CUMULUS MEDIA INC
Form 10-Q
July 30, 2013
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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, 2013
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	¨	Accelerated filer	ý
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 23, 2013, the registrant had 178,396,041 outstanding shares of common stock consisting of (i) 162,326,226 shares of Class A common stock; (ii) 15,424,944 shares of Class B common stock; and (iii) 644,871 shares of Class C common stock.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$46,216	$88,050
Restricted cash	3,729	5,921
Accounts receivable, less allowance for doubtful accounts of $3,779 and $4,131 at June 30, 2013 and December 31, 2012, respectively	203,469	207,563
Trade receivable	7,344	6,104
Deferred income taxes	29,658	25,145
Prepaid expenses and other current assets	21,952	20,336
Total current assets	312,368	353,119
Property and equipment, net	246,528	255,903
Broadcast licenses	1,640,882	1,602,373
Other intangible assets, net	215,386	258,761
Goodwill	1,204,953	1,195,594
Other assets	70,067	77,825
Total assets	$3,690,184	$3,743,575
Liabilities, Redeemable Preferred Stock and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$75,872	$102,586
Trade payable	6,620	4,803
Current portion of long-term debt	13,250	76,468
Other current liabilities	8,542	11,386
Total current liabilities	104,284	195,243
Long-term debt, excluding 7.75% senior notes	2,040,359	2,014,599
7.75% senior notes	610,000	610,000
Other liabilities	41,122	45,313
Deferred income taxes	558,621	559,918
Total liabilities	3,354,386	3,425,073
Redeemable preferred stock:		
Series A cumulative redeemable preferred stock, par value $0.01 per share; stated value of $1,000 per share; 100,000,000 shares authorized; 75,767 shares issued and outstanding at both June 30, 2013 and December 31, 2012	72,871	71,869
Total redeemable preferred stock	72,871	71,869
Stockholders' equity:		
Class A common stock, par value $0.01 per share; 750,000,000 shares authorized; 186,456,601 and 182,682,073 shares issued, and 162,326,226 and 158,519,394 shares outstanding, at June 30, 2013 and December 31, 2012, respectively	1,864	1,827
Class B common stock, par value $0.01 per share; 600,000,000 shares authorized; 15,424,944 shares issued and outstanding at both June 30, 2013 and December 31, 2012	154	154

Class C common stock, par value $0.01 per share; 644,871 shares authorized, issued and outstanding at both June 30, 2013 and December 31, 2012	6	6
Treasury stock, at cost, 24,130,375 and 24,162,676 shares at June 30, 2013 and December 31, 2012, respectively	(250,697)	(252,001)
Additional paid-in-capital	1,511,689	1,514,849
Accumulated deficit	(1,000,089)	(1,018,202)
Total stockholders’ equity	262,927	246,633
Total liabilities, redeemable preferred stock and stockholders’ equity	$3,690,184	$3,743,575

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Broadcast revenues	$289,676	$280,745	522,548	$516,710
Management fees	—	296	—	326
Net revenues	289,676	281,041	522,548	517,036
Operating expenses:				
Direct operating expenses (excluding depreciation, amortization and LMA fees)	171,762	168,746	335,934	322,442
Depreciation and amortization	28,935	36,200	57,866	71,007
LMA fees	759	885	1,728	1,724
Corporate, general and administrative expenses (including stock-based compensation expense of $2,470, $5,928, $5,134 and $12,906, respectively)	7,760	16,802	21,626	33,494
Loss on sale of stations	91	—	1,400	—
(Gain) loss on derivative instrument	(2,106)	841	(2,844)	753
Impairment of intangible assets	—	12,435	—	12,435
Total operating expenses	207,201	235,909	415,710	441,855
Operating income	82,475	45,132	106,838	75,181
Non-operating (expense) income:				
Interest expense, net	(43,833)	(49,619)	(88,085)	(100,422)
Loss on early extinguishment of debt	(4,539)	—	(4,539)	—
Other (expense) income, net	(511)	(74)	(378)	190
Total non-operating expense, net	(48,883)	(49,693)	(93,002)	(100,232)
Income (loss) from continuing operations before income taxes	33,592	(4,561)	13,836	(25,051)
Income tax (expense) benefit	(6,491)	2,798	4,276	10,689
Income (loss) from continuing operations	27,101	(1,763)	18,112	(14,362)
Income from discontinued operations, net of taxes	—	9,906	—	10,375
Net income (loss)	27,101	8,143	18,112	(3,987)
Less: dividends declared and accretion of redeemable preferred stock	3,155	6,791	6,307	12,491
Income (loss) attributable to common shareholders	$23,946	$1,352	$11,805	$(16,478)
Basic and diluted income (loss) per common share (see Note 12, "Earnings Per Share"):				
Basic: Income (loss) from continuing operations per share	$0.11	$(0.05)	$0.05	$(0.17)
Income from discontinued operations per share	$—	$0.06	$—	$0.07
Income (loss) per share	$0.11	$0.01	$0.05	$(0.11)
Diluted: Income (loss) from continuing operations per share	$0.11	$(0.05)	$0.05	$(0.17)
Income from discontinued operations per share	$—	$0.06	$—	$0.07
Income (loss) per share	$0.11	$0.01	$0.05	$(0.11)
Weighted average basic common shares outstanding	176,481,592	157,710,861	175,619,586	153,540,006
Weighted average diluted common shares outstanding	179,553,341	157,710,861	178,678,090	153,540,006

