industry s recent revenue recovery, which also helped to lower the discount rates. We expect the ongoing recovery in radio revenues to continue throughout our fiscal 2012. Below are some of the key assumptions used in our annual and interim impairment assessments. The methodology used to value our FCC licenses has not changed in the three-year period ended February 28, 2011.

	October 1, 2008		December 1, 2008		August 1, 2009		December 1, 2009		December 1, 2010	
Discount Rate	11.7%	12.1%	11.5%	11.9%	12.6%	13.0%	12.7%	13.1%	12.0%	12.3%
Long-term Revenue Growth Rate (Years 4-8)	2.0%	3.5%	2.0%	3.3%	2.0%	3.3%	2.0%	3.5%	2.5%	3.5%
Revenue Growth Rate (All Years)	1.5%	3.4%	0.7%	3.3%	1.5%	3.2%	2.0%	3.4%	2.7%	3.8%
Mature Market Share	6.3%	30.8%	6.3%	30.5%	6.3%	30.6%	6.2%	30.0%	6.1%	28.2%
Operating Profit margin	27.7%	43.7%	27.1%	42.7%	26.5%	42.7%	26.0%	40.9%	25.1%	37.1%

As of February 28, 2010 and 2011, the carrying amounts of the Company s FCC licenses were $335.8 million and $328.8 million, respectively. These amounts are entirely attributable to our radio division. The change in FCC license carrying amounts was entirely attributable to an impairment charge related to our Austin radio cluster. The table below presents the changes to the carrying values of the Company s FCC licenses for the year ended February 28, 2011 for each unit of accounting. As noted above, each unit of accounting is a cluster of radio stations in one geographical market, except for our Los Angeles cluster in which KXOS-FM is being operated under a Local Marketing Agreement by another broadcaster.

	Change in FCC License Carrying Values		
Unit of Accounting	As of February 28, 2010	Annual Impairment	As of February 28, 2011
New York Cluster	$ 145,588	$	$ 145,588
KXOS-FM (Los Angeles)	52,333		52,333
Austin Cluster	46,030	(7,005)	39,025
Chicago Cluster	44,292		44,292
St. Louis Cluster	27,692		27,692
Indianapolis Cluster	17,274		17,274
KPWR-FM (Los Angeles)	2,018		2,018
Terre Haute Cluster	574		574
Total	$ 335,801	$ (7,005)	$ 328,796

Valuation of 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. 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 or analyst reports that include valuations of magazine divisions within publicly traded media conglomerates. For the annual assessment performed as of December 1, 2010, the Company applied a market multiple of 7.5 times and 6.0 times the reporting unit s operating performance for our radio and publishing reporting units, respectively. Management believes this methodology for valuing radio and publishing properties is a common approach and believes that the multiples used in the valuation are reasonable given our peer comparisons and recent market transactions. To corroborate the step-one reporting unit fair values determined using the market approach described above, management also uses an income approach, which is a discounted cash flow method to determine the fair value of the reporting unit.

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. The methodology used to value our goodwill has not changed in the three-year period ended February 28, 2011.

As of February 28, 2010 and 2011, the carrying amount of the Company s goodwill was $24.2 million. The table below presents the various reporting units goodwill carrying values as of February 28, 2010 and 2011. As noted above, each reporting unit is a cluster of radio stations in one geographical market and magazines on an individual basis. We have previously written off all goodwill associated with our Austin cluster except for the portion of goodwill that exists at the Austin partnership level attributable to noncontrolling interests.

Unit of Accounting	Goodwill Carrying Values As of February 28, 2010 and 2011
Indianapolis Cluster	$ 265
Austin Cluster	4,338
Slovakia	1,703
Total Radio Segment	6,306
Country Sampler	9,385
Indianapolis Monthly	448
Texas Monthly	8,036
Total Publishing Segment	17,869
Grand Total	$ 24,175

Definite-lived intangibles

The following table presents the weighted-average life at February 28, 2011 and gross carrying amount and accumulated amortization for each major class of definite-lived intangible assets at February 28, 2010 and 2011:

		February 28, 2010			**February 28, 2011**		
	Weighted Average Remaining Useful Life (in years)	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**	**Gross Carrying Amount**	**Accumulated Amortization**	**Net Carrying Amount**
Foreign broadcasting licenses	2.1	$ 8,716	$ 5,230	$ 3,486	$ 8,716	$ 6,331	$ 2,385
Favorable office leases	1.5	688	632	56	688	655	33
Trademarks	23.7	749	458	291	749	478	271
TOTAL		$ 10,153	$ 6,320	$ 3,833	$ 10,153	$ 7,464	$ 2,689

During the year ended February 28, 2010, 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 year ended February 28, 2010 and 2011, was $1.6 million and $1.1 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),		
2012	$	1,191
2013		1,180
2014		114
2015		18
2016		18

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11. EMPLOYEE BENEFIT PLANS

a. Equity Incentive Plans

The Company has stock options, restricted stock and restricted stock unit grants outstanding that were issued to employees or non-employee directors under one or more of the following plans: 1999 Equity Incentive Plan, 2001 Equity Incentive Plan, 2002 Equity Incentive Plan, the 2004 Equity Compensation Plan and the 2010 Equity Compensation Plan. These outstanding grants continue to be governed by the terms of the applicable plan.

