CUMULUS MEDIA INC
Form 10-Q
August 06, 2014
Table of Contents

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the transition period from to

Commission file number 000-24525

Cumulus Media Inc.
(Exact Name of Registrant as Specified in its Charter)

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

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

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

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

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

As of July 29, 2014, the registrant had 232,039,681 outstanding shares of common stock consisting of: (i) 231,394,810 shares of Class A common stock; (ii) 0 shares of Class B common stock; and (iii) 644,871 shares of Class C common stock.

Table of Contents

CUMULUS MEDIA INC.
INDEX

PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	3
Condensed Consolidated Balance Sheets as of June 30, 2014 and December 31, 2013	3
Condensed Consolidated Statements of Operations for the Three and Six Months Ended June 30, 2014 and 2013	4
Condensed Consolidated Statements of Cash Flows for the Six Months Ended June 30, 2014 and 2013	5
Notes to Unaudited Condensed Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	33
Item 3. Quantitative and Qualitative Disclosures About Market Risk	42
Item 4. Controls and Procedures	42
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	42
Item 1A. Risk Factors	42
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	42
Item 6. Exhibits	42
Signatures	44

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2014	December 31, 2013
Assets		
Current assets:		
Cash and cash equivalents	$20,117	$32,792
Restricted cash	6,386	6,146
Accounts receivable, less allowance for doubtful accounts of $5,305 and $5,306 at June 30, 2014 and December 31, 2013, respectively	253,643	264,805
Trade receivable	4,325	4,419
Assets held for sale	15,007	—
Prepaid expenses and other current assets	74,503	68,893
Total current assets	373,981	377,055
Property and equipment, net	232,244	254,702
Broadcast licenses	1,597,150	1,596,337
Other intangible assets, net	275,547	315,490
Goodwill	1,256,015	1,256,741
Other assets	62,963	70,110
Total assets	$3,797,900	$3,870,435
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$117,422	$146,537
Trade payable	4,251	3,846
Current portion of long-term debt	—	5,937
Total current liabilities	121,673	156,320
Long-term debt, excluding 7.75% senior notes	1,962,901	1,985,956
7.75% senior notes	610,000	610,000
Secured loan	—	25,000
Other liabilities	76,551	79,913
Deferred income taxes	500,506	500,506
Total liabilities	3,271,631	3,357,695
Stockholders' equity:		
Class A common stock, par value $0.01 per share; 750,000,000 shares authorized; 253,776,605 and 222,399,019 shares issued, and 231,190,810 and 198,193,819 shares outstanding, at June 30, 2014 and December 31, 2013, respectively	2,537	2,223
Class B common stock, par value $0.01 per share; 600,000,000 shares authorized; 0 and 15,424,944 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	—	154
Class C common stock, par value $0.01 per share; 644,871 shares authorized, issued and outstanding at both June 30, 2014 and December 31, 2013	6	6
	(231,470)	(251,193)

Treasury stock, at cost, 22,585,795 and 24,205,200 shares at June 30, 2014 and December 31, 2013, respectively		
Additional paid-in-capital	1,591,447	1,603,669
Accumulated deficit	(836,251)	(842,119)
Total stockholders' equity	526,269	512,740
Total liabilities and stockholders' equity	$3,797,900	$3,870,435

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net revenue	$328,247	$270,306	$620,291	$488,145
Operating expenses:				
Content costs	101,802	62,255	210,295	124,206
Other direct operating expenses	118,389	99,894	233,724	193,374
Depreciation and amortization	29,071	27,604	57,952	55,200
LMA fees	1,648	738	3,205	1,684
Corporate expenses (including stock-based compensation expense of $4,154, $2,470, $8,245 and $5,134, respectively)	19,264	7,742	38,458	21,760
(Gain) loss on sale of assets or stations	(360)	227	(898)	1,536
Gain on derivative instrument	—	(2,106)	—	(2,844)
Total operating expenses	269,814	196,354	542,736	394,916
Operating income	58,433	73,952	77,555	93,229
Non-operating (expense) income:				
Interest expense	(36,468)	(44,197)	(72,733)	(88,719)
Interest income	342	364	672	634
Loss on early extinguishment of debt	—	(4,539)	—	(4,539)
Other income (expense), net	3,593	(393)	3,529	(106)
Total non-operating expense, net	(32,533)	(48,765)	(68,532)	(92,730)
Income from continuing operations before income taxes	25,900	25,187	9,023	499
Income tax expense	(10,763)	(10,073)	(3,155)	(12,049)
Income (loss) from continuing operations	15,137	15,114	5,868	(11,550)
Income from discontinued operations, net of taxes	—	11,987	—	29,662
Net income	15,137	27,101	5,868	18,112
Less: dividends declared and accretion of redeemable preferred stock	—	3,155	—	6,307
Income attributable to common shareholders	$15,137	$23,946	$5,868	$11,805
Basic and diluted income (loss) per common share (see Note 11, "Earnings (Loss) Per Share"):				
Basic: Income (loss) from continuing operations per share	$0.06	$0.05	$0.03	$(0.11)
Income from discontinued operations per share	$—	$0.06	$—	$0.17
Income per share	$0.06	$0.11	$0.03	$0.06
Diluted: Income (loss) from continuing operations per share	$0.06	$0.05	$0.02	$(0.11)
Income from discontinued operations per share	$—	$0.06	$—	$0.17
Income per share	$0.06	$0.11	$0.02	$0.06
Weighted average basic common shares outstanding	224,456,934	176,481,592	220,104,481	175,619,586
Weighted average diluted common shares outstanding	229,069,397	179,553,341	226,180,298	178,678,090

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

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

	Six Months Ended June 30,	
	2014	2013
Cash flows from operating activities:		
Net income	$5,868	$18,112
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	57,952	57,866
Amortization of debt issuance costs/discounts	4,654	5,164
Provision for doubtful accounts	1,828	1,046
(Gain) loss on sale of assets or stations	(898)	1,537
Loss on early extinguishment of debt	—	4,539
Fair value adjustment of derivative instruments	21	(2,871)
Deferred income taxes	3,155	(5,809)
Stock-based compensation expense	8,245	5,134
Changes in assets and liabilities:		
Accounts receivable	9,334	3,045
Trade receivable	94	(1,240)
Prepaid expenses and other current assets	(8,311)	(1,664)
Other assets	(8,126)	1,044
Accounts payable and accrued expenses	(29,354)	(26,724)
Trade payable	405	1,817
Other liabilities	(3,362)	(4,222)
Net cash provided by operating activities	41,505	56,774
Cash flows from investing activities:		
Restricted cash	(240)	2,192
Acquisition less cash acquired	—	(52,066)
Proceeds from sale of assets or stations	14,069	692
Capital expenditures	(11,248)	(4,830)
Net cash provided by (used in) investing activities	2,581	(54,012)
Cash flows from financing activities:		
Repayment of borrowings under term loans and revolving credit facilities	(66,125)	(38,931)
Proceeds from borrowings under term loans and revolving credit facilities	10,000	—
Deferred financing costs	(21)	(58)
Tax withholding payments on behalf of employees	(1,320)	(337)
Proceeds from exercise of warrants	103	34
Proceeds from exercise of options	602	—
Preferred stock dividends	—	(5,304)
Net cash used in financing activities	(56,761)	(44,596)
Decrease in cash and cash equivalents	(12,675)	(41,834)
Cash and cash equivalents at beginning of period	32,792	88,050
Cash and cash equivalents at end of period	$20,117	$46,216
Supplemental disclosures of cash flow information:		
Interest paid	$68,877	$82,208
Income taxes paid	10,191	1,561
Supplemental disclosures of non-cash flow information:		
Trade revenue	$16,582	$12,458

Trade expense	17,225	12,577

See accompanying notes to the unaudited condensed consolidated financial statements.

5

Table of Contents

1. Description of Business, Interim Financial Data and Basis of Presentation:

Description of Business

Cumulus Media Inc. (and its consolidated subsidiaries, except as the context may otherwise require, "Cumulus," "Cumulus Media," "we," "us," "our," or the "Company") is a Delaware corporation, organized in 2002, and successor by merg to an Illinois corporation with the same name that had been organized in 1997.

Nature of Business

The Company combines high-quality local programming with iconic, nationally syndicated media, sports and entertainment brands in order to deliver premium choices for listeners, provide substantial reach for advertisers and create opportunities for shareholders. As the largest pure-play radio broadcaster in the United States, the Company provides exclusive content that is fully distributed through approximately 460 owned and operated stations in 90 U.S. media markets, (including eight of the top 10), more than 10,000 broadcast radio affiliates and numerous digital channels. The Company is well-positioned in the widening digital audio space through a significant stake in the Rdio digital music service, featuring 25 million songs on-demand in addition to custom playlists and exclusive curated channels. The Company is also the leading provider of country music and lifestyle content through its NASH brand, which will serve country fans through radio programming, NASH magazine, concerts, licensed products and television/video.

Interim Financial Data

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company and the notes related thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2013. The accompanying unaudited condensed consolidated financial statements include the condensed consolidated accounts of Cumulus and its wholly-owned subsidiaries, with all intercompany balances and transactions eliminated in consolidation. The December 31, 2013 condensed balance sheet data was derived from audited financial statements. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of our results of operations for, and financial condition as of the end of, the interim periods have been made. The results of operations for the three and six months ended June 30, 2014, the cash flows for the six months ended June 30, 2014 and the Company's financial condition as of June 30, 2014, are not necessarily indicative of the results of operations or cash flows that can be expected for, or the Company's financial condition that can be expected as of the end of, any other interim period or for the fiscal year ending December 31, 2014.