See accompanying notes to the unaudited condensed consolidated financial statements.

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

	Six Months Ended June 30, 2013	2012
Cash flows from operating activities:		
Net income (loss)	$18,112	$(3,987)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	57,866	72,242
Amortization of debt issuance costs/discounts	5,164	5,061
Provision for doubtful accounts	1,046	1,598
Loss (gain) on sale of assets or stations	1,537	(183)
Impairment of intangible assets	—	12,435
Loss on early extinguishment of debt	4,539	—
Fair value adjustment of derivative instruments	(2,871)	1,003
Deferred income taxes	(5,809)	(14,302)
Stock-based compensation expense	5,134	12,906
Changes in assets and liabilities:		
Accounts receivable	3,045	4,789
Trade receivable	(1,240)	(1,211)
Prepaid expenses and other current assets	(1,664)	(1,217)
Other assets	1,044	(715)
Accounts payable and accrued expenses	(26,724)	(31,407)
Trade payable	1,817	393
Other liabilities	(4,222)	(2,215)
Net cash provided by operating activities	56,774	55,190
Cash flows from investing activities:		
Proceeds from sale of assets or stations	692	426
Acquisitions less cash acquired	(52,066)	—
Restricted cash	2,192	—
Capital expenditures	(4,830)	(1,919)
Net cash used in investing activities	(54,012)	(1,493)
Cash flows from financing activities:		
Repayment of borrowings under term loans and revolving credit facilities	(38,931)	(57,000)
Tax withholding payments on behalf of employees for stock based compensation	(337)	(1,909)
Preferred stock dividends	(5,304)	(6,458)
Proceeds from exercise of warrants	34	161
Deferred financing costs	(58)	—
Net cash used in financing activities	(44,596)	(65,206)
Decrease in cash and cash equivalents	(41,834)	(11,509)
Cash and cash equivalents at beginning of period	88,050	30,592
Cash and cash equivalents at end of period	$46,216	$19,083
Supplemental disclosures of cash flow information:		
Interest paid	$82,208	$97,441
Income taxes paid	$1,561	$2,909
Supplemental disclosures of non-cash flow information:		
Compensation held in trust	$—	$24,807

Trade revenue	$12,458	$13,642
Trade expense	$12,577	$12,705

See accompanying notes to the unaudited condensed consolidated financial statements.

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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

Cumulus Media believes it is the largest pure-play radio broadcaster in the United States based on number of stations. At June 30, 2013, Cumulus Media owned or operated approximately 520 radio stations (including under local marketing agreements, or “LMAs”) in 108 United States media markets and a nationwide radio network serving over 5,000 stations.

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, 2012. The accompanying unaudited interim condensed consolidated financial statements include the condensed consolidated accounts of Cumulus and its wholly-owned subsidiaries, with all significant intercompany balances and transactions eliminated in consolidation. 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 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 months and six months ended June 30, 2013, the cash flows for the six months ended June 30, 2013 and the Company’s financial condition as of June 30, 2013, are not necessarily indicative of the results of operations or cash flows that can be expected for, or the Company’s financial condition as of, any other interim period or for the fiscal year ending December 31, 2013.

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.

Reclassifications

Certain 2012 balances were reclassified to conform with classifications currently in use.

Recent Accounting Pronouncements

ASU 2012-02. In July 2012, the Financial Accounting Standard 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. It is effective prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company adopted this guidance effective January 1, 2013. The adoption of this guidance did not have an impact on the Company’s interim 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. This ASU is effective for annual reporting periods beginning on or after December 15, 2013 and subsequent interim periods. The Company is currently assessing the expected impact, if any, on the consolidated financial statements.

