CUMULUS MEDIA INC
Form 10-Q
November 09, 2007

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

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2007.

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

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

Delaware	**36-4159663**
(State or Other Jurisdiction of Incorporation or Organization)	*(I.R.S. Employer Identification No.)*
3280 Peachtree Road N.W., Suite 2300, Atlanta GA	**30305**
(Address of Principal Executive Offices)	*(Zip Code)*
14 Piedmont Center, Suite 1400, Atlanta, GA	**30305**
(Former Address)	*(ZIP Code)*

(404) 949-0700
(Registrant s telephone number, including area code)

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

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

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

As of October 31, 2007, the registrant had 43,149,712 outstanding shares of common stock consisting of (i) 36,695,650 shares of Class A Common Stock; (ii) 5,809,191 shares of Class B Common Stock; and (iii) 644,871 shares of Class C Common Stock.

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

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

	September 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 12,449	$ 2,392
Accounts receivable, less allowance for doubtful accounts of $1,970 and $1,942, in 2007 and 2006, respectively	56,432	55,013
Prepaid expenses and other current assets	5,589	5,477
Total current assets	74,470	62,882
Property and equipment, net	63,849	71,474
Intangible assets, net	871,486	934,140
Goodwill	159,729	176,791
Investment in affiliates	69,337	71,684
Other assets	8,843	16,176
Total assets	$ 1,247,714	$ 1,333,147
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 26,428	$ 30,826
Current portion of long-term debt	7,500	7,500
Total current liabilities	33,928	38,326
Long-term debt	730,650	743,750
Other liabilities	14,986	17,020
Deferred income taxes	194,061	197,044
Total liabilities	973,625	996,140
Stockholders equity:		
Preferred stock, 20,262,000 shares authorized, par value $0.01 per share, including: 250,000 shares designated as 13 3/4% Series A Cumulative Exchangeable Redeemable Stock		
Class A common stock, par value $.01 per share; 100,000,000 shares authorized; 59,468,086 and 58,850,286 shares issued, 36,695,649 and 35,318,634 shares outstanding, in 2007 and 2006, respectively	595	588
Class B common stock, par value $.01 per share; 20,000,000 shares authorized; 5,809,191 and 6,630,759 shares issued and outstanding, in 2007 and 2006, respectively	58	66

Class C common stock, par value $.01 per share; 30,000,000 shares authorized; 644,871 shares issued and outstanding in 2007 and 2006, respectively	6		6
Class A Treasury stock, at cost, 22,772,437 and 23,531,652 shares in 2007 and 2006, respectively	(273,136)		(282,194)
Accumulated other comprehensive income	5,793		6,621
Additional paid-in-capital	977,139		978,480
Accumulated deficit	(436,366)		(366,560)
Total stockholders equity	274,089		337,007
Total liabilities and stockholders equity	$ 1,247,714	$	1,333,147

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended September 30, 2007	RESTATED Three Months Ended September 30, 2006	Nine Months Ended September 30, 2007	RESTATED Nine Months Ended September 30, 2006
Broadcast revenues	$ 83,183	$ 82,947	$ 240,922	$ 244,932
Management fee from affiliate	1,000	1,004	3,000	1,630
Net revenues	84,183	83,951	243,922	246,562
Operating expenses:				
Station operating expenses, excluding depreciation, amortization and LMA fees	52,241	51,877	157,469	160,608
Depreciation and amortization	3,624	4,236	11,184	13,562
Gain on assets transferred to affiliate				(2,548)
LMA fees	163	400	494	797
Corporate general and administrative (including non-cash stock compensation of $2,679, $3,696, $7,028 and $10,765, respectively)	6,981	7,077	19,761	22,845
Impairment of goodwill and intangible assets	81,335		81,335	
Costs associated with proposed merger	2,413		2,413	
Total operating expenses	146,757	63,590	272,656	195,264
Operating (loss) income	(62,574)	20,361	(28,734)	51,298
Non-operating income (expense):				
Interest expense	(17,309)	(20,294)	(42,500)	(29,710)
Interest income	162	239	352	542
Loss on early extinguishment of debt			(986)	(2,284)
Other (expense) income, net	7	(117)	(163)	45
Total nonoperating expenses, net	(17,140)	(20,172)	(43,297)	(31,407)
(Loss) income before income taxes and equity in loss of affiliate	(79,714)	189	(72,031)	19,891
Income tax benefit/(expense)	9,973	183	4,573	(9,439)
Equity in loss of affiliate	(789)	(1,041)	(2,347)	(3,528)
Net (loss) income	$ (70,530)	$ (669)	$ (69,805)	$ 6,924