Use of Estimates

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 disclosures of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to bad debts, intangible assets, derivative financial instruments, income taxes, stock-based compensation, contingencies, litigation and purchase price allocations. 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 amounts and results may differ materially from these estimates.

Assets held for sale

During the three months ended June 30, 2014, the Company finalized a plan to dispose of certain land and buildings. A project timeline to complete the sale has been finalized and approved by management. The carrying value of the identified assets have been classified as held for sale in the unaudited condensed consolidated balance sheet at June 30, 2014.

Sale of San Francisco Baseball Associates, LLC Interest

On April 15, 2014, the Company sold its Class B Membership Interest of 1.59% in the San Francisco Baseball Associates, LLC for $13.0 million, recognizing a gain on the sale of $3.2 million, which is included in other income (expense), net in the condensed consolidated statement of operations for the three and six months ended June 30, 2014.

Table of Contents

Reclassifications

Certain account balances in the 2013 periods have been reclassified to conform with classifications currently in use. In the accompanying unaudited condensed consolidated statements of operations the Company separately presents content costs and other direct operating expenses as operating expense categories. In certain of the Company's historical disclosures, those line items were presented on a combined basis within the direct operating expenses line item in the statement of operations. Content costs consist of all costs related to the licensing, acquisition and development of the Company's programming. Other direct operating expenses consist of expenses related to the distribution and monetization of the Company's content across its platform and overhead expenses. There were no other costs included in direct operating expenses in 2013.

These reclassifications had no effect on previously reported results of operations or retained earnings.

Adoption of New Accounting Standards

ASU 2012-02. In July 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2012-02. The amendments in this ASU give companies the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired rather than calculating the fair value of the indefinite-lived intangible asset. The Company adopted this guidance effective January 1, 2013. The adoption of this guidance did not have an impact on the Company’s consolidated financial statements.

ASU 2013-01. In January 2013, the FASB issued ASU 2013-01. The amendments in this ASU require companies to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The Company adopted this guidance effective January 1, 2013. The adoption of this guidance did not have an impact on the Company’s consolidated financial statements.

ASU 2013-04. In February 2013, the FASB issued ASU 2013-04, which provides guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements where the total obligation is fixed at the reporting date, and for which no specific guidance currently exists. The Company adopted this guidance effective January 1, 2014. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

ASU 2013-11. In July 2013, the FASB issued ASU 2013-11. The amendments in this ASU clarify when a liability related to an unrecognized tax benefit should be presented in the financial statements as a reduction to the related deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. The Company adopted this guidance effective January 1, 2014. The adoption of this guidance did not have an impact on the Company's consolidated financial statements.

Recent Accounting Standards Updates

ASU 2014-08. In April 2014, the FASB issued ASU 2014-08. Under this ASU, only disposals that represent a strategic shift that has (or will have) a major effect on the entity’s results and operations would qualify as discontinued operations. This ASU (1) expands the disclosure requirements for disposals that meet the definition of a discontinued operation, (2) requires entities to disclose information about disposals of individually significant components, (3) defines “discontinued operations” similarly to how it is defined under International Financial Reporting Standards ("IFRS") 5, and (4) requires entities to expand their disclosures about discontinued operations to include more information about assets, liabilities, income and expenses. In addition, this ASU will also require entities to disclose the pre-tax income attributable to a disposal of “an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements.” The ASU is effective prospectively for all disposals (or classifications as held for sale) that occur within annual periods beginning on or after December 15, 2014 and interim periods within those years. Early adoption is permitted. The Company is currently assessing the expected impact, if any, that the effectiveness of this ASU will have on the consolidated financial statements.

ASU 2014-09. In May 2014, the FASB issued ASU 2014-09. The amended guidance under this ASU outlines a single comprehensive revenue model for entities to use in accounting for revenue arising from contracts with customers. The guidance supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the single comprehensive revenue model is that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be

entitled in exchange for those goods or services." Entities have the option of using either a full retrospective or modified approach to adopt the guidance. The ASU is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2016 (early adoption is not permitted). The Company is currently assessing the expected impact, if any, that this ASU will have on the consolidated financial statements.

Table of Contents

2. Acquisitions and Dispositions

2013 Acquisitions and Dispositions

Green Bay Purchase

On December 31, 2013, the Company completed the purchase of five radio stations in Green Bay, Wisconsin from Clear Channel Communications, Inc. ("Clear Channel") for $17.6 million in cash (the "Green Bay Purchase"). The Company had been operating these stations under a local marketing agreement ("LMA") with Clear Channel since April 10, 2009.

Revenues attributable to the stations acquired in the Green Bay Purchase were not material to the Company's consolidated statement of operations for the three or six months ended June 30, 2014.

The table below summarizes the purchase price allocation in the Green Bay Purchase (dollars in thousands):

Allocation	Amount
Property and equipment	$ 1,111
Broadcast licenses	4,354
Goodwill	2,637
Fair value of exercised put option	9,534
Total purchase price	$ 17,636

The material assumptions utilized in the valuation of intangible assets acquired and liabilities assumed include expected overall future market revenue growth rates for the residual year of approximately 2.5% and a weighted average cost of capital of 10.0%. Goodwill is equal to the difference between the purchase price and the value assigned to the tangible and intangible assets acquired and liabilities assumed. All of the acquired goodwill balance is deductible for tax purposes.

During the six months ended June 30, 2014, the Company recorded a $2.6 million purchase accounting adjustment to reflect the Company's final determination of the fair value of broadcast licenses upon the date of acquisition.

WestwoodOne Acquisition

On December 12, 2013, Cumulus completed the acquisition of WestwoodOne, Inc. (formerly known as Dial Global, Inc., "WestwoodOne"), an independent, full-service radio network company offering news, sports, formats, prep services, talk and music programming, jingles and imaging, and special events, as well as national advertising sales representation (the "WestwoodOne Acquisition"). The WestwoodOne Acquisition added sports, news, talk, music and programming services content - enabling the Company to provide an even broader array of programming content to approximately 10,000 U.S. radio stations, other media platforms and international platforms. Content acquired through the WestwoodOne Acquisition included NFL, NCAA basketball, NASCAR, CBS News and other popular programming.

In connection with the WestwoodOne Acquisition, all of the issued and outstanding shares of capital stock of WestwoodOne were automatically canceled and converted into the right to receive an aggregate of approximately $45.0 million in cash, and WestwoodOne repaid all of its outstanding indebtedness. The payment of the purchase price to complete the WestwoodOne Acquisition (including the cash used to repay approximately $215.0 million of WestwoodOne's outstanding indebtedness) was funded from cash on hand, which included $235.0 million in cash proceeds from the Townsquare Transaction (defined below). As a result of the WestwoodOne Acquisition, WestwoodOne became a wholly owned subsidiary of the Company.

Although the WestwoodOne Acquisition was not subject to the pre-closing notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act, the Antitrust Division of the Department of Justice ("DOJ") is conducting a review of the transaction. Pursuant to an agreement entered into at the closing of the WestwoodOne Acquisition, $22.5 million of the purchase price was placed in escrow (the "Escrow Fund") pending the completion of the DOJ investigation. The Escrow Fund will be available to compensate Cumulus for expenses in defending the investigation and to the extent Cumulus incurs any loss as a result of any final remedial action taken by the DOJ with respect to its investigation.

Revenues of $62.7 million and $134.0 million attributable to WestwoodOne were included in the Company's condensed consolidated statement of operations for the three and six months ended June 30, 2014, respectively. Net income attributable to WestwoodOne has not been presented due to the impracticability of obtaining detailed data for the three and six months ended June 30, 2014.

Table of Contents

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

Allocation	Amount
Current assets	$ 91,171
Property and equipment	23,714
Other intangibles	150,900
Goodwill	104,912
Other assets	4,946
Current liabilities	(69,144)
Other liabilities	(46,499)
Total purchase price	$ 260,000

The material assumptions utilized in the valuation of intangible assets acquired and liabilities assumed include expected overall future market revenue growth rates for the residual year of approximately 2.0% and a weighted average cost of capital of 10%. Goodwill is equal to the difference between the purchase price and the value assigned to the tangible and intangible assets acquired and liabilities assumed. The Company is treating the acquisition as a taxable asset acquisition pursuant to Internal Revenue Code Section 338(g). As such, all of the acquired goodwill balance is deductible for income tax purposes.

The definite-lived intangible assets acquired in the WestwoodOne Acquisition are being amortized in relation to the expected economic benefits of such assets over their estimated useful lives and consist of the following (dollars in thousands):

Description	Estimated Useful Life in Years	Fair Value
Affiliate relationships	9	$ 150,900

Townsquare Transaction

On November 14, 2013, the Company completed the sale to Townsquare Media, LLC (“Townsquare”) of 53 radio stations in 12 small and mid-sized markets for $235.0 million in cash and the swap with Townsquare of 15 radio stations in two small and mid-sized markets in exchange for five radio stations in Fresno, California (together, the "Townsquare Transaction"). The Company used the cash proceeds from the Townsquare Transaction to fund a portion of the purchase price payable to complete the WestwoodOne Acquisition.

Revenues attributable to the assets acquired in the Townsquare Transaction were not material to the Company’s condensed consolidated statement of operations for the three or six months ended June 30, 2014.