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2. Acquisitions and Dispositions
2013 Acquisitions
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. The total purchase price is subject to increase of up to $10 million payable to the sellers 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 June 30, 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. This acquisition 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 table below summarizes the preliminary purchase price allocation among the tangible and intangible assets acquired and liabilities assumed 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 and liabilities. 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 of $0.5 million and $0.9 million attributable to the Pamal Broadcasting Asset Purchase were included in the Company's condensed consolidated statement of operations for the three and six months ended June 30, 2013, respectively.
The table below summarizes the preliminary purchase price allocation among the tangible and intangible assets acquired 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

2012 Acquisitions
On July 31, 2012, the Company completed its sale of 55 stations in eleven non-strategic markets to Townsquare Media, LLC ("Townsquare Asset Exchange") in exchange for ten of Townsquare's radio stations in Bloomington, IL and Peoria, IL, plus approximately $114.9 million in cash. The transaction was part of the Company's ongoing efforts to focus on radio stations in larger markets and geographically strategic regional clusters. The stations sold by the Company operated in the following markets: Augusta, ME; Bangor, ME; Binghamton, NY; Bismarck, ND; Grand

Junction, CO; Killeen-Temple, TX; New Bedford, MA; Odessa-Midland, TX; Presque Isle, ME; Sioux Falls, SD and Tuscaloosa, AL.

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The table below summarizes the final purchase price allocation for the Townsquare Asset Exchange (dollars in thousands):

Allocation	Amount
Current assets	$ 149
Property and equipment	4,690
Broadcast licenses	11,900
Goodwill	3,014
Other intangibles	200
Current liabilities	(207)
Total purchase price	19,746
Less: Carrying value of stations transferred	(71,697)
Add: Cash received	114,918
Gain on asset exchange	$ 62,967

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 was equal to the difference between the purchase price and the value assigned to the tangible and intangible assets acquired and liabilities assumed. $1.1 million of the acquired goodwill is deductible for tax purposes.

The definite-lived intangible assets acquired in the Townsquare Asset Exchange 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	6	$ 200

AR Broadcasting Asset Purchase

On September 25, 2012, the Company, through its subsidiaries, entered into an asset purchase agreement with AR Broadcasting, LLC, AR Licensing, LLC, CMP KC Corp. and CMP Houston-KC, LLC to acquire the KCHZ-FM and KMJK-FM radio stations operated in the Kansas City market for an aggregate purchase price of $18.1 million (the "AR 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.

On December 6, 2012, the Company completed the acquisition of KCHZ-FM for a purchase price of $11.2 million. The Company paid $10.0 million in cash at closing with the remaining $1.2 million paid in January 2013 upon the closing of the acquisition of KMJK-FM.

On January 28, 2013, the Company completed the AR Broadcasting Asset Purchase, acquiring KMJK-FM for a purchase price of $6.9 million.

Revenues of $1.5 million and $2.6 million attributable to the AR Broadcasting Asset Purchase were included in the Company's condensed consolidated statement of operations for the three and six months ended June 30, 2013, respectively.

The table below summarizes the preliminary purchase price allocation among the tangible and intangible assets acquired and liabilities assumed in the AR Broadcasting Asset Purchase (dollars in thousands):

Allocation	Amount
Current assets	$ 93
Plant, property, and equipment, net	1,256
Other assets	23
Broadcast licenses	16,850
Current liabilities	(152)

Total purchase price	$ 18,070

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The following pro forma information assumes the Townsquare Asset Exchange occurred as of January 1, 2011. This 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 financial position or results of operations that Cumulus would have achieved had the Townsquare Asset Exchange actually occurred on January 1, 2011 or on any other historical dates, 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 Pro Forma Data	
	Three Months Ended June 30,	Six Months Ended June 30,
Description	2012	2012
Net revenue	$ 283,988	$ 522,515
Net income (loss)	8,582	(4,172)

The pro forma financial information set forth above for the three and six months ended June 30, 2012 includes adjustments to reflect: (i) depreciation and amortization expense based on the fair value of long-lived assets acquired in the Townsquare Asset Exchange; (ii) certain other pro forma adjustments that would be required to be made to prepare pro forma financial information under ASC Topic 805, Business Combinations.

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

Completed Dispositions

The Company did not complete any material dispositions during the three or six months ended June 30, 2013 or 2012.