Basic and diluted income per common share:				
Basic (loss) income per common share	$ (1.63)	$ (0.02)	$ (1.62)	$ 0.13
Diluted (loss) income per common share	$ (1.63)	$ (0.02)	$ (1.62)	$ 0.13
Weighted average basic common shares outstanding	43,259,634	42,623,395	43,180,618	53,654,681
Weighted average diluted common shares outstanding	43,259,634	42,623,395	43,180,618	54,975,235

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30, 2007	RESTATED Nine Months Ended September 30, 2006
Cash flows from operating activities:		
Net (loss) income	$ (69,805)	$ 6,924
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Loss on early extinguishment of debt	986	2,284
Depreciation and amortization	11,156	13,147
Amortization of debt issuance costs	323	415
Provision for doubtful accounts	2,272	2,461
Change in the fair value of derivative instruments	5,265	(614)
Deferred income taxes	(2,983)	9,439
Non-cash stock compensation	7,028	10,765
Net gain on disposition of fixed assets		99
Gain on transfer of assets to unconsolidated affiliate		(2,548)
Impairment of goodwill and intangible assets	81,335	
Equity loss on investment in unconsolidated affiliate	2,347	3,528
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(3,677)	(5,531)
Prepaid expenses and other current assets	760	(1,464)
Accounts payable and accrued expenses	(3,438)	3,020
Other assets	345	2,223
Other liabilities	(2,605)	97
Net cash provided by operating activities	29,309	44,245
Cash flows from investing activities:		
Acquisitions, including investment in affiliate		(2,733)
Purchase of intangible assets	(975)	(9,152)
Escrow deposits on pending acquisitions		1,907
Capital expenditures	(3,714)	(8,165)
Other	(214)	192
Net cash used in investing activities	(4,903)	(17,951)
Cash flows from financing activities:		
Proceeds from bank credit facility	750,000	814,750
Repayments of borrowings from bank credit facility	(763,100)	(615,875)
Payments for debt issuance costs	(997)	(1,255)
Payments for officer restricted shares	(311)	
Proceeds from issuance of common stock	303	1,654

Payment for repurchase of common stock		(244)		(223,995)
Net cash used in financing activities		(14,349)		(24,721)
Increase (decrease) in cash and cash equivalents		10,057		1,573
Cash and cash equivalents at beginning of period		2,392		5,121
Cash and cash equivalents at end of period	$	12,449	$	6,694
Non-cash operating, investing, and financing activities:				
Trade revenue	$	12,513	$	13,167
Trade expense		12,498		13,209
Interest paid	$	41,020	$	32,037

See accompanying notes to condensed consolidated financial statements.

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Cumulus Media Inc.

Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Interim Financial Data and Basis of Presentation

Interim Financial Data

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of Cumulus Media Inc. (Cumulus , we or the Company) and the notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2006. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments necessary for a fair presentation of results of the interim periods have been made and such adjustments were of a normal and recurring nature. The results of operations and cash flows for the three months ended September 30, 2007 are not necessarily indicative of the results that can be expected for the entire fiscal year ending December 31, 2007.

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

Recent Accounting Pronouncement

FIN 48. In July 2006, the FASB issued SFAS Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of SFAS Statement No. 109.* FIN 48 applies to all tax positions accounted for under SFAS 109*, Accounting for Income.* FIN 48 refers to tax positions as positions taken in a previously filed tax return or positions expected to be taken in a future tax return that are reflected in measuring current or deferred income tax assets and liabilities reported in the financial statements. FIN 48 further clarifies a tax position to include the following:

- a decision not to file a tax return in a particular jurisdiction for which a return might be required,
- an allocation or a shift of income between taxing jurisdictions,
- the characterization of income or a decision to exclude reporting taxable income in a tax return, or
- a decision to classify a transaction, entity, or other position in a tax return as tax exempt.