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

Allocation	Amount
Current assets	$ 1,860
Property and equipment	6,345
Broadcast licenses	13,500
Goodwill	10,080
Other assets	246
Other intangibles	552
Current liabilities	(400)
Total purchase price	32,183
Less: Carrying value of stations transferred	(159,053)
Add: Cash received	235,028
Gain on asset exchange	$ 108,158

The material assumptions utilized in the valuation of intangible assets acquired and liabilities assumed included overall future market revenue growth rates for the residual year of approximately 2.0% and a weighted average cost of capital of 10%. Goodwill is equal to the difference between the purchase price and the value assigned to the tangible and intangible assets acquired and liabilities assumed. All of the acquired goodwill balance is deductible for tax purposes.

9

Table of Contents

During the six months ended June 30, 2014, the Company recorded a $3.6 million purchase accounting adjustment to reflect the Company's final determination of the fair value of broadcast licenses upon the date of acquisition.
The definite-lived intangible assets acquired in the Townsquare Transaction are being amortized in relation to the expected economic benefits of such assets over their estimated useful lives and consist of the following (dollars in thousands):

Description	Estimated Useful Life in Years	Fair Value
Advertising relationships	5	$552

WFME Asset Exchange

On January 8, 2013, the Company completed its previously announced asset exchange (the “WFME Asset Exchange”) with Family Stations, Inc., pursuant to which it exchanged its WDVY station in New York plus $40.0 million in cash for Family Stations’ WFME station in Newark, New Jersey. This asset exchange provided Cumulus with a radio station in the United States’ largest media market, for the national NASH entertainment brand based on the country music lifestyle. The total purchase price is subject to an increase of up to $10.0 million if certain future conditions are met as detailed in the purchase agreement. The Company has estimated the fair value of the contingent consideration to be less than $0.1 million as of each of June 30, 2014 and December 31, 2013. Any future change in the estimated fair value of the contingent consideration will be recorded in the Company’s results of operations in the period of such change.
The table below summarizes the purchase price allocation in the WFME Asset Exchange (dollars in thousands):

Allocation	Amount
Other assets	$1,460
Goodwill	11,461
Broadcast licenses	27,100
Plant, property, and equipment, net	62
Total purchase price	40,083
Less: Cash consideration	(40,000)
Less: Carrying value of station transferred	(52)
Less: Contingent consideration	(31)
Gain on asset exchange	$—

The material assumptions utilized in the valuation of intangible assets included overall future market revenue growth rates for the residual year of approximately 2.0% and a weighted average cost of capital of 10.0%. Goodwill was equal to the difference between the purchase price and the value assigned to tangible and intangible assets acquired. All of the goodwill is deductible for tax purposes.

Pamal Broadcasting Asset Purchase

On January 17, 2013, the Company completed the acquisition of WMEZ-FM and WXBM-FM from Pamal Broadcasting Ltd. for a purchase price of $6.5 million (the "Pamal Broadcasting Asset Purchase"). The transaction was part of the Company’s ongoing efforts to focus on radio stations in larger markets and geographically strategic regional clusters.
Revenues attributable to the assets acquired in the Pamal Broadcasting Asset Purchase were not material to the Company’s condensed consolidated statement of operations for the three or six months ended June 30, 2014.
The table below summarizes the purchase price allocation in the Pamal Broadcasting Asset Purchase (dollars in thousands):

Allocation	Amount
Plant, property, and equipment, net	$783
Broadcast licenses	5,700
Total purchase price	$6,483

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information assumes the WestwoodOne Acquisition and the Townsquare Transaction occurred as of January 1, 2013. This unaudited pro forma financial information has been prepared based on estimates and assumptions, which management believes are reasonable, and is not necessarily indicative of the consolidated

Table of Contents

financial position or results of operations that Cumulus would have achieved had either the WestwoodOne Acquisition or the Townsquare Transaction actually occurred on January 1, 2013 or on any other historical date, nor is it reflective of the Company's expected actual financial position or results of operations for any future period (dollars in thousands):

	Unaudited Supplemental As Reported / Pro Forma Data		Unaudited Supplemental Pro Forma Data	
	Three Months Ended June 30,	Six Months Ended June 30,	Three Months Ended June 30,	Six Months Ended June 30,
Description	2014		2013	
Net revenue	$328,247	$620,291	$321,948	$603,483
Net income (loss)	15,137	5,868	3,161	(24,341)

The unaudited pro forma financial information set forth above for the three and six months ended June 30, 2013 includes adjustments to reflect: (i) depreciation and amortization expense based on the fair value of long-lived assets acquired in the WestwoodOne Acquisition and the Townsquare Transaction; (ii) the elimination of interest expense and the loss on extinguishment of debt in connection with the WestwoodOne Acquisition, as all of WestwoodOne's outstanding indebtedness (including preferred stock) was repaid in connection therewith, and (iii) certain other unaudited pro forma adjustments that would be required to be made to prepare unaudited pro forma financial information under Accounting Standards Codification ("ASC") Topic 805, Business Combinations.

Unaudited pro forma financial information for the Green Bay Purchase, WFME Asset Exchange and the Pamal Broadcasting Asset Purchase is not required, as such information is not material to the Company's financial statements.

3. Discontinued Operations

On November 14, 2013, the Company completed the Townsquare Transaction. The results of operations associated with the stations disposed of in that transaction have been separately reported within discontinued operations, net of the related tax impact, in the accompanying condensed consolidated statements of operations for the three and six months ended June 30, 2013.

For the three and six months ended June 30, 2013, income from discontinued operations was as follows (dollars in thousands):

	Three Months Ended June 30, 2013	Six Months Ended June 30,
Discontinued operations:		
Net revenue	$19,369	$34,402
Income from discontinued operations before taxes	8,404	13,338
Income tax benefit	3,583	16,324
Income from discontinued operations	11,987	29,662

4. Restricted Cash

As of June 30, 2014 and December 31, 2013, the Company's balance sheet included approximately $6.4 million and $6.1 million, respectively, in restricted cash, of which $0.6 million relates to securing the maximum exposure generated by automated clearinghouse transactions in the Company's operating bank accounts and as dictated by the Company's bank's internal policies with respect to cash. At June 30, 2014 and December 31, 2013, the Company held $5.8 million and $5.5 million, respectively, relating to collateralizing standby letters of credit pertaining to certain leases and insurance policies.

Table of Contents

5. Intangible Assets and Goodwill

The following table presents the changes in intangible assets, other than goodwill, during the periods from January 1, 2013 to December 31, 2013 and January 1, 2014 to June 30, 2014, and balances as of such dates (dollars in thousands):

	Indefinite-Lived	Definite-Lived	Total
Intangible Assets:			
Balance as of January 1, 2013	$ 1,602,373	$258,303	$1,860,676
Acquisition	61,730	152,522	214,252
Disposition	(67,766)	(8,627)	(76,393)
Amortization	—	(86,708)	(86,708)
Balance as of December 31, 2013	1,596,337	315,490	1,911,827
Purchase price allocation adjustments	963	—	963
Disposition	(150)	—	(150)
Amortization	—	(39,943)	(39,943)
Balance as of June 30, 2014	$ 1,597,150	$275,547	$1,872,697

The following table presents the changes in goodwill and accumulated impairment losses during the periods from January 1, 2014 to June 30, 2014 and January 1, 2013 to June 30, 2013, and balances as of such dates (dollars in thousands):

Goodwill:	2014	2013
Balance as of January 1:		
Goodwill	$1,586,482	$1,525,335
Accumulated impairment losses	(329,741)	(329,741)
Subtotal	1,256,741	1,195,594
Acquisition	—	11,461
Purchase price allocation adjustments	(726)	(1,889)
Disposition	—	(213)
Balance as of June 30:		
Goodwill	1,585,756	1,534,694
Accumulated impairment losses	(329,741)	(329,741)
Total	$1,256,015	$1,204,953

The Company has significant intangible assets recorded comprised primarily of broadcast licenses and goodwill acquired through acquisitions. The Company reviews the carrying value of its indefinite lived intangible assets and goodwill at least annually for impairment. If the carrying value exceeds the estimate of fair value, the Company calculates impairment as the excess of the carrying value of goodwill over its estimated fair value and charges the impairment to results of operations in the period in which the impairment occurred. The Company reviews the carrying value of its definite-lived intangible assets for recoverability whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. There were no triggering events as of June 30, 2014 to necessitate the test as fair value continues to exceed carrying value.

6. Derivative Financial Instruments

The Company's derivative financial instruments consist of the following:

Interest Rate Cap

On December 8, 2011, the Company entered into an interest rate cap agreement with JPMorgan Chase Bank, N.A. ("JPMorgan"), to limit the Company's exposure to interest rate risk. The interest rate cap has an aggregate notional amount of $71.3 million. The agreement caps the LIBOR-based variable interest rate component of the Company's long-term debt at a maximum of 3.0% on an equivalent amount of the Company's term loans. The unaudited condensed consolidated balance sheets as of June 30, 2014 and December 31, 2013 include long term-assets of less than $0.1 million attributable to the fair value of the interest rate cap. The Company reported interest expense of less than $0.1 million during the three months ended June 30, 2014 and 2013, respectively, attributed to the change in fair

value adjustment. The interest rate cap matures on December 8, 2015.

Table of Contents

The Company does not utilize financial instruments for trading or other speculative purposes.