3. Discontinued Operations

On July 31, 2012, the Company completed the Townsquare Asset Exchange. The results of operations associated with the stations have been or are 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, 2012.

Components of Results of Discontinued Operations

For the three and six months ended June 30, 2012, income from discontinued operations was as follows (dollars in thousands):

	Three Months Ended June 30, 2012	Six Months Ended June 30, 2012
Discontinued operations:		
Net revenue	$ 11,000	$ 20,321
Operating income	4,382	6,769
Non-operating expenses	(5)	(7)
Income from discontinued operations before taxes	4,377	6,762
Income tax benefit	5,529	3,613
Income from discontinued operations	$ 9,906	$ 10,375

During the three and six months ended June 30, 2012 the Company recognized a $7.2 million deferred tax benefit related to settlement of deferred tax liabilities associated with the sale of indefinite lived intangibles. The deferred tax benefit is reflected in income tax expense for discontinued operations for those periods.

4. Restricted Cash

As of June 30, 2013 and December 31, 2012, the Company's balance sheet included approximately $3.7 million and $5.9 million in restricted cash, of which $2.3 million related to a cash reserve from the Company's previously completed acquisition

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of Citadel Broadcasting Company (“Citadel”) (the “Citadel Merger”). The reserve is expected to be used to satisfy the remaining allowed, disputed or not reconciled unsecured claims related to Citadel’s prior bankruptcy proceedings. At June 30, 2013 and December 31, 2012, $0.6 million of the restricted cash balance relates to securing the maximum exposure generated by automated clearing house 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, 2013 and December 31, 2012, $0.8 million and $0.7 million, respectively, of the restricted cash balance relates to collateral on the Company’s letters of credit. At December 31, 2012, the Company held $2.3 million in escrow related to pending acquisitions.

5. Intangible Assets and Goodwill

The following table presents the changes in intangible assets, other than goodwill, during the periods from January 1, 2012 to December 31, 2012 and January 1, 2013 to June 30, 2013, and balances as of such dates (dollars in thousands):

	Indefinite-Lived	Definite-Lived	Total
Intangible Assets:			
Balance as of January 1, 2012	$ 1,625,415	$ 390,509	$ 2,015,924
Purchase price allocation adjustments	—	(1,027)	(1,027)
Acquisition	22,253	376	22,629
Impairment	(14,706)	(12,435)	(27,141)
Disposition	(30,589)	(6,880)	(37,469)
Amortization	—	(112,240)	(112,240)
Balance as of December 31, 2012	1,602,373	258,303	1,860,676
Acquisition	44,038	—	44,038
Disposition	(5,529)	—	(5,529)
Amortization	—	(42,917)	(42,917)
Balance as of June 30, 2013	$ 1,640,882	$ 215,386	$ 1,856,268

The following table presents the changes in goodwill and accumulated impairment losses during the periods from January 1, 2013 to June 30, 2013 and January 1, 2012 to June 30, 2012, and balances as of such dates (dollars in thousands):

Goodwill:	2013	2012
Balance as of January 1:		
Goodwill	$ 1,525,335	$ 1,564,253
Accumulated impairment losses	(329,741)	(229,741)
Subtotal	1,195,594	1,334,512
Acquisition	11,461	—
Current assets held for sale	—	(32,132)
Purchase price allocation adjustments	—	(9,550)
Finalization of purchase accounting for fourth quarter 2012 acquisitions	(1,889)	—
Disposition	(213)	(105)
Balance as of June 30:		
Goodwill	1,534,694	1,522,466
Accumulated impairment losses	(329,741)	(229,741)
Total	$ 1,204,953	$ 1,292,725

The Company has significant intangible assets recorded comprised primarily of broadcast licenses and goodwill acquired through the acquisition of radio stations. 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.

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In connection with each of the WFME Asset Exchange, the Pamal Broadcasting Asset Purchase, and the AR Broadcasting Asset Purchase, the Company made certain allocations of the purchase price paid therein among each of the tangible and intangible assets and liabilities assumed, including goodwill. Such purchase price allocations are preliminary and subject to change during the respective measurement periods. Any such changes could be material and could result in significantly different allocations from those contained in the tables above.

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, 2013 and December 31, 2012 include long term-assets of less than $0.1 million dollars attributable to the fair value of the interest rate cap. The Company reported interest income of less than $0.1 million during each of the three months and six months ended June 30, 2013, and interest expense of $0.2 million and $0.3 million for the three and six months ended June 30, 2012, respectively, attributed to the change in fair value adjustment. The interest rate cap matures on December 8, 2015.