FIN 48 clarifies that a tax benefit may be reflected in the financial statements only if it is more likely than not that a company will be able to sustain the tax return position, based on its technical merits. If a tax benefit meets this criterion, it should be measured and recognized based on the largest amount of benefit that is cumulatively greater than 50% likely to be realized. This is a change from prior practice, whereby companies were able to recognize a tax benefit only if it was probable a tax position would be sustained.

The Company adopted the provisions of FIN 48 on January 1, 2007. The Company classifies interest and penalties relating to uncertain tax positions as part of the income tax expense. The Company files numerous income tax returns at the United States federal jurisdiction and for various state jurisdictions. One of our subsidiaries is subject to filing in a foreign jurisdiction. For U.S. federal purposes, due to the net operating losses available, we are no longer subject to examination for years prior to 1997. With few exceptions we are no longer subject to state and

local or non-U.S. income tax examinations for the years before 2003.
The Company has identified one uncertain tax position related to state income tax matters. Prior to the adoption of FIN 48, management identified this issue and recorded a contingent liability for estimated income tax, interest and penalties. The Company reorganized its corporate structure and eliminated this type of transaction. The audit for the state with the largest potential liability was settled in late 2006 and subsequently paid. The Company determined that the income tax positions taken with the other states are not more likely than not to be sustained, and thus retained the contingencies previously recorded for these other states. On January 1, 2007, the contingency recorded for these remaining states was approximately $5.7 million, including penalties and interest of approximately $2.4 million. During the third quarter of 2007, the Company reversed a portion of the contingent liabilities that are no longer subject to examinations. At September 30, 2007 the contingency remaining on the books was approximately $3.2 million, including penalties and interest of approximately $1.5. This entire amount, if recognized, would affect the effective tax rate. It will be reversed as the open years cease to be subject to examination, principally in the fourth quarter of 2007 and 2008.

Merger

On July 23, 2007, the Company entered into an Agreement and Plan of Merger (the Merger Agreement) with Cloud Acquisition Corporation, a Delaware corporation (Parent), and Cloud Merger Corporation, a Delaware corporation and a wholly owned subsidiary of Parent (Merger Sub). Under the terms of the Merger Agreement, Merger Sub will be merged with and into the Company, with the Company continuing as the surviving corporation and a wholly owned subsidiary of Parent (the Merger).
Parent is owned by an investment group consisting of Mr. Lewis W. Dickey, Jr., the Company s Chairman, President and Chief Executive Officer, his brother John W. Dickey, the Company s Executive Vice President and Co-Chief Operating Officer, other members of their family (collectively with Messrs. L. Dickey and J. Dickey, the Dickeys), and an affiliate of Merrill Lynch Global Private Equity (the Sponsor).
The Dickeys have agreed, at the request of the Sponsor, to contribute a portion of their Company equity to Parent or an affiliate thereof (such contributed equity, the Rollover Shares). Parent has obtained equity and debt financing commitments for the transactions contemplated by the Merger Agreement, the aggregate proceeds of which will be sufficient for Parent to pay the aggregate merger consideration and all related fees and expenses.
At the effective time of the Merger, each outstanding share of Class A Common Stock, other than (a) the Rollover Shares, (b) shares owned by the Company, Parent or any wholly owned subsidiaries of the Company or Parent, or (c) shares owned by any stockholders who are entitled to and who have properly exercised appraisal rights under Delaware law, will be cancelled and converted into the right to receive $11.75 per share in cash see note 9 for further discussion.
Through September 30, 2007, the Company incurred costs of approximately $2.4 million in connection with the proposed merger. The costs were treated as a discrete item for the purposes of the income tax benefit calculation for the three and nine months ended September 30, 2007.