2010 Equity Compensation Plan

At the 2010 annual meeting, the shareholders of Emmis approved the 2010 Equity Compensation Plan (the Plan). Under the Plan, awards equivalent to 2.0 million shares of common stock may be granted. Furthermore, any unissued awards from the 2004 Equity Compensation Plan (or shares subject to outstanding awards that would again become available for awards under this plan) increases the number of shares of common stock available for grant under the Plan. The awards, which have certain restrictions, may be for incentive stock options, nonqualified stock options, shares of restricted stock, restricted stock units, stock appreciation rights or performance units. Under this Plan, all awards are granted with a purchase price equal to at least the fair market value of the stock except for shares of restricted stock and restricted stock units, which may be granted with any purchase price (including zero). The stock options under this Plan generally expire not more than 10 years from the date of grant. Under this Plan, awards equivalent to approximately 2.6 million shares of common stock were available for grant at February 28, 2011.

b. 401(k) Retirement Savings Plan

Emmis sponsors a Section 401(k) retirement savings plans that is available to substantially all employees age 18 years and older who have at least 30 days of service. Employees may make pretax contributions to the plans up to 50% of their compensation, not to exceed the annual limit prescribed by the Internal Revenue Service (IRS). Emmis may make discretionary matching contributions to the plans in the form of cash or shares of the Company s Class A common stock.

During the year ended February 28, 2009, the Company elected to match annual employee 401(k) contributions up to a maximum of $1 thousand per employee, made in Emmis stock. No discretionary 401(k) matching contributions were made during the year ended February 28, 2010. In April 2010, the Board of Directors of the Company voted to reinstate the discretionary 401(k) match. Employee contributions have been matched at 33% up to a maximum of 6% of eligible compensation. Emmis discretionary contributions to the plan totaled $0.9 million and $1.1 million for the years ended February 28, 2009 and February 28, 2011, respectively.

c. Defined Contribution Health and Retirement Plan

Emmis contributes to a multi-employer defined contribution health and retirement plan for employees who are members of a certain labor union. Amounts charged to expense for continuing operations related to the multi-employer plan were approximately $0.6 million, $0.5 million and $0.4 million for the years ended February 2009, 2010 and 2011, respectively.

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12. OTHER COMMITMENTS AND CONTINGENCIES

a. Commitments of our continuing operations

The Company has various commitments under the following types of material contracts for its continuing operations: (i) operating leases; (ii) radio syndicated programming; (iii) employment agreements and (iv) other contracts with annual commitments (mostly contractual services for audience measurement information) at February 28, 2011 as follows:

Year ending February 28 (29),	Operating Leases	Syndicated Programming	Employment Agreements	Other Contracts	Total
2012	$ 7,457	$ 1,348	$ 11,084	$ 9,982	$ 29,871
2013	6,145	665	5,600	9,517	21,927
2014	5,084	148	541	10,282	16,055
2015	4,649			3,728	8,377
2016	4,318			249	4,567
Thereafter	15,058			467	15,525
Total	$ 42,711	$ 2,161	$ 17,225	$ 34,225	$ 96,322

Emmis leases certain office space, tower space, equipment and automobiles under operating leases expiring at various dates through June 2027. Some of the lease agreements contain renewal options and annual rental escalation clauses (generally tied to the Consumer Price Index or increases in the lessor s operating costs), as well as provisions for payment of utilities and maintenance costs. Rental expense for continuing operations during the years ended February 2009, 2010 and 2011 was approximately $7.7 million, $8.2 million and $8.6 million, respectively.

There are no material commitments related to our discontinued operations.

b. Litigation

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

See Note 16, Related Party Transactions, for a discussion of litigation related to Emmis, JS Acquisition and Alden.