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 whereby the Company is responsible for operating (i.e., programming, advertising, etc.) five radio stations in Green Bay, Wisconsin and must pay Clear Channel a monthly fee of approximately $0.2 million over a five year term (expiring December 31, 2013), in exchange for the Company retaining the operating profits from managing the radio stations. Clear Channel also has a put option (the "Green Bay Option") that allows it to require the Company to purchase the five Green Bay radio stations for $17.6 million (the fair value of the radio stations as of April 10, 2009), as discussed further below. The Company accounts for the Green Bay Option as a derivative contract. Accordingly, the fair value of the Green Bay Option is recorded as a liability with subsequent changes in the fair value recorded through earnings. The fair value of the Green Bay Option was determined using inputs that are supported by little or no market activity (a "Level 3" measurement). The fair value represents an estimate of the amount that the Company would pay if the option was transferred to another party as of the date of the valuation.

On July 19, 2013, the Company received notice from Clear Channel that it was exercising The Green Bay Option. Completion of the transaction contemplated by the Green Bay Option is subject to FCC approval and other customary conditions. The Company currently expects that the transactions contemplated by the exercise of the Green Bay Option will be completed by early 2014, although no assurances can be provided. This transaction is pending customary regulatory approvals.

The unaudited condensed consolidated balance sheets as of June 30, 2013 and December 31, 2012 reflect other current liabilities of $8.5 million and $11.4 million to include the fair value of the Green Bay Option. The Company recorded $2.1 million and $2.8 million in gain on derivative instrument associated with marking to market the Green Bay Option to reflect the fair value of the option during each of the three and six months ended June 30, 2013.

The location and fair value amounts 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, 2013	December 31, 2012
Derivatives not designated as hedging instruments:			
Interest rate cap	Other long-term assets	$72	$44

Green Bay Option	Other current liabilities	(8,542)	(11,386)
	Total	$(8,470)	$(11,342)

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

		Recognized on Derivatives			
		For the Three Months Ended June 30,		For the Six Months Ended June 30,	
Derivative Instruments	Statement of Operations Location	2013	2012	2013	2012
Interest rate cap	Interest (income) expense	$(32)	$165	$(27)	$250
Green Bay Option	(Gain) loss on derivative instrument	(2,106)	841	(2,844)	753
	Total	$(2,138)	$1,006	$(2,871)	$1,003

7. Long-Term Debt

The Company's long-term debt consisted of the following as of June 30, 2013 and December 31, 2012 (dollars in thousands):

	June 30, 2013	December 31, 2012
Term Loan and Revolving Credit Facilities:		
First Lien Term Loan	$1,287,260	$1,321,687
Second Lien Term Loan	785,496	790,000
Revolving Credit Facility	—	—
Less: Term Loan discount	(19,147)	(20,620)
Total Term Loan and Revolving Credit Facilities	2,053,609	2,091,067
7.75% Senior Notes	610,000	610,000
Less: Current portion of long-term debt	(13,250)	(76,468)
Long-term debt, net	$2,650,359	$2,624,599

First Lien and Second Lien Credit Facilities

On September 16, 2011, the Company entered into a (i) First Lien Credit Agreement (as amended and restated the "First Lien Facility"), among the Company, Cumulus Holdings, as Borrower, certain lenders, JPMorgan as Administrative Agent, UBS, Macquarie, Royal Bank of Canada and ING Capital LLC, as Co-Syndication Agents, and U.S. Bank National Association and Fifth Third Bank, as Co-Documentation Agents; and (ii) Second Lien Credit Agreement (the "Second Lien Facility" and, together with the First Lien Facility, the "2011 Credit Facilities"), among the Company, Cumulus Holdings, as Borrower, certain lenders, JPMorgan, as Administrative Agent, and UBS, Macquarie, Royal Bank of Canada and ING Capital LLC, as Co-Syndication Agents.