Green Bay Option

On April 10, 2009, Clear Channel and the Company entered into an LMA pursuant to which the Company was responsible for operating (i.e., programming, advertising, etc.) five radio stations in Green Bay, Wisconsin, for a monthly fee payable to Clear Channel of approximately $0.2 million, in exchange for the Company retaining the operating profits from managing the radio stations. In 2013, Clear Channel exercised the put option contained in this LMA, which required the Company to purchase the five Green Bay radio stations subject to the LMA for $17.6 million (the fair value of those radio stations at the time of execution of the LMA) ("the Green Bay Option"). On December 31, 2013, the Company completed this acquisition (See Note 2 "Acquisitions and Dispositions").

The Company accounted for the Green Bay Option as a derivative contract. Accordingly, the fair value of the Green Bay Option was recorded as a liability with subsequent changes in the fair value recorded through earnings through the closing of the acquisition. The fair value of the Green Bay Option was determined using inputs that were supported by little or no market activity (a “Level 3” measurement). The fair value represented an estimate of the amount that the Company would have been required to pay if the option were transferred to another party as of the date of the valuation.

The location and fair value of derivatives in the unaudited condensed consolidated balance sheets are shown in the following table (dollars in thousands):

Derivative Instruments	Balance Sheet Location	Fair Value June 30, 2014	December 31, 2013
Derivatives not designated as hedging instruments:			
Interest Rate Cap	Other long-term assets	$1	$22
	Total	$1	$22

The location and effect of derivatives in the unaudited condensed consolidated statements of operations are shown in the following table (dollars in thousands):

		Recognized as Derivatives For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Derivative Instruments	Statement of Operations Location	2014	2013	2014	2013
Interest Rate Cap	Interest expense	$7	$(32)	$21	$(27)
Green Bay Option	Gain on derivative instrument	—	(2,106)	—	(2,844)
	Total	$7	$(2,138)	$21	$(2,871)

7. Long-Term Debt

The Company’s long-term debt consisted of the following as of June 30, 2014 and December 31, 2013 (dollars in thousands):

	June 30, 2014	December 31, 2013
Term Loan and Securitization Facility:		
Term loan	$1,993,875	$2,025,000
Securitization facility	—	25,000
Less: term loan discount	(30,974)	(33,107)
Total Term Loan and Securitization Facility	1,962,901	2,016,893
7.75% senior notes	610,000	610,000
Less: Current portion of long-term debt	—	(5,937)
Long-term debt, net	$2,572,901	$2,620,956

Table of Contents

Amended and Restated Credit Agreement

On December 23, 2013, the Company entered into an Amended and Restated Credit Agreement (the “Credit Agreement”), among the Company, Cumulus Media Holdings Inc., a direct wholly-owned subsidiary of the Company (“Cumulus Holdings”), as borrower, and certain lenders and agents. The Credit Agreement consists of a $2.025 billion term loan (the “Term Loan”) maturing in December 2020 and a $200.0 million revolving credit facility (the “Revolving Credit Facility”) maturing in December 2018. Under the Revolving Credit Facility, up to $30.0 million of availability may be drawn in the form of letters of credit.

Term Loan borrowings and borrowings under the Revolving Credit Facility bear interest, at the option of Cumulus Holdings, based on the Base Rate (as defined below) or the London Interbank Offered Rate (“LIBOR”), in each case plus 3.25% on LIBOR-based borrowings and 2.25% on Base Rate-based borrowings. LIBOR-based borrowings are subject to a LIBOR floor of 1.0% under the Term Loan. Base Rate-based borrowings are subject to a Base Rate Floor of 2.0% under the Term Loan. Base Rate is defined, for any day, as the fluctuating rate per annum equal to the highest of the (i) Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1.0%, (ii) prime commercial lending rate of JPMorgan Chase Bank, N.A., as established from time to time, and (iii) 90 day LIBOR plus 1.0%. Amounts outstanding under the Term Loan amortize at a rate of 1.0% per annum of the original principal amount of the Term Loan, payable quarterly, commencing March 31, 2014, with the balance payable on the maturity date.

At June 30, 2014, the Term Loan bore interest at 4.25% per annum.

The representations, covenants and events of default in the Credit Agreement are customary for financing transactions of this nature. Events of default in the Credit Agreement include, among others: (a) the failure to pay when due the obligations owing thereunder; (b) the failure to comply with (and not timely remedy, if applicable) certain covenants; (c) certain defaults and accelerations under other indebtedness; (d) the occurrence of bankruptcy or insolvency events; (e) certain judgments against the Company or any of its restricted subsidiaries; (f) the loss, revocation or suspension of, or any material impairment in the ability to use one or more of, any material Federal Communications Commission ("FCC") licenses; (g) any representation or warranty made, or report, certificate or financial statement delivered, to the lenders subsequently proven to have been incorrect in any material respect; and (h) the occurrence of a Change in Control (as defined in the Credit Agreement). Upon the occurrence of an event of default, the lenders may terminate the loan commitments, accelerate all loans and exercise any of their rights under the Credit Agreement and the ancillary loan documents as a secured party.

In the event amounts are outstanding under the Revolving Credit Facility or any letters of credit are outstanding that have not been collateralized by cash, the Credit Agreement requires compliance with a consolidated first lien net leverage ratio covenant as of the end of each quarter. The required ratio at June 30, 2014 was 5.75 to 1. The ratio periodically decreases until it reaches 4.00 to 1 on March 31, 2018. As of June 30, 2014, the Company was in compliance with all of its covenants under the Credit Agreement.

Certain mandatory prepayments on the Term Loan are required upon the occurrence of specified events, including upon the incurrence of certain additional indebtedness, upon the sale of certain assets and upon the occurrence of certain condemnation or casualty events, and from excess cash flow.

The Company’s, Cumulus Holdings’ and their respective restricted subsidiaries’ obligations under the Credit Agreement are collateralized by a first priority lien on substantially all of the Company’s, Cumulus Holdings’ and their respective restricted subsidiaries’ assets (excluding the Company’s accounts receivable collateralizing the Company's revolving accounts receivable securitization facility (the “Securitization Facility”) with General Electric Capital Corporation (“GE”) as described below) in which a security interest may lawfully be granted, including, without limitation, intellectual property and substantially all of the capital stock of the Company’s direct and indirect domestic wholly-owned subsidiaries and 66% of the capital stock of any future first-tier foreign subsidiaries. In addition, Cumulus Holdings’ obligations under the Credit Agreement are guaranteed by the Company and substantially all of its restricted subsidiaries, other than Cumulus Holdings.

At June 30, 2014, the Company had $1.994 billion outstanding under the Term Loan and no amounts outstanding under the Revolving Credit Facility, however, borrowing capacity under the Revolving Credit Facility was reduced to $198.8 million due to $1.2 million in letters of credit outstanding which were not cash collateralized.

14

Table of Contents

7.75% Senior Notes

On May 13, 2011, the Company issued $610.0 million aggregate principal amount of its 7.75% Senior Notes due 2019 (the "7.75% Senior Notes"). Proceeds from the sale of the 7.75% Senior Notes were used to, among other things, repay the $575.8 million outstanding under the term loan facility under the Company's prior credit agreement.

On September 16, 2011, the Company and Cumulus Holdings entered into a supplemental indenture with the trustee under the indenture governing the 7.75% Senior Notes which provided for, among other things, the (i) assumption by Cumulus Holdings of all obligations of the Company; (ii) substitution of Cumulus Holdings for the Company as issuer; (iii) release of the Company from all obligations as original issuer; and (iv) Company's guarantee of all of Cumulus Holdings' obligations, in each case under the indenture and the 7.75% Senior Notes.

Interest on the 7.75% Senior Notes is payable on each May 1 and November 1 of each year. The 7.75% Senior Notes mature on May 1, 2019.

Cumulus Holdings, as issuer of the 7.75% Senior Notes, may redeem all or part of the 7.75% Senior Notes at any time on or after May 1, 2015. At any time prior to May 1, 2014, Cumulus Holdings may redeem up to 35.0% of the 7.75% Senior Notes using the proceeds from certain equity offerings. At any time prior to May 1, 2015, Cumulus Holdings may redeem some or all of the 7.75% Senior Notes at a price equal to 100% of the principal amount, plus a "make-whole" premium. If Cumulus Holdings sells certain assets or experiences specific kinds of changes in control, it will be required to make an offer to purchase the 7.75% Senior Notes.

In connection with the substitution of Cumulus Holdings as the issuer of the 7.75% Senior Notes, the Company has also guaranteed the 7.75% Senior Notes. In addition, each existing and future domestic restricted subsidiary that guarantees the Company's indebtedness, Cumulus Holdings' indebtedness or indebtedness of the Company's subsidiary guarantors (other than the Company's subsidiaries that hold the licenses for the Company's radio stations) guarantees, or will guarantee, the 7.75% Senior Notes. The 7.75% Senior Notes are senior unsecured obligations of Cumulus Holdings and rank equally in right of payment to all existing and future senior unsecured debt of Cumulus Holdings and senior in right of payment to all future subordinated debt of Cumulus Holdings. The 7.75% Senior Notes guarantees are the Company's and the other guarantors' senior unsecured obligations and rank equally in right of payment to all of the Company's and the other guarantors' existing and future senior debt and senior in right of payment to all of the Company's and the other guarantors' future subordinated debt. The 7.75% Senior Notes and the guarantees are effectively subordinated to any of Cumulus Holdings', the Company's or the guarantors' existing and future secured debt to the extent of the value of the assets securing such debt. In addition, the 7.75% Senior Notes and the guarantees are structurally subordinated to all indebtedness and other liabilities, including preferred stock, of the Company's non-guarantor subsidiaries, including all of the liabilities of the Company's and the guarantors' foreign subsidiaries and the Company's subsidiaries that hold the licenses for the Company's radio stations.