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 FCC. Emmis does not expect the challenges to result in the denial of any license renewals.

c. Other contingencies

Effective December 31, 2009, our radio music license agreements with the two largest performance rights organizations, American Society of Composers, Authors and Publishers (ASCAP) and Broadcast Music, Inc. (BMI), expired. The Radio Music License Committee (RMLC), which negotiates music licensing fees for most of the radio industry with ASCAP and BMI and of which we are a participant, filed motions in the U.S. District Court in New York against BMI and ASCAP on behalf of the radio industry, seeking interim fees and a determination of fair and reasonable industry-wide license fees. The U.S. District Court in New York approved reduced interim fees for ASCAP and BMI. The final fees, still to be determined by the court, may be retroactive to January 1, 2010 and may be different from the interim fees.

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13. INCOME TAXES

United States and foreign income (loss) before income taxes for the years ended February 2009, 2010 and 2011 was as follows:

	2009	2010	2011
United States	$ (360,059)	$ (155,785)	$ (3,439)
Foreign	(5,664)	(2,989)	1,092
Loss before income taxes	$ (365,723)	$ (158,774)	$ (2,347)

The benefit for income taxes for the years ended February 2009, 2010 and 2011, consisted of the following:

	2009	2010	2011
Current:			
Federal	$	$ (6,794)	$ (123)
State		527	(464)
Foreign	1,529	990	928
	1,529	(5,277)	341
Deferred:			
Federal	(58,346)	(28,759)	2,418
State	(8,581)	(5,438)	3,928
Foreign	(450)	(366)	(235)
	(67,377)	(34,563)	6,111
Provision (benefit) for income taxes	$ (65,848)	$ (39,840)	$ 6,452
Other Tax Related Information:			
Taxes associated with noncontrolling interest earnings	(2,539)		
Tax provision of discontinued operations	3,751	401	

The provision (benefit) for income taxes for the years ended February 2009, 2010 and 2011 differs from that computed at the Federal statutory corporate tax rate as follows:

	2009	2010	2011
Computed income tax benefit at 35%	$ (125,666)	$ (55,571)	$ (822)
State income tax	(8,581)	(4,911)	3,464
Foreign taxes	(2,075)	(533)	255
Federal net operating loss carryback		(6,793)	
Tax benefit resulting from swap expiration and related OCI reversal			(1,993)
Nondeductible stock compensation and Section 162 disallowance	1,486	1,154	1,065
Entertainment disallowance	620	546	529
Increase in valuation allowance	54,061	20,988	4,963
Tax attributed to noncontrolling interest		(1,318)	(1,572)
Impairment charges on goodwill with no tax basis	14,030	3,825	
Forgiveness of intercompany foreign loans		2,548	525

Other		277		225		38
Provision (benefit) for income taxes	$	(65,848)	$	(39,840)	$	6,452

The components of deferred tax assets and deferred tax liabilities at February 28, 2010 and February 28, 2011 are as follows:

	2010	2011
Deferred tax assets:		
Net operating loss carryforwards	$ 30,245	$ 50,795
Intangible assets	48,314	41,562
Compensation relating to stock options	3,062	2,180
Interest rate exchange agreement	1,668	122
Deferred revenue	8,109	4,629
Tax credits	1,405	1,405
Investments in subsidiairies	1,796	1,853
Other	3,487	4,113
Valuation allowance	(71,089)	(87,814)
Total deferred tax assets	26,997	18,845
Deferred tax liabilities		
Indefinite-lived intangible assets	(76,565)	(81,411)
Fixed assets	(2,587)	(2,110)
Foreign unremitted earnings	(7,925)	(3,167)
Cancellation of debt income	(12,858)	(13,465)
Other	(367)	(103)
Total deferred tax liabilities	(100,302)	(100,256)
Net deferred tax liabilities	$ (73,305)	$ (81,411)

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax asset will not be realized. The Company increased its valuation allowance for all jurisdictions by a net $16.7 million to $87.8 million as of February 28, 2011 from $71.1 million as of February 28, 2010, to reflect a valuation allowance for the majority of its total domestic net deferred tax assets. The increase in the valuation allowance was primarily the result of additional operating losses in fiscal 2011, offset by the changes in the components of Accumulated Other Comprehensive Income (Loss), described in Note 6 to the financial statements. The Company does not benefit its deferred tax assets (DTAs) based on the deferred tax liabilities (DTLs) related to indefinite-lived intangibles that are not expected to reverse during the carry-forward period. Because this DTL would not reverse until some future indefinite period when the intangibles are either sold or impaired, any resulting temporary differences cannot be considered a source of future taxable income to support realization of the DTAs.