2. Restatement

As previously reported, on May 10, 2007, the Company s management, acting under the scope of authority granted by the audit committee of the board of directors of the Company, determined that the interim financial statements included in the Company s quarterly reports on Form 10-Q for the periods ended June 30, 2006 and September 30, 2006 should no longer be relied upon due to an error in those financial statements related to the accounting for certain interest rate swaps as further described below. The Company is including in this quarterly report on Form 10-Q the restated financial results for the periods ended September 30, 2006.
In May 2005, the Company entered into a forward-starting LIBOR-based interest rate swap arrangement (the May 2005 Swap) to manage fluctuations in cash flows for certain of its debt instruments resulting from interest rate risk attributable to changes in the benchmark interest rate of LIBOR. Through fiscal year 2006, the May 2005 Swap was accounted for as a qualifying cash flow hedge of the future variable rate interest payments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, whereby changes in the fair value are reported as a component of the Company s accumulated other comprehensive income (AOCI), a portion of stockholders equity.

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Subsequent to the filing of the Company s annual report on Form 10-K for the year ended December 31, 2006, management discovered that beginning June 15, 2006, in connection with the refinancing of the Company s debt, based on the interest rate elections made by the Company at this time, the May 2005 Swap no longer qualified as a cash flow hedging instrument. Accordingly, the changes in its fair value should have been reflected in the statement of operations instead of AOCI. In addition, as of June 15, 2006, certain amounts included in AOCI should have been reversed and recognized in the statement of operations.

As a result of the corrections of the error discussed above, the Company s income before income tax benefit and equity loss of affiliate for the three and nine months ended September 30, 2006 decreased approximately $5.8 million and increased approximately $0.5 million, respectively, resulting primarily from the reclassification of a portion of AOCI to the statement of operations. Net income for the three and nine months ended September 30, 2006 decreased approximately $1.9 million and increased approximately $0.1 million, respectively.

Commencing with the quarter ended September 30, 2007 and through March of 2009, the amount remaining in AOCI is being reclassified to the statement of operations. The effects of the error are presented in the following restated September 30, 2006 financial statements (dollars in thousands).

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	September 30, 2006		
	Before Restatement	**Adjustments**	**As Restated**
Assets			
Current assets:			
Cash and cash equivalents	$ 6,694	$	$ 6,694
Accounts receivable	55,310		55,310
Prepaid expenses and other current assets	11,768		11,768
Deferred tax assets	154		154
Total current assets	73,926		73,926
Property and equipment, net	74,350		74,350
Intangible assets, net	988,227		988,227
Goodwill	185,853		185,853
Investment in affiliate	73,356		73,356
Other assets	15,387		15,387
Total assets	$ 1,411,099	$	$ 1,411,099
Liabilities and Stockholders Equity			
Current liabilities:			
Accounts payable and accrued expenses	$ 32,114	$	$ 32,114
Current portion of long-term debt	7,500		7,500
Total current liabilities	39,614		39,614
Long-term debt	760,375		760,375
Other liabilities	17,223		17,223
Deferred income taxes	212,916	393	213,309
Total liabilities	1,030,128	393	1,030,521
Preferred stock			
Class A common stock	585		585
Class B common stock	66		66
Class C common stock	6		6
Treasury Stock	(276,874)		(276,874)
Accumulated other comprehensive income	7,117	(496)	6,621
Additional paid-in-capital	971,654		971,654
Accumulated deficit	(316,591)	103	(316,488)
Loan to officer	(4,992)		(4,992)
Total stockholders equity	380,971	(393)	380,578
Total liabilities and stockholders equity	$ 1,411,099	$	$ 1,411,099

	Three Months Ended September 30, 2006			Nine Months Ended September 30, 2006		
	Before Restatement	Adjustments	As Restated	Before Restatement	Adjustments	As Restated
Broadcast revenues	$ 82,947	$	$ 82,947	$ 244,932	$	$ 244,932
Management fee from affiliate	1,004		1,004	1,630		1,630
Net revenues	83,951		83,951	246,562		246,562
Operating expenses:						
Station operating expenses,excluding depreciation, amortization and LMA fees	51,877		51,877	160,608		160,608
Depreciation and amortization	4,236		4,236	13,562		13,562
Gain on assets transferred to affiliate				(2,548)		(2,548)
LMA fees	400		400	797		797
Corporate general and administrative	7,077		7,077	22,845		22,845
Total operating expenses	63,590		63,590	195,264		195,264
Operating income	20,361		20,361	51,298		51,298
Non-operating income (expense):						
Interest expense	(14,477)	(5,817)	(20,294)	(30,206)	496	(29,710)
Interest income	239		239	542		542
Loss on early extinguishment of debt				(2,284)		(2,284)
Other income (expense), net	(117)		(117)	45		45
Total nonoperating expenses, net	(14,355)	(5,817)	(20,172)	(31,903)	496	(31,407)
Income before income taxes and equity in loss of affiliate	6,006	(5,817)	189	19,395	496	19,891
Income tax (expense) benefit	(3,696)	3,879	183	(9,046)	(393)	(9,439)