The First Lien Facility (as amended to date) consists of a $1.325 billion first lien term loan facility, net of an original issue discount of $13.5 million, maturing in September 2018 (the "First Lien Term Loan"), and a $150.0 million revolving credit facility, maturing in September 2016 (the "Revolving Credit Facility"). Under the Revolving Credit Facility, up to $15.0 million of availability may be drawn in the form of letters of credit and up to $15.0 million is available for swingline borrowings. The Second Lien Facility consists of a $790.0 million second lien term loan facility, net of an original issue discount of $12.0 million, maturing in September 2019 (the "Second Lien Term Loan"). Proceeds from borrowings under the First Lien Facility and Second Lien Facility were used, together with certain other funds, to (i) fund the cash portion of the purchase price paid in the Citadel Merger; (ii) repay in full amounts outstanding under the revolving credit facility under the Company's pre-existing credit agreement (the "Terminated Credit Agreement"); (iii) repay all amounts outstanding under the credit facilities of CMP Susquehanna Corporation ("CMPSC"), an indirect wholly-owned subsidiary of CMP; (iv) redeem CMPSC's outstanding 9.875% senior subordinated notes due 2014 and variable rate senior secured notes due 2014; (v) redeem in accordance with their terms all outstanding shares of preferred stock of Radio Holdings and the direct parent of CMPSC; and (vi) repay all amounts outstanding, including any accrued interest and the premiums thereon, under Citadel's pre-existing credit agreement and to redeem its 7.75% Senior Notes.

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On May 31, 2013, the Company entered into an amendment (the “Amendment”) to its First Lien Facility. Pursuant to the Amendment, the consolidated total net leverage ratio covenant contained in the First Lien Facility with which the Company is required to comply in the event amounts were outstanding under the Revolving Credit Facility was replaced with a consolidated first lien net leverage ratio covenant, and the total commitments under the Revolving Credit Facility were reduced from $300.0 million to $150.0 million.

The Amendment constituted an extinguishment of debt for accounting purposes. As a result, the Company wrote off $4.5 million of deferred financing costs related to the Revolving Credit Facility which has been included in “Loss on early extinguishment of debt” of the unaudited condensed consolidated statement of operations for the three and six months ended June 30, 2013.

On December 20, 2012, the Company entered into an amendment and restatement (the “Amendment and Restatement”) of its First Lien Facility. Pursuant to the Amendment and Restatement, the terms and conditions contained in the First Lien Facility remained substantially unchanged, except as follows: (i) the amount outstanding thereunder was increased to $1.325 billion; (ii) the margin for LIBOR (as defined below) based borrowings was reduced from 4.5% to 3.5% and for Base Rate (as defined below) - based borrowings was reduced from 3.5% to 2.5%; and (iii) the LIBOR floor for LIBOR-based borrowings was reduced from 1.25% to 1.0%.

The Amendment and Restatement resulted in both a debt modification and extinguishment for accounting purposes. As a result, the Company wrote off $2.4 million of deferred financing costs related to the First Lien Facility in the year ended December 31, 2012. The Company also capitalized $0.8 million of deferred financing costs related to the Amendment and Restatement.

Borrowings under the First Lien 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 3.5% on LIBOR-based borrowings and 2.5% on Base Rate-based borrowings. LIBOR-based borrowings are subject to a LIBOR floor of 1.0% for the First Lien Term Loan and 1.0% for the Revolving Credit Facility. Base Rate-based borrowings are subject to a Base Rate Floor of 2.25% for the First Lien Term Loan and 2.0% for the Revolving Credit Facility. Base Rate is defined, for any day, as the fluctuating rate per annum equal to the highest of (i) the Federal Funds Rate, as published by the Federal Reserve Bank of New York, plus 1/2 of 1.0%, (ii) the prime commercial lending rate of JPMorgan, as established from time to time, and (iii) 30 day LIBOR plus 1.0%. The First Lien Term Loan amortizes at a per annum rate of 1.0% of the original principal amount of the First Lien Term Loan, payable quarterly, which commenced on March 31, 2012, with the balance payable on the maturity date. Amounts outstanding under the Revolving Credit Facility are due and payable on the maturity date.

Borrowings under the Second Lien Facility bear interest, at the option of Cumulus Holdings, at either the Base Rate plus 5.0%, subject to a Base Rate floor of 2.5%, or LIBOR plus 6.0%, subject to a LIBOR floor of 1.5%. The Second Lien Term Loan original principal amount is due on the maturity date, September 16, 2019.

Interest on Base Rate-based borrowings is due on the last day of each calendar quarter, except with respect to swingline loans, for which interest is due on the day that such swingline loan is required to be repaid. Interest payments on loans whose interest rate is based upon LIBOR are due at maturity if the term is three months or less or every three months and at maturity if the term exceeds three months.

At June 30, 2013, borrowings under the First Lien Term Loan bore interest at 4.5% per annum and borrowings under the Second Lien Term Loan bore interest at 7.5% per annum. Effective December 8, 2011, the Company entered into the Interest Rate Cap with an aggregate notional amount of $71.3 million, which agreement caps the interest rate on an equivalent amount of the Company’s LIBOR based term loans at a maximum of 3.0% per annum. The Interest Rate Cap matures on December 8, 2015. See Note 6, “Derivative Financial Instruments” for additional information.