The Company has considered future taxable income and ongoing prudent and feasible tax-planning strategies in assessing the need for the valuation allowance. The Company will assess quarterly whether it remains more likely than not that the deferred tax assets will not be realized. In the event the Company determines at a future time that it could realize its deferred tax assets in excess of the net amount recorded, the Company will reduce its deferred tax asset valuation allowance and decrease income tax expense in the period when the Company makes such determination.

The Company has federal NOLs of $118 million and state NOLs of $189 million available to offset future taxable income. These net operating losses include an unrealized benefit of approximately $0.8 million related to share-based compensation that will be recorded in equity when realized. The federal net operating loss carryforwards begin expiring in 2028, and the state net operating loss carryforwards expire between the years ending February 2012 and February 2032. A valuation allowance has been provided for the net operating loss carryforwards related to Federal

and state net operating losses as it is more likely than not that substantially all of these net operating losses will expire unutilized.

The $1.4 million of tax credits at February 28, 2011 relate primarily to alternative minimum tax carryforwards that can be carried forward indefinitely. A valuation allowance has been placed against this deferred tax asset.

United States Federal and state deferred income taxes have been recorded on undistributed earnings of foreign subsidiaries because such earnings are not intended to be indefinitely reinvested in these foreign operations. At February 28, 2011, we had an aggregate of $7.7 million of unremitted earnings of foreign subsidiaries that, when distributed, would result in additional U.S. income taxes of $3.2 million.

During the year ended February 28, 2010 the Company recorded a $6.8 million benefit related to previous tax paid by Emmis, which was recouped during the year ended February 28, 2011 due to the signing of the Worker, Homeownership, and Business Assistance Act of 2009. This act allowed Emmis to extend the previously allowed two-year carryback period on NOLs to five years and permitted the full offset of alternative minimum tax during such extended carryback period.

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The Company has adopted FASB Accounting Standards Codification Topic 740-10, *Accounting for Uncertainty in Income Taxes* (ASC 740-10). ASC 740-10 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken within a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest benefit that is greater than 50 percent likely of being realized upon ultimate settlement. As of February 28, 2011, the estimated value of the Company s net uncertain tax positions is approximately $0.7 million, which is included in other current liabilities, as the Company expects to settle the item within the next 12 months.
The following is a tabular reconciliation of the total amounts of gross unrecognized tax benefits for the years ending February 28, 2010 and February 28, 2011:

	For the year ending February 28,	
	2010	**2011**
Gross unrecognized tax benefit opening balance	$ 1,739	$ 657
Gross increases tax positions in prior periods	100	
Gross decreases settlements with taxing authorities	(600)	
Gross decreases lapse of applicable statute of limitations	(582)	(132)
Gross unrecognized tax benefit ending balance	$ 657	$ 525

Included in the balance of unrecognized tax benefits at February 28, 2011 are $0.5 million of tax benefits that, if recognized, would reduce the Company s provision for income taxes. Of the total unrecognized tax benefits as of February 28, 2011, it is reasonably possible that $0.5 million could change in the next twelve months due to audit settlements, expiration of statute of limitations or other resolution of uncertainties. The amount relates primarily to the allocation of income among multiple jurisdictions. Due to the uncertain and complex application of tax regulations, it is possible that the ultimate resolution of audits may result in liabilities that could be different from this estimate. In such case, the Company will record additional tax expense or tax benefit in the tax provision, or reclassify amounts on the accompanying consolidated balance sheets in the period in which such matter is effectively settled with the taxing authority.
The Company recognizes interest accrued related to unrecognized tax benefits and penalties as income tax expense. Related to the uncertain tax benefits noted above, the Company accrued an immaterial amount of interest during the year ending February 28, 2011 and in total, as of February 28, 2011, has recognized a liability for interest of $0.1 million.
The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions and various international jurisdictions. The Company has a number of federal, state and foreign income tax years still open for examination as a result of the net operating loss carryforwards. Accordingly the Company is subject to examination for both U.S. federal and certain state tax return purposes for the years ending February 28, 2003 to present.

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14. SEGMENT INFORMATION

The Company s operations are aligned into two business segments: Radio and Publishing. These business segments are consistent with the Company s management of these businesses and its financial reporting structure. Corporate represents expenses not allocated to reportable segments.

The Company s segments operate primarily in the United States, with national radio networks in Slovakia and Bulgaria. See Note 1 for a discussion of our discontinued operations in Hungary and Belgium. The following table summarizes the net revenues and long lived assets of our international properties included in our consolidated financial statements.