Equity in loss of affiliate		(1,041)				(1,041)		(3,528)				(3,528)
Net income (loss)	$	1,269	$	(1,938)	$	(669)	$	6,821	$	103	$	6,924
Basic and diluted income per common share:												
Basic income (loss) per common share	$	0.03	$	(0.01)	$	(0.02)	$	0.13	$	0.00	$	0.13
Diluted income (loss) per common share	$	0.03	$	(0.01)	$	(0.02)	$	0.12	$	0.01	$	0.13

Plan Merger Effective May 2, 2011, the Industrial Galvanizers America 401(k) Plan and related trust (the Merged Plan), sponsored by Valmont Industries, Inc., was merged into the Plan. The merged assets are reported as Merged plan contributions in the statements of changes in net assets available for benefits. The Merged Plan operates in accordance with the Plan Document.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Use of Estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits and changes therein. Actual results could differ from those estimates.

Risks and Uncertainties The Plan invests in various investment instruments. Investment securities are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the participants account balances and amounts reported in the financial statements.

Investment Valuation and Income Recognition The Plan s investments are stated at fair value. Fair value of a financial instrument 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. Shares of mutual funds managed by registered investment companies are valued at quoted net asset values. The Company common stock is valued at its quoted market price. Realized gains and losses on sales of investments and unrealized appreciation and depreciation in fair value of investments are based upon beginning of year market values or, if acquired during the year, cost.

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The Wells Fargo Stable Value Fund Q is a bank common/collective trust fund and is valued at estimated fair value as determined by the bank based on the underlying fair market value of the underlying investments. In accordance with GAAP, the stable value fund is included at estimated fair value in the statements of net assets available for benefits, and an additional line item is presented representing the adjustment from fair value to contract value. The statement of changes in net assets available for benefits is presented on a contract value basis.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation includes the Plan s gains and losses on investments bought and sold as well as held during the year.

Management fees and operating expenses charged to the Plan for investments in the mutual funds and common/collective trust funds are deducted from income earned on a daily basis and are not separately reflected. Consequently, management fees and operating expenses are reflected as a reduction of investment return for such investments.

Notes Receivable from Participants Notes receivable from participants are measured at their unpaid principal balance plus any accrued but unpaid interest. Delinquent participant loans are recorded as distributions based on the terms of the Plan document.

Administrative Fees Administrative expenses of the Plan are paid by the Plan or the Plan s sponsor as provided in the Plan Document.

Payment of Benefits Benefits are recorded when paid. There were no participants, who have elected to withdraw from the Plan, but have not yet been paid at December 31, 2011 and 2010.

New Accounting Standards Not Yet Effective

ASU No. 2011-04 In May 2011, the FASB issued ASU No. 2011-04, Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs, which amends ASC 820. ASU 2011-04 also requires the categorization by level for items that are only required to be disclosed at fair value and information about transfers between Level 1 and Level 2. In addition, the ASU provides guidance on measuring the fair value of financial instruments managed within a portfolio and the application of premiums and discounts on fair value measurements. The ASU requires additional disclosure for Level 3 measurements regarding the sensitivity of fair value to changes in unobservable inputs and any interrelationships between those inputs. The new guidance is effective for reporting periods beginning after December 15, 2011. The adoption will not have a material effect on the statement of net assets available for benefits and statement of changes in net assets available for benefits. Plan management has not determined the impact on the disclosures in the financial statements.