The representations, covenants and events of default in the 2011 Credit Facilities and financial covenants in the First Lien Facility are customary for financing transactions of this nature. Events of default in the 2011 Credit Facilities include, among others: (a) the failure to pay when due the obligations owing under the credit facilities; (b) the failure to comply with (and not timely remedy, if applicable) certain financial covenants (as required by the First Lien Facility); (c) certain cross defaults and cross accelerations; (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 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 First Lien Facility and the Second Lien Facility, as applicable). 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 First Lien Facility and the Second Lien Facility, as applicable, and the ancillary loan documents as a secured party.

In the event amounts are outstanding under the Revolving Credit Facility, the First Lien Facility requires compliance with a consolidated first lien net leverage ratio covenant. At June 30, 2013, this ratio would have been 4.5 to 1.0. Such ratio will be reduced in future periods if amounts are outstanding under the Revolving Credit Facility at an applicable date. At June 30, 2013, the Company would have been in compliance with the covenant if the Company had amounts outstanding under the Revolving Credit Facility. The Second Lien Facility does not contain any financial covenants.
The First Lien Facility also requires our compliance with customary restrictive non-financial covenants, which, among other things, and with certain exceptions, limit the Company's ability to incur or guarantee additional indebtedness; consummate asset sales, acquisitions or mergers; make investments; enter into transactions with affiliates; and pay dividends or repurchase stock.
Certain mandatory prepayments on the First Lien Term Loan and the Second Lien 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.
Based upon the calculation of excess cash flow at December 31, 2012, the Company was required to make a mandatory prepayment on the First Lien Term Loan. Due to certain rights retained by the lenders to decline proportionate shares of such prepayments, the final prepayment amount was reduced from $63.2 million to $35.6 million of which a portion was applied to the Second Lien Term Loan. The prepayment was made on April 1, 2013.
The Company's, Cumulus Holdings' and their respective restricted subsidiaries' obligations under the First Lien Facility and the Second Lien Facility are collateralized by a first priority lien and second priority lien, respectively, on substantially all of the Company's, Cumulus Holdings' and their respective restricted subsidiaries' assets 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 subsidiaries and 66.0% of the capital stock of any future first-tier foreign subsidiaries. In addition, Cumulus Holdings' obligations under the First Lien Facility and the Second Lien Facility are guaranteed by the Company and substantially all of its restricted subsidiaries, other than Cumulus Holdings.
7.75% Senior Notes
On May 13, 2011, the Company issued $610.0 million aggregate principal amount of 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 Terminated 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, and 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

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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, 2013, the Company recorded an aggregate of $2.5 million and $5.1 million, respectively, of amortization of debt discount and debt issuance costs related to its First Lien and Second Lien Credit Facilities and 7.75% Senior Notes.

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, 2013 and December 31, 2012 were as follows (dollars in thousands):

		Fair Value Measurements at June 30, 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)	$72	$—	$72	$—
Total assets	$72	$—	$72	$—
Financial liabilities:				
Other current liabilities				
Green Bay Option (2)	$(8,542)	$—	$—	$(8,542)
Contingent consideration (3)	(31)	—	—	(31)
Total liabilities	$(8,573)	$—	$—	$(8,573)

		Fair Value Measurements at December 31, 2012 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)	$44	$ —	$ 44	$ —
Total assets	$44	$ —	$ 44	$ —
Financial liabilities:				

Other current liabilities				
Green Bay Option (2)	$(11,386)	$ —	$ —	$ (11,386)
Total liabilities	$(11,386)	$ —	$ —	$ (11,386)

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(1) On the Interest Rate Cap the Company pays a fixed interest rate on a $71.3 million notional amount of its term loans. The fair value of the Interest Rate Cap is determined based on discounted cash flow analysis on 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.

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

(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 to be paid to the sellers of the assets purchased as part of the WFME Asset Exchange if certain future conditions are met as detailed in the purchase agreement. See Note 2 "Acquisitions and Dispositions".