	Net Revenues for the Year Ended February 28,			Long-lived Assets as of February 28,		
	2009	**2010**	**2011**	**2009**	**2010**	**2011**
Continuing Operations:						
Slovakia	18,195	14,090	13,006	9,965	9,371	7,521
Bulgaria	3,858	2,103	1,421	3,722	1,119	778
Discontinued Operations:						
Hungary	23,911	12,914	41	2,110	138	20
Belgium	2,031	703		34		

The following tables summarize the results of operations of our business segments for the years ended February 2009, 2010, and 2011 and the total assets of our business segments as of February 2010 and 2011.

YEAR ENDED FEBRUARY 28, 2011	**Radio**	**Publishing**	**Corporate**	**Consolidated**
Net revenues	$ 185,206	$ 66,108	$	$ 251,314
Station operating expenses excluding depreciation and amortization expense	136,148	63,835		199,983
Corporate expenses excluding depreciation and amortization expense			15,710	15,710
Depreciation and amortization	7,592	499	1,301	9,392
Impairment loss	7,005			7,005
Loss on disposal of fixed assets	3			3
Operating income (loss)	$ 34,458	$ 1,774	$ (17,011)	$ 19,221
Assets continuing operations	$ 405,227	$ 38,299	$ 26,868	$ 470,394
Assets discontinued operations	2,083			2,083
Total assets	$ 407,310	$ 38,299	$ 26,868	$ 472,477

YEAR ENDED FEBRUARY 28, 2010	**Radio**	**Publishing**	**Corporate**	**Consolidated**
Net revenues	$ 177,566	$ 65,000	$	$ 242,566
Station operating expenses excluding depreciation and amortization expense	141,557	64,603		206,160
Corporate expenses excluding depreciation and amortization expense			13,634	13,634
Depreciation and amortization	8,128	772	1,493	10,393

Impairment loss	166,571	8,071		174,642
Restructuring charge	1,412	741	1,197	3,350
(Gain) loss on disposal of fixed assets	18	13	(158)	(127)
Operating loss	$ (140,120)	$ (9,200)	$ (16,166)	$ (165,486)
Assets continuing operations	$ 418,259	$ 39,431	$ 34,288	$ 491,978
Assets discontinued operations	6,190			6,190
Total assets	$ 424,449	$ 39,431	$ 34,288	$ 498,168

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YEAR ENDED FEBRUARY 28, 2009	Radio	Publishing	Corporate	Consolidated
Net revenues	$ 224,941	$ 82,990	$	$ 307,931
Station operating expenses excluding depreciation and amortization expense	162,685	76,322		239,007
Corporate expenses excluding depreciation and amortization expense			18,503	18,503
Depreciation and amortization	9,020	1,231	2,152	12,403
Impairment loss	333,464	32,422	7,251	373,137
Restructuring charge	1,521	599	2,088	4,208
(Gain) loss on disposal of fixed assets	25	1	(12)	14
Operating loss	$ (281,774)	$ (27,585)	$ (29,982)	$ (339,341)

15. 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 year 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 year ended February 28, 2010, 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 year ended February 28, 2010.

16. RELATED PARTY TRANSACTIONS

Although Emmis no longer makes loans to executive officers and directors, we currently have a loan outstanding to Jeffrey H. Smulyan, our Chairman, Chief Executive Officer and President, that is grandfathered under the Sarbanes-Oxley Act of 2002. The largest aggregate amount outstanding on this loan at any month-end during fiscal 2011 was $1.1 million and the balance at February 28, 2010 and 2011 was $1.0 million and $1.1 million, respectively. This loan bears interest at our cost of debt under our Credit Agreement, which at February 28, 2010 and 2011 was approximately 7.6% and 5.5% per annum, respectively.

Prior to 2002, the Company had made certain life insurance premium payments for the benefit of Mr. Smulyan. The Company discontinued making such payments in 2001; however, pursuant to a Split Dollar Life Insurance Agreement and Limited Collateral Assignment dated November 2, 1997, the Company retains the right, upon Mr. Smulyan s death, resignation or termination of employment, to recover all of the premium payments it has made, which total $1.1 million.

Emmis and certain companies controlled by our Chairman and CEO, Jeffrey H. Smulyan, incurred various expenses in connection with last year s proposed going private transaction. Those expenses included approximately $1.6 million of expenses attributable to the preparation of a Proxy Statement/Offer to Exchange and related documents for the special meeting of shareholders to approve certain amendments to the Company s articles of incorporation and for the exchange offer relating to our preferred stock, both of which were conditions to the going private transaction. Emmis incurred approximately $0.9 million of such expenses, which related to the special meeting and associated matters, and Mr. Smulyan s companies incurred approximately $0.7 million of such expenses, which related to the exchange offer and associated matters. See Note 9 for more discussion of the going private transaction.