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3. INVESTMENTS

The Plan s investments that represented 5% or more of the Plan s net assets available for benefits as of December 31, 2011 and 2010, are as follows:

	2011	2010
Wells Fargo Stable Value Fund Q	$ 65,185,607	$ 62,668,680
PIMCO Total Return Institutional Fund	24,782,325	24,862,772
Dodge & Cox International Stock Fund	20,697,834	25,231,413
American Beacon Large Cap Value Fund	19,654,645	21,357,637
*Fidelity Contrafund	34,022,310	36,189,135
*Valmont Industries, Inc. common stock	23,465,182	21,668,375

* Represents party-in-interest

During the years ended December 31, 2011 and 2010, the Plan s investments (including gains and losses on investments bought and sold, as well as held during the year) (depreciated) appreciated in value as follows:

Realized and Unrealized Gains/Losses

	2011	2010
Mutual funds:		
Target date retirement funds	$ (3,331,067)	$ 4,635,536
Equity funds	(4,199,976)	14,396,101
Fixed income funds	27,926	(24,467)
International equity funds	(4,447,904)	2,615,100
Other	(5,494)	57,054
Common collective trusts	1,366,451	1,758,515
Valmont Industries, Inc. common stock	748,164	2,580,713
	$ (9,841,900)	$ 26,018,552

4. FAIR VALUE MEASUREMENTS

ASC 820, *Fair Value Measurements and Disclosures*, provides a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value, as follows: Level 1, which refers to securities valued using unadjusted quoted prices from active markets for identical assets; Level 2, which refers to securities not traded on an active market but for which observable market inputs are readily available; and Level 3, which refers to securities valued based on significant unobservable inputs.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Plan s policy is to recognize significant transfers between levels at the end of the reporting period.

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The following tables set forth by level within the fair value hierarchy a summary of the Plan s investments measured at fair value on a recurring basis at December 31, 2011 and 2010.

Investments	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2011 Total
Mutual funds:				
Target date retirement funds	$ 54,487,029	$	$	$ 54,487,029
Equity funds	95,721,139			95,721,139
Fixed income funds	24,782,325			24,782,325
International equity funds	20,697,834			20,697,834
Other	3,022,703			3,022,703
Total mutual funds	198,711,030			198,711,030
Common collective trusts		65,185,607		65,185,607
Valmont Industries, Inc. common stock	23,465,182			23,465,182
Total investments	$ 222,176,212	$ 65,185,607	$	$ 287,361,819

Investments	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	2010 Total
Mutual funds:				
Target date retirement funds	$ 51,223,817	$	$	$ 51,223,817
Equity funds	100,455,407			100,455,407
Fixed income funds	24,862,772			24,862,772
International equity funds	25,231,413			25,231,413
Other	1,192,938			1,192,938
Total mutual funds	202,966,347			202,966,347
Common collective trusts		62,668,680		62,668,680
Valmont Industries, Inc. common stock	21,668,375			21,668,375
Total investments	$ 224,634,722	$ 62,668,680	$	$ 287,303,402

For the years ended December 31, 2011 and 2010, there were no transfers in or out of Levels 1, 2 or 3.

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5. WELLS FARGO STABLE VALUE FUND Q

The stable return fund (the Fund) is a common/collective trust fund sponsored by Wells Fargo Bank. The beneficial interest of each participant is represented by units. Units are issued and redeemed daily at the Fund s constant net asset value (NAV) of $1 per unit. Distribution to the Fund s unit holders are declared daily from the net investment income and automatically reinvested in the Fund on a monthly basis, when paid. It is the policy of the Fund to use its best efforts to maintain a stable net asset value of $1 per unit, although there is no guarantee that the Fund will be able to maintain this value.

Participants ordinarily may direct the withdrawal or transfer of all or a portion of their investment at contract value. Contract value represents contributions made to the Fund, plus earnings, less participant withdrawals and administrative expenses. There are no reserves against contract value for credit risk of the contract issuer or otherwise. The Fund imposes certain restrictions on the Plan, and the Fund itself may be subject to circumstances that impact its ability to transact at contract value. Plan management believes that the occurrence of events that would cause the Fund to transact at less than contract value is not probable.