For the three and six months ended June 30, 2014, the Company recorded an aggregate of $2.3 million and $4.7 million, respectively, of amortization of debt discount and debt issuance costs related to its Term Loan, Securitization Facility and 7.75% Senior Notes. For the three and six months ended June 30, 2013, the Company recorded an aggregate of $2.5 million and $5.1 million of amortization of debt discount and debt issuance costs related to its first lien term loan and second lien term loan under the Company's prior credit agreement and 7.75% Senior Notes.

Accounts Receivable Securitization Facility

On December 6, 2013, the Company entered into a 5-year, $50.0 million Securitization Facility with GE, as a lender, as swingline lender and as administrative agent (together with any other lenders party thereto from time to time, the "Lenders").

In connection with the entry into the Securitization Facility, pursuant to a Receivables Sale and Servicing Agreement, dated as of December 6, 2013 (the "Sale Agreement"), certain subsidiaries of the Company (collectively, the "Originators") sell and/or contribute their existing and future accounts receivable (representing all of the Company's accounts receivable) to a special purpose entity and wholly owned subsidiary of the Company (the "SPV"). The SPV may thereafter make borrowings from the Lenders, which borrowings will be secured by those receivables, pursuant to a Receivables Funding and Administration Agreement, dated as of December 6, 2013 (the "Funding Agreement"). Cumulus Holdings, services the accounts receivable on behalf of the SPV.

Advances available under the Funding Agreement at any time are subject to a borrowing base determined based on advance rates relating to the value of the eligible receivables held by the SPV at that time. The Securitization Facility matures on December 6, 2018, subject to earlier termination at the election of the SPV. Advances bear interest based on either LIBOR plus 2.50% or the Index Rate (as defined in the Funding Agreement) plus 1.00%. The SPV is also required to pay a monthly fee

15

Table of Contents

based on any unused portion of the Securitization Facility. The Securitization Facility contains representations and warranties, affirmative and negative covenants, and events of default that are customary for financings of this type. At June 30, 2014, there were no amounts outstanding under the Securitization Facility.

8. Fair Value Measurements

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

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

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

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

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company's financial assets and liabilities are measured at fair value on a recurring basis and non-financial assets and liabilities are measured at fair value on a non-recurring basis. Fair values as of June 30, 2014 and December 31, 2013 were as follows (dollars in thousands):

		Fair Value Measurements at June 30, 2014 Using		
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Interest Rate Cap (1)	$1	$—	$1	$—
Equity interest in Pulser Media (2)	5,512	—	—	5,512
Total assets	$5,513	$—	$1	$5,512
Financial liabilities:				
Other current liabilities				
Contingent consideration (3)	$(31)	$—	$—	$(31)
Total liabilities	$(31)	$—	$—	$(31)

		Fair Value Measurements at December 31, 2013 Using		
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Interest Rate Cap (1)	$22	$—	$22	$—
Equity interest in Pulser Media (2)	122	—	—	122
Total assets	$144	$—	$22	$122
Financial liabilities:				
Other current liabilities				
Contingent consideration (3)	$(31)	$—	$—	$(31)
Total liabilities	$(31)	$—	$—	$(31)

(1) Pursuant to the Interest Rate Cap, the Company pays a fixed interest rate on a $71.3 million notional amount of its term loan. The fair value of the Interest Rate Cap is determined based on a discounted cash flow analysis of the expected future cash flows using observable inputs, including interest rates and yield curves. Derivative valuations incorporate adjustments that are necessary to reflect the credit risk.

Table of Contents

(2) On September 13, 2013, the Company and Pulser Media (the parent company of Rdio) ("Pulser"), entered into a five year strategic promotional partnership and sales arrangement (the "Rdio Agreement"). In exchange for $75 million of promotional commitments over five years, Cumulus will receive 15% of the current fully-diluted equity of Pulser, with the opportunity to earn additional equity, see Note 13 "Commitments and Contingencies". The fair value of the equity interest in Pulser was determined using inputs that are supported by little or no market activity (a Level 3 measurement). At June 30, 2014 the fair value of the equity interest in Pulser approximated its cost basis and the Company determined that the investment was not impaired.

(3) The fair value of the contingent consideration was determined using inputs that are supported by little or no market activity (a Level 3 measurement). Contingent consideration represents the fair value of the additional cash consideration potentially payable as part of the WFME Asset Exchange. See Note 2 “Acquisitions and Dispositions”.

The assets associated with the Company’s Interest Rate Cap are measured within Level 2 of the fair value hierarchy. To estimate the fair value of the Interest Rate Cap, the Company used an industry standard cash valuation model, which utilizes a discounted cash flow approach, with all significant inputs derived from or corroborated by observable market data. See Note 6, “Derivative Financial Instruments.”

The reconciliation below contains the components of the change in fair value associated with the equity interest in Pulser from January 1, 2014 to June 30, 2014 (dollars in thousands):

Description	Equity interest in Pulser
Fair value balance at January 1, 2014	$ 122
Add: Additions to equity interest in Pulser	5,390
Fair value balance at June 30, 2014	$ 5,512

The reconciliation below contains the components of the change in continuing contingency associated with the contingent consideration from January 1, 2014 to June 30, 2014 (dollars in thousands):

Description	Contingent Consideration
Fair value balance at January 1, 2014	$ (31)
Add: Mark to market fair value adjustment	—
Fair value balance at June 30, 2014	$ (31)

Quantitative information regarding the significant unobservable inputs related to the contingent consideration as of June 30, 2014 was as follows (dollars in thousands):

Fair Value	Valuation Technique	Unobservable Inputs	
$ 31	Income Approach	Total term	5 years
		Conditions	3
		Bond equivalent yield discount rate	0.1 %

Significant increases (decreases) in any of the inputs in isolation would result in a lower (higher) fair value measurement.

The following table shows the gross amount and fair value of the Company’s Term Loan, Securitization Facility and 7.75% Senior Notes (dollars in thousands):

	June 30, 2014	December 31, 2013
Term Loan:		
Carrying value	$ 1,993,875	$ 2,025,000
Fair value - Level 2	1,998,860	2,025,000
Securitization Facility:		
Carrying value	$—	$ 25,000
Fair value - Level 2	—	25,000
7.75% Senior Notes:		
Carrying value	$ 610,000	$ 610,000
Fair value - Level 2	643,550	641,598

Table of Contents

As of June 30, 2014, the Company used trading prices of 100.25% to calculate the fair value of the Term Loan, and 105.50% to calculate the fair value of the 7.75% Senior Notes.
As of December 31, 2013, the Company used trading prices of 100.00% to calculate the fair value of the Term Loan and the Securitization Facility, and 105.18% to calculate the fair value of the 7.75% Senior Notes.

9. Stockholders' Equity
The Company is authorized to issue an aggregate of 1,450,644,871 shares of stock divided into four classes consisting of: (i) 750,000,000 shares designated as Class A common stock, (ii) 600,000,000 shares designated as Class B common stock, (iii) 644,871 shares designated as Class C common stock and (iv) 100,000,000 shares of preferred stock, each with a par value of $0.01 per share.
On October 16, 2013, the Company issued and sold 18,860,000 shares of its Class A common stock in an underwritten public offering, which included the full exercise of the underwriter's over allotment option to purchase 2,460,000 shares, at a price of $5.00 per share. The Company received net proceeds after underwriting discounts and commissions and estimated offering expenses of $89.8 million and used approximately $78.0 million of the net proceeds from the offering to redeem all then-outstanding shares of the Company's Series B preferred stock, including accrued and unpaid dividends. The remaining net proceeds from the offering were placed in the Company's corporate treasury for general corporate purposes, and may be used from time to time for, among other things, repayment of debt, capital expenditures, the financing of possible business expansions and acquisitions, increasing the Company's working capital and the financing of ongoing operating expenses and overhead.
Common Stock
Except with regard to voting and conversion rights, shares of Class A, Class B and Class C common stock are identical in all respects. The preferences, qualifications, limitations, restrictions, and the special or relative rights in respect of the common stock and the various classes of common stock are as follows:

- Voting Rights. The holders of shares of Class A common stock are entitled to one vote per share on any matter submitted to a vote of the stockholders of the Company, and the holders of shares of Class C common stock are entitled to ten votes for each share of Class C common stock held. Generally, the holders of shares of Class B common stock are not entitled to vote on any matter. However, holders of Class B common stock and Class C common stock are entitled to a separate class vote on any amendment or modification of any specific rights or obligations of the holders of Class B common stock or Class C common stock, respectively, that does not similarly affect the rights or obligations of the holders of Class A common stock. The holders of Class A common stock and of Class C common stock vote together, as a single class, on all matters submitted to a vote to the stockholders of the Company.

- Conversion. Each holder of Class B common stock and Class C common stock is entitled to convert at any time all or any part of such holder's shares into an equal number of shares of Class A common stock; provided, however, that to the extent that such conversion would result in the holder holding more than 4.99% of the Class A common stock following such conversion, the holder will first be required to deliver to the Company an ownership certification to enable the Company to (a) determine that such holder does not have an attributable interest in another entity that would cause the Company to violate applicable FCC rules and regulations and (b) obtain any necessary approvals from the FCC or the Department of Justice. During the three months ended June 30, 2014, all of outstanding shares of approximately 3.3 million Class B common stock were converted into shares of Class A common stock.