On December 24, 2010, Emmis entered into an agreement with Bose McKinney & Evans, LLP (Bose) and JS Acquisition for the purpose of coordinating the prosecution of certain litigation (the Litigation) by JS Acquisition against Alden relating to the going private transaction in which Emmis, JS Acquisition and Alden participated. Under the terms of the agreement, Bose is representing both Emmis and JS Acquisition in connection with the Litigation. Emmis has agreed to initially invest up to $0.2 million in support of the prosecution of JS Acquisition s claim in exchange for first recoupment of 150% of the amount invested from any JS Acquisition recovery. The investment by

Emmis, which is currently included in deposits and other in the accompanying consolidated balance sheets, was unanimously approved by Emmis Board of Directors, including all of its independent directors. Subsequently, Alden sued each of the directors of Emmis in New York state court alleging breach of fiduciary duty and related claims. Emmis believes the Alden claims are without merit. In addition, on March 21, 2011, Emmis filed suit against Alden in Federal District Court for the Southern District of New York, seeking recoupment of approximately $0.3 million of short-swing profits under section 16 of the Securities Exchange Act of 1934.

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17. SUBSEQUENT EVENTS

March 29, 2011 Credit Agreement Amendment

On March 29, 2009, ECC and EOC entered into the Third Amendment to Amended and Restated Revolving Credit and Term Loan Agreement (the Third Amendment), by and among the Borrower, ECC, the lending institutions party to the Credit Agreement and Bank of America, N.A., as administrative agent for itself and the other lenders party to the Credit Agreement.

Among other things, the Third Amendment provides that (i) the leverage ratio and fixed charge covenants will not apply to any amounts outstanding under the Credit Agreement until November 30, 2012, at which time they will be set at 5.0x and 1.15x for the life of the Credit Agreement and from November 30, 2011 through August 31, 2012 there will be a minimum Consolidated EBITDA (as defined in the Credit Agreement) test of $25.0 million per rolling four quarter test period, (ii) the requirement that annual audits be certified without qualification will be waived for the fiscal years ending February 2011 and 2012, (iii) the ability of Emmis to engage in certain activities or transactions, including the payment of dividends, the incurrence of indebtedness and the ability to invest certain proceeds including from asset sales will be further restricted or prohibited and (iv) the terms of the existing Tranche B Term Loans held or purchased on or prior to the date of the Third Amendment by funds or accounts managed by Canyon Capital Advisors LLC (Canyon), are amended into an amended tranche of term loans with an extended maturity date of November, 2014. The total amount of Tranche B Term Loans outstanding as of March 29, 2011 was $329 million, and the amount of such term loans that Canyon amended into extended term loans was approximately $182.9 million. The pricing on such amended term loans is based on Emmis election on the following pricing grid:

Cash Portion	Paid-in-Kind Portion
7.50%	7.00%
7.75%	6.50%
8.00%	6.00%
8.25%	5.50%
8.50%	5.00%
8.75%	4.50%
9.00%	4.00%
9.25%	3.50%
9.50%	3.00%
9.75%[1]	2.50%[1]

Prior to the entry into the Third Amendment, Emmis entered into a backstop letter agreement, dated March 27, 2011, with Canyon (the Backstop Letter Agreement), pursuant to which Canyon agreed to consent to the Third Amendment and to purchase loans necessary to provide the required Lenders consent to the Third Amendment. In consideration of Canyon s entering into the Backstop Letter Agreement, Canyon will receive an exit fee of 6% (or 3% during the first six months after the Third Amendment effective date) on the Tranche B Term Loans and revolving credit commitments held or purchased by funds or accounts managed by Canyon as of March 29, 2011.

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

[1] If the Company elects 9.75% Cash Portion for any payment, it may also elect to pay some or all of the Paid-in-Kind portion in cash for such period.

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Subsequent to the execution of the Third Amendment on March 29, 2011, the maturity dates of the original term loan and revolver remain unchanged, but the term loans held by Canyon have been extended to November 1, 2014. As of March 29, 2011, Canyon held approximately $182.9 million of term loans. Expected annual amortization schedule for the Credit Agreement subsequent to the execution of the Third Amendment, based upon amounts outstanding at February 28, 2011 and assuming that Canyon held $182.9 million of the outstanding term loans on that date, is as follows:

Year Ended February 28 (29),	Revolver Amortization	Amortization of Term Loans Held by Canyon	Amortization of Term Loans Held by Others	Total Amortization
2012		1,821	1,456	3,277
2013	2,000	1,802	1,442	5,244
2014		1,786	143,233	145,019
2015		177,454		177,454
Total	$ 2,000	$ 182,863	$ 146,131	$ 330,994

Sale of Glendale, CA Tower Site

On April 6, 2011, Emmis sold land, towers and other equipment at its Glendale, CA tower site to Richland Towers Management Flint, Inc. for $6.0 million in cash. In connection with the sale, Emmis recorded a gain on sale of assets of approximately $4.8 million. Net proceeds from the sale were used to repay amounts outstanding under the credit facility.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this annual 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 February 28, 2011, 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.