Limitations on the Ability of the Fund to Transact at Contract Value:

Restrictions on the Plan Participant-initiated transactions are those transactions allowed by the Plan, including withdrawals for benefits, loans, or transfers to noncompeting funds within a plan, but excluding withdrawals that are deemed to be caused by the actions of the Plan Sponsor. The following employer-initiated events may limit the ability of the Fund to transact at contract value:

- A failure of the Plan or its trust to qualify for exemption from federal income taxes or any required prohibited transaction exemption under ERISA

- Any communication given to Plan participants designed to influence a participant not to invest in the Fund or to transfer assets out of the Fund

- Any transfer of assets from the Fund directly into a competing investment option

- The establishment of a defined contribution plan that competes with the Plan for employee contributions

- Complete or partial termination of the Plan or its merger with another plan

Circumstances That Affect the Fund The Fund invests in assets, typically fixed income securities or bond funds, and enters into wrapper contracts issued by third parties. A wrap contract is an agreement by another party, such as a bank or insurance company to make payments to the Fund in certain circumstances. Wrap contracts are designed to allow a stable value portfolio to maintain a constant NAV and protect a portfolio in extreme circumstances. In a typical wrap contract, the wrap issuer agrees to pay a portfolio the difference between the contract value and the market value of the underlying assets once the market value has been totally exhausted.

The wrap contracts generally contain provisions that limit the ability of the Fund to transact at contract value upon the occurrence of certain events. These events include:

- Any substantive modification of the Fund or the administration of the Fund that is not consented to by the wrap issuer

- Any change in law, regulation, or administrative ruling applicable to a plan that could have a material adverse effect on the Fund s cash flow

- Employer-initiated transactions by participating plans as described above

In the event that wrap contracts fail to perform as intended, the Fund s NAV may decline if the market value of its assets declines. The Fund s ability to receive amounts due pursuant to these wrap contracts is dependent on the third-party issuer s ability to meet their financial obligations. The wrap issuer s ability to meet its contractual obligations under the wrap contracts may be affected by future economic and regulatory developments.

The Fund is unlikely to maintain a stable NAV if, for any reason, it cannot obtain or maintain wrap contracts covering all of its underlying assets. This could result from the Fund s inability to promptly find a replacement wrap contract following termination of a wrap contract. Wrap contracts are not transferable and have no trading market. There are a limited number of wrap issuers. The Fund may lose the benefit of wrap contracts on any portion of its assets in default in excess of a certain percentage of portfolio assets.

6. EXEMPT PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of mutual funds managed by Fidelity Investments. Fidelity Investments is the trustee as defined by the Plan and, therefore, these transactions qualify as exempt party-in-interest transactions. Fees paid by Plan participants for investment management and various other transaction-related services were $139,882 and $116,857 for the years ended December 31, 2011 and 2010, respectively.

At December 31, 2011 and 2010, the Plan held 258,456 and 244,206 shares, respectively, of common stock of the Company, the sponsoring employer, with a cost basis of $12,618,240 and $10,352,904, respectively. During the years ended December 31, 2011 and 2010, the Plan recorded dividend income of $169,246 and $157,056, respectively.

7. PLAN TERMINATION

Although the Company has not expressed any intent to terminate the Plan, it may do so at any time subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in the Company s contributions to their accounts.

8. TAX STATUS

The Internal Revenue Service (IRS) has determined and informed the Company by a letter dated April 28, 2011, that the Plan and related trust are designed in accordance with applicable sections of the IRC. The Company and Plan management believe that the Plan is currently designed and operated in compliance with applicable requirements of the IRC. Accordingly, the Plan and related trust continue to be tax-exempt and no provision for income taxes has been included in the Plan s financial statements.

GAAP requires Plan management to evaluate tax positions taken by the Plan and recognize a tax liability (or asset) if the Plan has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS . The Plan administrator has analyzed the tax positions taken by the Plan, and has concluded that as of December 31, 2011 and 2010, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Plan administrator believes it is no longer subject to income tax examinations for years prior to 2008.

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9. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2011.

Statement of net assets available for benefits:		
Net assets available for benefits per the financial statements	$	295,977,828
Adjustment from contract value to fair value for fully benefit-responsive investment contracts		1,652,927
Net assets available for benefits per the Form 5500 at fair value	$	297,630,755
Statement of changes in net assets available for benefits:		
Increase in net assets per the financial statements	$	528,282
Reverse adjustment from contract value to fair value for fully benefit-responsive contracts December 31, 2010		(1,349,948)
Adjustment from contract value to fair value for fully benefit-responsive contracts December 31, 2011		1,652,927
Net income per Form 5500	$	831,261

The following is a reconciliation of net assets available for benefits per the financial statements to the Form 5500 as of December 31, 2010.