After payment of dividends to the holders of any outstanding shares of Series B Preferred Stock, the holders of all classes of common stock are entitled to share ratably in any dividends that may be declared by the board of directors of the Company.
2009 Warrants
In June 2009, in connection with the execution of an amendment to the Company's then-outstanding credit agreement, the Company issued warrants to the lenders thereunder that allow them to acquire up to 1.3 million shares of Class A common stock at an exercise price of $1.17 per share (the "2009 Warrants"). The 2009 Warrants expire on June 29,

2019. The number of shares of Class A common stock issuable upon exercise of the 2009 Warrants is subject to adjustment in certain circumstances, including upon the payment of a dividend in shares of Class A common stock. At June 30, 2014, 0.5 million 2009 Warrants remained outstanding.

Table of Contents

Equity Held in Reserve
Pursuant to the agreement governing the Company's acquisition of Citadel Broadcasting Company ("Citadel") in 2011 (the "Citadel Merger"), warrants to purchase 2.4 million shares of the Company's common stock were reserved for potential future issuance in connection with the settlement of certain remaining allowed, disputed or not reconciled claims related to Citadel's bankruptcy. If excess shares remained in reserve after resolution of all remaining claims, such shares will be distributed to the claimants with allowed claims pro-rata, based on the number of shares they received pursuant to the plan under which Citadel emerged from bankruptcy. As part of the June 2014 closing to the Citadel Bankruptcy, the 2.4 million shares were issued for $25.0 million from treasury stock to relieve the reserve, and as of June 30, 2014 the Company has no further obligations under the Citadel Bankruptcy. The equity held in reserve was included in additional paid-in-capital on the accompanying unaudited condensed consolidated balance sheet at December 31, 2013.
Company Warrants
As a component of the Citadel Merger and the related financing transactions, the Company issued warrants to purchase an aggregate of 71.7 million shares of Class A common stock (the "Company Warrants") under a warrant agreement dated September 16, 2011 (the "Warrant Agreement"). The Company Warrants are exercisable at any time prior to June 3, 2030 at an exercise price of $0.01 per share. The exercise price of the Company Warrants is not subject to any anti-dilution protection, other than standard adjustments in the case of stock splits, dividends and the like. Pursuant to the terms and conditions of the Warrant Agreement, upon the request of a holder, the Company has the discretion to issue, upon exercise of the Company Warrants, shares of Class B common stock in lieu of an equal number of shares of Class A common stock and, upon request of a holder and at the Company's discretion, the Company has the right to exchange such warrants to purchase an equivalent number of shares of Class B common stock for outstanding warrants to purchase shares of Class A common stock.
Conversion of the Company Warrants is subject to compliance with applicable FCC regulations, and the Company Warrants are exercisable provided that ownership of the Company's securities by the holder does not cause the Company to violate applicable FCC rules and regulations relating to foreign ownership of broadcasting licenses. Holders of Company Warrants are entitled to participate ratably in any distributions on the Company's common stock on an as-exercised basis. No distribution will be made to holders of Company Warrants or common stock if (i) an FCC ruling, regulation or policy prohibits such distribution to holders of Company Warrants or (ii) the Company's FCC counsel opines that such distribution is reasonably likely to cause (a) the Company to violate any applicable FCC rules or regulations or (b) any holder of Company Warrants to be deemed to hold an attributable interest in the Company.
During the three months ended June 30, 2014, approximately 11.5 million Company Warrants were converted into shares of Class A common stock. At June 30, 2014, 2.5 million Company Warrants remained outstanding.
Crestview Warrants
Also on September 16, 2011, but pursuant to a separate warrant agreement, the Company issued warrants to purchase 7.8 million shares of Class A common stock with an exercise price, as adjusted to date, of $4.34 per share (the "Crestview Warrants"). The Crestview Warrants are exercisable until September 16, 2021, and the per share exercise price is subject to standard weighted average adjustments in the event that the Company issues additional shares of common stock or common stock derivatives for less than the fair market value per share, as defined in the Crestview Warrants, as of the date of such issuance. In addition, the number of shares of Class A common stock issuable upon exercise of the Crestview Warrants, and the exercise price of the Crestview Warrants, are subject to adjustment in the, case of stock splits, dividends and the like. As of June 30, 2014, all 7.8 million Crestview Warrants remained outstanding.

10. Stock-Based Compensation Expense
On February 16, 2012, the Company granted 161,724 shares of time-vesting restricted Class A common stock, with an aggregate grant date fair value of $0.6 million, to the non-employee directors of the Company with a cliff vesting term of one year. In addition, on February 16, 2012, the Company granted time-vesting stock options to purchase 1.4 million shares of Class A common stock to certain Company employees, with an aggregate grant date fair value of

$3.3 million. The options have an exercise price of $4.34 per share, with 30% of the awards having vested on each of September 16, 2012 and February 16, 2013, and 20% having vested on February 16, 2014 and the final 20% vesting on February 16, 2015.

On December 27, 2012, the Company issued 0.8 million stock options to an officer of the Company for 0.8 million shares of Class A common stock with an aggregate grant date fair value of $1.1 million. The options have an exercise price of $4.34 per share, and provide for vesting on each of the first four anniversaries of the date of grant, with 30% of the award vesting on each of the first two anniversaries thereof, and 20% of the award vesting on each of the next two anniversaries thereof.

Table of Contents

On May 9, 2013, the Company granted 168,540 shares of time-vesting restricted Class A common stock, with an aggregate grant fair value of $0.6 million, to the non-employee directors of the Company with a cliff vesting term of one year.
On May 22, 2014, the Company granted 93,312 shares of time-vesting restricted Class A common stock, with an aggregate grant fair value of $0.6 million, to the non-employee directors of the Company with a cliff vesting term of one year.
During the six months ended June 30, 2014, the Company granted 0.4 million stock options with an aggregate grant date fair value of $1.7 million. The options range in exercise price from $6.26 to $7.74 per share, and provide for vesting on each of the first four anniversaries of the date of grant, with 30% of the award vesting on each of the first two anniversaries thereof, and 20% of the award vesting on each of the next two anniversaries thereof.
For the three and six months ended June 30, 2014, and 2013 the Company recognized approximately $4.2 million, $8.3 million, $2.5 million and $5.1 million, respectively in stock-based compensation expense related to equity awards.
As of June 30, 2014, unrecognized stock-based compensation expense of approximately $34.7 million related to equity awards is expected to be recognized over a weighted average remaining life of 2.9 years. Unrecognized stock-based compensation expense for equity awards will be adjusted for future changes in estimated forfeitures.
The total fair value of restricted stock awards that vested during the three and six months ended June 30, 2014 was $1.1 million and $2.1 million, respectively. The total fair value of restricted stock awards that vested during each of the three and six months ended June 30, 2013 was $0.1 million and $1.6 million, respectively. 1.2 million and 0 stock options were exercised during the six months ended June 30, 2014 and 2013, respectively.

11. Earnings (Loss) Per Share
For all periods presented, the Company has disclosed basic and diluted earnings (loss) per common share utilizing the two-class method. Basic earnings (loss) per common share is calculated by dividing net income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding during the period. In accordance with the terms of the Company's certificate of incorporation, the Company allocates undistributed net income (loss) from continuing operations after any allocation for preferred stock dividends between each class of common stock on an equal basis.
Non-vested restricted shares of Class A common stock and the Company Warrants are considered participating securities for purposes of calculating basic weighted average common shares outstanding in periods in which the Company records net income. Diluted earnings (loss) per share is computed in the same manner as basic earnings (loss) per share after assuming issuance of common stock for all potentially dilutive equivalent shares, which includes stock options and certain other warrants to purchase common stock. Antidilutive instruments are not considered in this calculation. Under the two-class method, net income (loss) is allocated to common stock and participating securities to the extent that each security may share in earnings (loss), as if all of the earnings (loss) for the period had been distributed. Earnings (loss) are allocated to each participating security and common shares equally, after deducting dividends declared or accretion on preferred stock. The following table sets forth the computation of basic and diluted earnings (loss) per common share for the three and six months ended June 30, 2014 and 2013 (amounts in thousands, except per share data):

Table of Contents

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Basic Income (Loss) Per Share				
Numerator:				
Undistributed net income (loss) from continuing operations	$15,137	$15,114	$5,868	$(11,550)
Less:				
Dividends declared on redeemable preferred stock	—	2,652	—	5,304
Accretion of redeemable preferred stock	—	1,007	—	1,989
Participation rights of the Company Warrants in undistributed earnings	573	1,901	306	—
Participation rights of unvested restricted stock in undistributed earnings	13	19	7	—
Basic undistributed net income (loss) from continuing operations attributable to common shares	$14,551	$9,535	$5,555	$(18,843)
Denominator:				
Basic weighted average shares outstanding	224,457	176,482	220,104	175,620
Basic undistributed net income (loss) from continuing operations per share--attributable to common shares	$0.06	$0.05	$0.03	$(0.11)
Diluted Income (Loss) Per Share:				
Numerator:				
Undistributed net income (loss) from continuing operations	$15,137	$15,114	$5,868	$(11,550)
Less:				
Dividends declared on redeemable preferred stock	—	2,652	—	5,304
Accretion of redeemable preferred stock	—	1,007	—	1,989
Participation rights of the Company Warrants in undistributed net earnings	562	1,874	298	—
Participation rights of unvested restricted stock in undistributed earnings	13	19	7	—
Basic undistributed net income (loss) from continuing operations attributable to common shares	$14,562	$9,562	$5,563	$(18,843)
Denominator:				
Basic weighted average shares outstanding	224,457	176,482	220,104	175,620
Effect of dilutive stock options and warrants	4,612	3,072	6,076	—
Diluted weighted average shares outstanding	229,069	179,554	226,180	175,620
Diluted undistributed net income (loss) from continuing operations attributable to common shares	$0.06	$0.05	$0.02	$(0.11)

12. Income Taxes

For the three months ended June 30, 2014, the Company recorded income tax expense of $10.8 million on pre-tax income from continuing operations of $25.9 million, resulting in an effective tax rate for the three months ended June 30, 2014 of approximately 41.7%. For the three months ended June 30, 2013, the Company recorded income tax expense of $10.1 million on pre-tax income from continuing operations of $25.2 million, resulting in an effective tax rate for the three months ended June 30, 2013 of approximately 40.1%.