Management s Report on Internal Control Over Financial Reporting

Management s report on internal control over financial reporting is included in Emmis Communications Corporation s financial statements under the caption entitled Management s Report on Internal Control Over Financial Reporting and is incorporated herein by this reference.

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

The information required by this item with respect to directors or nominees to be directors of Emmis is incorporated by reference from the sections entitled Proposal 1: Election of Directors, Corporate Governance Certain Committees of the Board of Directors, Corporate Governance Code of Ethics and Section 16(a) Beneficial Ownership Reporting Compliance in the Emmis 2011 Proxy Statement. Information about executive officers of Emmis or its affiliates who are not directors or nominees to be directors is presented in Part I under the caption Executive Officers of the Registrant.

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ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item is incorporated by reference from the sections entitled Corporate Governance Compensation of Directors and Executive Compensation in the Emmis 2011 Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

Information required by this item is incorporated by reference from the section entitled Security Ownership of Beneficial Owners and Management in the Emmis 2011 Proxy Statement.

Equity Compensation Plan Information

The following table gives information about our common stock that may be issued upon the exercise of options, warrants and rights under our 1999 Equity Incentive Plan, 2001 Equity Incentive Plan, 2002 Equity Incentive Plan, 2004 Equity Compensation Plan and 2010 Equity Compensation Plan as of February 28, 2011. Our shareholders have approved these plans.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (A)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (B)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (A)) (C)
Equity Compensation Plans Approved by Security Holders	8,515,491	$ 9.26	3,689,371
Equity Compensation Plans Not Approved by Security Holders			
Total	8,515,491	$ 9.26	3,689,371

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this item is incorporated by reference from the sections entitled Corporate Governance Independent Directors and Corporate Governance Certain Transactions in the Emmis 2011 Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by this item is incorporated by reference from the section entitled Matters Relating to Independent Registered Public Accountants in the Emmis 2011 Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Financial Statements

The financial statements filed as a part of this report are set forth under Item 8.

Financial Statement Schedules

No financial statement schedules are required to be filed with this report.

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	Second Amended and Restated Code of By-Laws of Emmis Communications Corporation incorporated by reference from Exhibit 3.2 to the Company s Form 8-K filed on May 27, 2010.
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).
10.1	Amended and Restated Credit and Term Loan Agreement dated November 2, 2006, incorporated by reference to Exhibit 10.1 to the Company s Form 8-K filed on November 7, 2006; First Amendment and Consent to Amended and Restated Revolving Credit and Term Loan Agreement, incorporated by reference to Exhibit 10.1 to the Company s Form 8-K filed on March 6, 2009; Second Amendment to Amended and Restated Revolving Credit and Term Loan Agreement, incorporated by reference to Exhibit 10.1 to the Company s Form 8-K filed on August 19, 2009; and Third Amendment and Consent to Amended and Restated Revolving Credit and Term Loan Agreement, incorporated by reference to Exhibit 10.2 to the Company s Form 8-K filed on March 30, 2011.
10.2	Emmis Communications Corporation 2004 Equity Compensation Plan as Amended and Restated in 2008, incorporated by reference to Exhibit 10.14 to the Company s Form 8-K filed January 7, 2009.++
10.3	Emmis Communications Corporation 2010 Equity Compensation Plan, incorporated by reference to Exhibit A to the Company s proxy statement filed on Form DEF 14A on November 10, 2010.++
10.4	Tax Sharing Agreement dated May 10, 2004, by and between Emmis Communications Corporation and Emmis Operating Company, incorporated by reference to Exhibit 10.32 to the Company s Form 10-K for the year ended February 29, 2004.
10.5	Form of Stock Option Grant Agreement, incorporated by reference to Exhibit 10.1 to the Company s Form 8-K filed March 7, 2005.++
10.6	Form of Restricted Stock Option Grant Agreement, incorporated by reference to Exhibit 10.2 to the Company s Form 8-K filed March 7, 2005.++
10.7	Bonus Plan for Fiscal Year Ending 2011, incorporated by reference to Item 1.01 of the Company s Form 8-K filed April 9, 2010.++
10.8	Change in Control Severance Agreement, dated as of January 1, 2008, by and between Emmis Communications Corporation and Jeffrey H. Smulyan, incorporated by reference from Exhibit 10.7 to the Company s Form 8-K filed on January 7, 2009.++