Statement of net assets available for benefits:		
Net assets available for benefits per the financial statements	$	295,449,546
Adjustment from contract value to fair value for fully benefit-responsive investment contracts		1,349,948
Net assets available for benefits per the Form 5500 at fair value	$	296,799,494
Statement of changes in net assets available for benefits:		
Increase in net assets per the financial statements	$	30,101,841
Reverse adjustment from contract value to fair value for fully benefit-responsive contracts December 31, 2009		(3,564)
Adjustment from contract value to fair value for fully benefit-responsive contracts December 31, 2010		1,349,948
Net income per Form 5500	$	31,448,225

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SUPPLEMENTAL SCHEDULE

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VALMONT EMPLOYEE RETIREMENT SAVINGS PLAN

Employer ID No: 47-0351813

Plan No: 003

FORM 5500, SCHEDULE H, PART IV, LINE 4(i) SCHEDULE OF

ASSETS (HELD AT END OF YEAR)

AS OF DECEMBER 31, 2011

(a)	(b) Identity of Issue, Borrower, Lessor, or Similar Party	(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, and Par or Maturity Value		(e) Current Value
	Wells Fargo Stable Value Fund Q	4,593,306 shares	$	65,185,607
	PIMCO Total Return Institutional Fund	2,279,883 shares		24,782,325
	Columbia Acorn USA Fund	288,385 shares		7,780,635
	Morgan Stanley Institutional Fund Trust	313,597 shares		10,323,615
	Vanguard Institutional Index Fund Institutional	91,334 shares		10,507,030
	Perkins Mid Cap Value T	381,529 shares		7,703,079
	Dodge & Cox International Stock Fund	707,860 shares		20,697,834
	American Beacon Large Cap Value Fund	1,057,839 shares		19,654,645
	Vanguard Inflation Protected Securities	113,474 shares		1,601,117
*	Fidelity Contrafund	504,333 shares		34,022,310
*	Fidelity Capital Appreciation Fund	138,301 shares		3,404,972
*	Fidelity Small Cap Value Fund	166,299 shares		2,324,853
*	Fidelity Freedom Income K Fund	125,804 shares		1,421,586
*	Fidelity Freedom 2005 K Fund	45,665 shares		547,065
*	Fidelity Freedom 2010 K Fund	309,227 shares		3,741,650
*	Fidelity Freedom 2015 K Fund	736,458 shares		8,933,230
*	Fidelity Freedom 2020 K Fund	786,891 shares		9,781,053
*	Fidelity Freedom 2025 K Fund	765,735 shares		9,525,745
*	Fidelity Freedom 2030 K Fund	589,880 shares		7,397,098
*	Fidelity Freedom 2035 K Fund	411,847 shares		5,160,438
*	Fidelity Freedom 2040 K Fund	373,159 shares		4,690,603
*	Fidelity Freedom 2045 K Fund	177,576 shares		2,248,114
*	Fidelity Freedom 2050 K Fund	194,627 shares		2,462,033
	Total mutual funds			198,711,030
*	Valmont Industries, Inc. Common Stock	258,456 shares		23,465,182
*	Notes receivable from participants	Interest rates ranging from 4.25% to 11.88%, loans maturing 1/2012 to 1/2016		10,075,173
	Adjustment from fair value to contract value for stable value fund			(1,652,927)

$	295,784,065

See accompanying Independent Auditor s Report.

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SIGNATURES

THE PLAN

Pursuant to the requirements of the Securities Act of 1934, the Trustees (or other persons who administer the Valmont Employee Retirement Savings Plan) have duly caused this annual report on 11-K to be signed on its behalf by the undersigned hereunto duly authorized.

VALMONT EMPLOYEE RETIREMENT
SAVINGS PLAN

Dated this 26th day of June, 2012.

By: /s/ Mark C. Jaksich
Mark C. Jaksich
Committee Chairman

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INDEX TO EXHIBITS

Exhibit 23.1*	Consent of Deloitte and Touche LLP.

* Filed herewith.