The difference between the effective tax rate and the federal statutory rate of 35.0% for the three months ended June 30, 2014 primarily relates to state and local income taxes and changes in the valuation allowance on certain separate company filing jurisdiction net operating losses. For the three months ended June 30, 2013, the primary differences between the effective

21

tax rate and federal statutory rate of 35.0% relate to state and local income taxes, tax amortization of broadcast licenses and goodwill and changes in the valuation allowance on net deferred tax assets.

For the six months ended June 30, 2014, the Company recorded income tax expense of $3.2 million on pre-tax income from continuing operations of $9.0 million, resulting in an effective tax rate for the six months ended June 30, 2014 of approximately 35.6%. For the six months ended June 30, 2013, the Company recorded an income tax expense of $12.0 million on pre-tax income from continuing operations of $0.5 million, resulting in an effective tax rate for the six months ended June 30, 2013 of approximately 2,400.0%.

The difference between the effective tax rate and the federal statutory rate of 35.0% for the six months ended June 30, 2014 primarily relates to state and local income taxes and changes in the valuation allowance on certain separate company filing jurisdiction net operating losses. For the six months ended June 30, 2013, the primary differences between the effective tax rate and federal statutory rate of 35.0% relate to state and local income taxes, tax amortization of broadcast licenses and goodwill and changes in the valuation allowance on net deferred tax assets.

We believe our annual effective tax rate before discrete items for fiscal year 2014 will be approximately 40.8%.

The Company continually reviews the adequacy of the valuation allowance and recognizes the benefits of deferred tax assets only as the reassessment indicates that it is more likely than not that the deferred tax assets will be recognized in accordance with ASC Topic 740. As of June 30, 2014, the Company continues to maintain a partial valuation allowance on certain state net operating loss carryforwards for which the Company does not believe they will to meet the more likely than not recognition standard for recovery. As of June 30, 2013, the Company maintained a full valuation allowance on its net deferred tax assets excluding deferred tax liabilities associated with the Company's indefinite lived intangible assets and deferred cancellation of debt income for which no estimated amount of deferred tax assets were available to satisfy. The valuation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in the Company's financial statements or tax returns as well as future profitability.

13. Commitments and Contingencies

Future Commitments

Effective December 31, 2009, the Company’s radio music license agreements with the two largest performance rights organizations, The American Society of Composers, Authors and Publishers (“ASCAP”) and Broadcast Music, Inc. (“BMI”), expired. In January 2010, the Radio Music License Committee (the “RMLC”), which negotiates music licensing fees for most of the radio industry with ASCAP and BMI, filed motions in the New York courts against these organizations on behalf of the radio industry, seeking interim fees and a determination of fair and reasonable industry-wide license fees. During 2010, the courts approved reduced interim fees for ASCAP and BMI. On January 27, 2012, the Federal District Court for the Southern District of New York approved a settlement between the RMLC and ASCAP concerning the fees payable covering the period January 1, 2010 through December 31, 2016. Included in the agreement is a $75.0 million industry fee credit against fees previously paid in 2010 and 2011, with such fees to be credited over the remaining period of the contract. The Company began recognizing the ASCAP credits as a reduction in direct operating expenses on January 1, 2012. On August 28, 2012, the Federal District Court for the Southern District of New York approved a settlement between the RMLC and BMI concerning the fees payable covering the period January 1, 2010 through December 31, 2016. Included in the agreement was a $70.5 million industry fee credit against fees previously paid in 2010 and 2011, with such fees having been made immediately available to the industry.

The radio broadcast industry’s principal ratings service is Nielsen Audio, which publishes surveys for domestic radio markets. Certain of the Company’s subsidiaries have agreements with Nielsen Audio under which they receive programming ratings materials in a majority of their respective markets. The remaining aggregate obligation under the agreements with Nielsen Audio is approximately $142.9 million and is expected to be paid in accordance with the agreements through December 2017.

The Company engages Katz Media Group, Inc. (“Katz”) as its national advertising sales agent. The national advertising agency contract with Katz contains termination provisions that, if exercised by the Company during the term of the contract, would obligate the Company to pay a termination fee to Katz, calculated based upon a formula set forth in the contract.

On September 13, 2013, the Company and Pulser entered into the Rdio Agreement which provides that Cumulus will act as the exclusive promotional agent for Rdio ad products, including display, mobile, in-line audio, synced banners and other digital inventory that may become available from time to time. In exchange for $75.0 million of promotional commitments over five years, Cumulus will receive 15% of the current fully-diluted equity of Pulser, with the opportunity to earn additional equity in the form of warrants based on the achievement of certain performance milestones over the term of the Rdio

Table of Contents

Agreement. The Company will record the equity received for services at fair value and will evaluate the investment for impairment in subsequent periods.
The Company is committed under various contractual agreements to pay for broadcast rights that include news services and to pay for executives, talent, research, weather and other services.
The Company from time to time enters into radio network contractual obligations to guarantee a minimum amount of revenue share to contractual counterparties on certain programming in future years. Generally, these guarantees are subject to decreases dependent on clearance targets achieved. As of June 30, 2014, the Company believes that it will meet such minimum obligations.
On January 2, 2014 (the "Commencement Date”), Merlin Media, LLC (“Merlin”) and the Company entered into an LMA. Under this LMA, the Company is responsible for operating two FM radio stations in Chicago, Illinois, for monthly fees payable to Merlin of approximately $0.3 million, $0.4 million, $0.5 million and $0.6 million in the first, second, third and fourth years, respectively, following the Commencement Date in exchange for the Company retaining the operating profits from these radio stations.
In connection therewith, the Company and Merlin also entered into an agreement pursuant to which the Company has the right to purchase these two FM radio stations until October 4, 2017, for an amount in cash equal to the greater of (i) $70.0 million minus the aggregate amount of monthly fees paid by the Company on or prior to the earlier of the closing date or the date that is four years after the Commencement Date; or (ii) $50.0 million, and Merlin has the right to require the Company to purchase these two FM radio stations at any time during a ten-day period commencing October 4, 2017 for $71.0 million, minus the aggregate amount of monthly fees paid by the Company on or prior to the earlier of the closing date and the date that is four years after the Commencement Date.
The Company determined through its review of the requirements of ASC Topic 810, Consolidation ("ASC 810") that the Company is not the primary beneficiary of the LMA with Merlin therefore consolidation of the stations is not required.
On April 1, 2014, the Company initiated an exit plan for a lease due to a restructuring in connection with the acquisition of WestwoodOne (the "Exit Plan"), which includes charges related to terminated contract costs. In connection with the Exit Plan, the Company recorded restructuring costs of $5.1 million for the three and six months ended June 30, 2014 and is included in corporate expenses in the condensed consolidated statement of operations. As of June 30, 2014, liabilities related to the Exit Plan of $0.4 million were included in accounts payable and accrued expenses and are expected to be paid within one year and $4.5 million of non-current liabilities are included in other liabilities in the condensed consolidated balance sheet. We anticipate no additional future charges for the Exit Plan other than true-ups to closed facilities lease charges and accretion expense.
On April 25, 2014, the Company entered into an LMA with Universal Media Access, LLC “(Universal”) pursuant to which the Company will be responsible for operating one FM radio station serving San Jose and San Francisco, California for a fixed fee to Universal of approximately $1.4 million each year for two years in exchange for the Company retaining the operating profits from this radio station.
In connection therewith, the Company and Universal also entered into an agreement pursuant to which the Company has the right to purchase the radio station at any time from April 25, 2014 until April 5, 2016 for an amount in cash equal to $14.8 million minus the aggregate amount of monthly LMA fees paid by the Company on or prior to the earlier of the closing date or the date that is 18 months after April 25, 2014 and Universal has the right to require the Company to purchase the station at any time during a ten-day period commencing April 5, 2016 for $14.8 million, minus the aggregate amount of fees paid by the Company on or prior to the earlier of the closing date and the date that is two years after April 25, 2014.
The Company determined through its review of the requirements of ASC 810 that the Company is not the primary beneficiary of the LMA with Universal therefore consolidation of the station is not required.
As described in Note 2, “Acquisitions and Dispositions”, the Company may be required to pay additional cash consideration for the acquisition of WFME in New York.
Legal Proceedings
On February 28, 2014, the Company entered into a settlement agreement that provided for the mutual release and settlement of a number of lawsuits related to WestwoodOne that originated prior to our acquisition of WestwoodOne.