10.9	Employment Agreement, dated as of December 15, 2009, by and between Emmis Operating Company and Jeffrey H. Smulyan incorporated by reference from Exhibit 10.8 to the Company s Form 10-K filed on May 7, 2011. ++
10.10	Change in Control Severance Agreement, dated as of January 1, 2008, by and between Emmis Communications Corporation and Patrick M. Walsh, incorporated by reference from Exhibit 10.13 to the Company s Form 8-K filed on January 7, 2009.++
10.11	Employment Agreement, dated as of December 15, 2008, by and between Emmis Operating Company and Patrick M. Walsh incorporated by reference from Exhibit 10.1 to the Company s Form 8-K filed December 15, 2008.++

10.12	Change in Control Severance Agreement, dated as of January 1, 2008, by and between Emmis Communications Corporation and Richard F. Cummings, incorporated by reference from Exhibit 10.8 to the Company s Form 8-K filed on January 7, 2009.++
10.13	Employment Agreement, dated as of March 1, 2009, by and between Emmis Operating Company and Richard F. Cummings incorporated by reference from Exhibit 10.2 to the Company s Form 8-K filed March 6, 2009.++
10.14	Employment Agreement, dated as of March 1, 2010, by and between Emmis Operating Company and Richard F. Cummings incorporated by reference from Exhibit 10.1 to the Company s Form 8-K filed March 3, 2010.++
10.15	Employment Agreement, dated as of March 1, 2011, by and between Emmis Operating Company and Richard F. Cummings incorporated by reference from Exhibit 10.1 to the Company s Form 8-K filed March 11, 2011.++
10.16	Employment Agreement, effective as of March 3, 2009, by and between Emmis Operating Company and Gary L. Kaseff incorporated by reference from Exhibit 10.31 to the Company s Form 10-K/A filed October 9, 2009.++
10.17	Local Programming and Marketing Agreement, dated as of April 3, 2009, among KMVN, LLC, KMVN License, LLC, Grupo Radio Centro LA, LLC and Grupo Radio Centro S.A.B. de C.V., incorporated by reference to Exhibit 10.1 to the Company s Form 8-K filed April 8, 2009.
10.18	Put and Call Agreement, dated as of April 3, 2009, among KMVN, LLC, KMVN License, LLC, Grupo Radio Centro LA, LLC and Grupo Radio Centro S.A.B. de C.V., incorporated by reference to Exhibit 10.2 to the Company s Form 8-K filed April 8, 2009.
10.19	Engagement letter dated December 24, 2010, among JS Acquisitions, LLC, Emmis Communications Corporation and Bose McKinney & Evans LLP.*
10.20	Agreement and Plan of Merger, dated as of May 25, 2010, by and among Emmis Communications Corporation, JS Acquisition, LLC and JS Acquisition, Inc., incorporated by reference to Exhibit 2.1 to the Company s Form 8-K filed May 27, 2010.
21	Subsidiaries of Emmis.*
23	Consent of Independent Registered Public Accounting Firm.*
24	Powers of Attorney.*
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	Certification of Principal Executive Officer of Emmis Communications Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
32.2	Certification of Principal Financial Officer of Emmis Communications Corporation pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed with this report.

++ Management contract or compensatory plan or arrangement.

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Signatures.

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

	EMMIS COMMUNICATIONS CORPORATION
Date: May 10, 2011	By: /s/ Jeffrey H. Smulyan Jeffrey H. Smulyan Chairman of the Board, President and Chief Executive Officer

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

	SIGNATURE	TITLE
Date: May 10, 2011	/s/ Jeffrey H. Smulyan Jeffrey H. Smulyan	President, Chairman of the Board and Director (Principal Executive Officer)
Date: May 10, 2011	/s/ Patrick M. Walsh Patrick M. Walsh	Executive Vice President, Chief Financial Officer, Chief Operating Officer and Director (Principal Financial Officer and Principal Accounting Officer)
Date: May 10, 2011	Susan B. Bayh* Susan B. Bayh	Director
Date: May 10, 2011	Gary L. Kaseff* Gary L. Kaseff	Director
Date: May 10, 2011	Richard A. Leventhal* Richard A. Leventhal	Director
Date: May 10, 2011	Peter A. Lund* Peter A. Lund	Director
Date: May 10, 2011	Greg A. Nathanson* Greg A. Nathanson	Director
Date: May 10, 2011	Lawrence B. Sorrel* Lawrence B. Sorrel	Director

*By: /s/ J. Scott Enright

J. Scott Enright
Attorney-in-Fact