The liability under this agreement, which is not material to the Company, will be paid out over an 18 month period and will be paid from an escrow fund holding a portion of the purchase price paid to complete the WestwoodOne Acquisition, which fund was created to reimburse the Company for liabilities associated with certain outstanding legal claims.

Table of Contents

We are currently party to, or a defendant in, various claims or lawsuits that are generally incidental to our business. We also expect that from time to time in the future we will be party to, or a defendant in, various claims or lawsuits that are generally incidental to our business. We expect that we will vigorously contest any such claims or lawsuits and believe that the ultimate resolution of any known claim or lawsuit will not have a material adverse effect on our consolidated financial position, results of operations or cash flows.

14. Supplemental Condensed Consolidating Financial Information

At June 30, 2014, Cumulus (the "Parent Guarantor") and certain of its 100% owned subsidiaries (such subsidiaries, the “Subsidiary Guarantors”) provided guarantees of the obligations of Cumulus Holdings (the "Subsidiary Issuer") under the 7.75% Senior Notes. These guarantees are full and unconditional (subject to customary release provisions) as well as joint and several. Certain of the Subsidiary Guarantors may be subject to restrictions on their respective ability to distribute earnings to Cumulus Holdings or the Parent Guarantor. Not all of the subsidiaries of Cumulus and Cumulus Holdings guarantee the 7.75% Senior Notes (such non-guaranteeing subsidiaries, collectively, the “Subsidiary Non-guarantors”).

The following tables present (i) unaudited condensed consolidating statements of operations for the three and six months ended June 30, 2014 and 2013, (ii) unaudited condensed consolidating balance sheets as of June 30, 2014 and December 31, 2013, and (iii) unaudited condensed consolidating statements of cash flows for the six months ended June 30, 2014 and 2013, of each of the Parent Guarantor, Cumulus Holdings, the Subsidiary Guarantors, and the Subsidiary Non-guarantors. The results have been adjusted for discontinued operations (see Note 3 "Discontinued Operations").

Investments in consolidated subsidiaries are held primarily by the Parent Guarantor in the net assets of its subsidiaries and have been presented using the equity method of accounting. The “Eliminations” entries in the following tables primarily eliminate investments in subsidiaries and intercompany balances and transactions. The columnar presentations in the following tables are not consistent with the Company’s business groups; accordingly, this basis of presentation is not intended to present the Company’s financial condition, results of operations or cash flows on a consolidated basis.

Revision to Prior Period Financial Statements

During the fourth quarter of 2013, Cumulus Media Inc. determined that it did not properly classify certain intercompany transactions in its supplemental condensed consolidating financial information footnote in previous 2013 interim periods. Specifically, the Company should have presented the changes in assets and liabilities within operating activities for the Parent Guarantor as intercompany transactions, net within financing activities. There was no impact on the condensed consolidated balance sheet or statement of income.

In accordance with accounting guidance found in ASC 250-10 (SEC Staff Accounting Bulletin No. 99, Materiality), the Company assessed the materiality of the errors and concluded that the errors were not material to any of the Company’s previously issued financial statements. As permitted by the accounting guidance found in ASC 250-10 (SEC Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements), the Company has presented a revised condensed consolidated statement of cash flows for the six months ended June 30, 2013 and will revise the interim condensed consolidated statements of cash flows in future quarterly filings.

Reclassifications

Certain account balances in the 2013 periods have been reclassified to conform with classifications currently in use. In the accompanying unaudited condensed consolidating statements of operations the Company separately presents content costs and other direct operating expenses as operating expense categories. In certain of the Company's historical disclosures, those line items were presented on a combined basis within the direct operating expenses line item in the statement of operations. Content costs consist of all costs related to the licensing, acquisition and development of the Company's programming. Other direct operating expenses consist of expenses related to the distribution and monetization of the Company's content across its platform and overhead expenses. There were no other costs included in direct operating expenses in 2013.

24

Table of Contents

CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended June 30, 2014
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Net revenue	$—	$125	$328,122	$ —	$—	$328,247
Operating expenses:						
Content costs	—	—	101,802	—	—	101,802
Other direct operating expenses	—	—	117,837	552	—	118,389
Depreciation and amortization	—	459	28,612	—	—	29,071
LMA fees	—	—	1,648	—	—	1,648
Corporate expenses (including stock-based compensation expense of $4,154)	—	19,264	—	—	—	19,264
Gain on sale of assets or stations	—	—	(360)	—	—	(360)
Total operating expenses	—	19,723	249,539	552	—	269,814
Operating (loss) income	—	(19,598)	78,583	(552)	—	58,433
Non-operating (expense) income:						
Interest expense	(2,406)	(33,987)	—	(75)	—	(36,468)
Interest income	—	—	342	—	—	342
Other income, net	—	—	3,593	—	—	3,593
Total non-operating (expense) income, net	(2,406)	(33,987)	3,935	(75)	—	(32,533)
(Loss) income before income taxes	(2,406)	(53,585)	82,518	(627)	—	25,900
Income tax benefit (expense)	799	18,253	(30,070)	255	—	(10,763)
(Loss) income from continuing operations	(1,607)	(35,332)	52,448	(372)	—	15,137
Earnings (loss) from consolidated subsidiaries	16,744	52,076	(372)	—	(68,448)	—
Net income (loss)	$15,137	$16,744	$52,076	$ (372)	$ (68,448)	$15,137

Table of Contents

CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Six Months Ended June 30, 2014
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Net revenue	$—	$229	$620,062	$ —	$—	$620,291
Operating expenses:						
Content costs	—	—	210,295	—	—	210,295
Other direct operating expenses	—	—	232,581	1,143	—	233,724
Depreciation and amortization	—	917	57,035	—	—	57,952
LMA fees	—	—	3,205	—	—	3,205
Corporate expenses (including stock-based compensation expense of $8,245)	—	38,458	—	—	—	38,458
Gain on sale of assets or stations	—	—	(898)	—	—	(898)
Total operating expenses	—	39,375	502,218	1,143	—	542,736
Operating (loss) income	—	(39,146)	117,844	(1,143)	—	77,555
Non-operating (expense) income:						
Interest expense	(4,981)	(67,583)	—	(169)	—	(72,733)
Interest income	—	—	672	—	—	672
Other income, net	—	—	3,529	—	—	3,529
Total non-operating (expense) income, net	(4,981)	(67,583)	4,201	(169)	—	(68,532)
(Loss) income before income taxes	(4,981)	(106,729)	122,045	(1,312)	—	9,023
Income tax benefit (expense)	1,741	37,314	(42,669)	459	—	(3,155)
(Loss) income from continuing operations	(3,240)	(69,415)	79,376	(853)	—	5,868
Earnings (loss) from consolidated subsidiaries	9,108	78,523	(853)	—	(86,778)	—
Net income (loss)	$5,868	$9,108	$78,523	$ (853)	$ (86,778)	$5,868

Table of Contents

CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended June 30, 2013
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Net revenue	$—	$—	$270,306	$ —	$—	$ 270,306
Operating expenses:						
Content costs	—	—	62,255	—	—	62,255
Other direct operating expenses	—	—	99,326	568	—	99,894
Depreciation and amortization	—	484	27,120	—	—	27,604
LMA fees	—	—	738	—	—	738
Corporate expenses (including stock-based compensation expense of $2,470)	—	7,742	—	—	—	7,742
Loss on sale of assets or stations	—	—	227	—	—	227
Gain on derivative instrument	—	—	(2,106)	—	—	(2,106)
Total operating expenses	—	8,226	187,560	568	—	196,354
Operating (loss) income	—	(8,226)	82,746	(568)	—	73,952
Non-operating (expense) income:						
Interest expense	(2,378)	(41,819)	—	—	—	(44,197)
Interest income	—	—	364	—	—	364
Loss on early extinguishment of debt	—	(4,539)	—	—	—	(4,539)
Other expense, net	—	—	(393)	—	—	(393)
Total non-operating (expense) income, net	(2,378)	(46,358)	(29)	—	—	(48,765)
(Loss) income before income taxes	(2,378)	(54,584)	82,717	(568)	—	25,187
Income tax (expense) benefit	—	—	(35,608)	25,535	—	(10,073)
(Loss) income from continuing operations	(2,378)	(54,584)	47,109	24,967	—	15,114
Income (loss) from discontinued operations, net of taxes	—	—	55,531	(43,544)	—	11,987
Earnings (loss) from consolidated subsidiaries	29,479	84,063	(18,577)	—	(94,965)	—
Net income (loss)	$27,101	$29,479	$84,063	$ (18,577)	$ (94,965)	$ 27,101

27

Table of Contents

CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Six Months Ended June 30, 2013
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Net revenue	$—	$—	$488,145	$ —	$—	$ 488,145
Operating expenses:						
Content costs	—	—	124,206	—	—	124,206
Other direct operating expenses	—	—	192,361	1,013	—	193,374
Depreciation and amortization	—	981	54,219	—	—	55,200
LMA fees	—	—	1,684	—	—	1,684
Corporate expenses (including stock-based compensation expense of $5,134)	—	21,760	—	—	—	21,760
Loss on sale of assets or stations	—	—	1,536	—	—	1,536
Gain on derivative instrument	—	—	(2,844)	—	—	(2,844)
Total operating expenses	—	22,741	371,162	1,013	—	394,916
Operating (loss) income	—	(22,741)	116,983	(1,013)	—	93,229
Non-operating (expense) income:						