The assets associated with the Company's Interest Rate Cap are measured within Level 2 on 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 Green Bay Option from January 1, 2013 to June 30, 2013 (dollars in thousands):

Description	Green Bay Option
Fair value balance at January 1, 2013	$ (11,386)
Add: Mark to market fair value adjustment	2,844
Fair value balance at June 30, 2013	$ (8,542)

The reconciliation below contains the components of the change in continuing contingency associated with the contingent consideration from January 1, 2013 to June 30, 2013 (dollars in thousands):

Description	Contingent Consideration
Fair value balance at January 1, 2013	$—
Add: Acquisition of WFME	(31)
Fair value balance at June 30, 2013	$(31)

Quantitative information regarding the significant unobservable inputs related to the Green Bay Option as of June 30, 2013 was as follows (dollars in thousands):

Fair Value	Valuation Technique	Unobservable Inputs		
$(8,542)	Black-Scholes Model	Risk adjusted discount rate	6.6	%
		Total term	less than 1 year	
		Volatility rate	25	%
		Annual dividend rate	—	%
		Bond equivalent yield discount rate	—	%

Significant increases (decreases) in any of the inputs in isolation would result in a lower (higher) fair value measurement. For example, a decrease in the risk adjusted discount rate would result in a higher liability.

Quantitative information regarding the significant unobservable inputs related to the contingent consideration as of June 30, 2013 was as follows (dollars in thousands):

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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 loans and 7.75% Senior Notes (dollars in thousands):

	June 30, 2013	December 31, 2012
First Lien Term Loan:		
Carrying value	$1,287,260	$1,321,687
Fair value - Level 2	1,287,260	1,331,600
Second Lien Term Loan:		
Carrying value	$785,497	$790,000
Fair value - Level 2	801,207	811,725
7.75% Senior Notes:		
Carrying value	$610,000	$610,000
Fair value - Level 2	596,275	599,325

As of June 30, 2013, the Company used the trading prices of 100.0% and 102.0% to calculate the fair value of the First Lien Term Loan and Second Lien Term Loan, respectively, and 97.75% to calculate the fair value of the 7.75% Senior Notes.

As of December 31, 2012, the Company used the trading prices of 100.75% and 102.75% to calculate the fair value of the First Lien Term Loan and Second Lien Term Loan, respectively, and 98.3% to calculate the fair value of the 7.75% Senior Notes.

9. Redeemable Preferred Stock

The Company has designated 2,000,000 shares of its authorized preferred stock as Series A, par value $0.01 per share, with a liquidation preference of $1,000 per share (“Series A Preferred Stock”), and has issued 125,000 shares of Series A Preferred Stock for an aggregate amount of $125.0 million. No other shares of Series A Preferred Stock are issuable in the future, except for such shares as may be issued as dividends in lieu of any cash dividends in accordance with the terms thereof, and the Series A Preferred Stock ranks senior to all common stock and each series of stock the Company may subsequently designate with respect to dividends, redemption and distributions upon liquidation, winding-up and dissolution of the Company.

The Series A Preferred Stock has a perpetual term, a liquidation value equal to the amount invested therein plus any accrued but unpaid dividends, and dividend rights as described below. The Series A Preferred Stock generally does not have voting rights, except with respect to any amendment to the Company’s certificate of incorporation that would adversely affect the rights, privileges or preferences of the Series A Preferred Stock. Although the shares of Series A Preferred Stock include a mandatory redemption feature, there is no stated or probable date of redemption.

Holders of Series A Preferred Stock are entitled to receive mandatory and cumulative dividends in an amount per annum equal to the dividend rate (described below) multiplied by the liquidation value, calculated on the basis of a 360-day year, from the date of issuance, whether or not declared and whether or not the Company reports net income. Dividends are payable in arrears in cash, except that, at the option of the Company, up to 50.0% of the dividends for any period may be paid through the issuance of additional shares of Series A Preferred Stock. Payment of dividends on the Series A Preferred Stock is in preference and prior to any dividends payable on any class of the Company’s common stock.

Dividends on the Series A Preferred Stock accrued at an annual rate of 10.0% from the date of issuance of the Series A Preferred Stock through March 15, 2012. After such date, dividends accrue at an annual rate as follows:

- 14.0% through September 15, 2013;

- 17.0% plus the increase in the 90-day LIBOR from September 16, 2011 to September 16, 2013 for the period commencing on September 16, 2013 and ending on September 15, 2015; and
- 20.0% plus the increase in the 90-day LIBOR from September 16, 2011 to September 16, 2015 for all periods commencing on or after September 16, 2015, with an adjustment to the rate every two years thereafter.

In the event of the liquidation, dissolution or winding-up of the affairs of the Company, whether voluntary or involuntary, the holders of Series A preferred stock at the time shall be entitled to receive liquidating distributions with respect to each share of Series A Preferred Stock in an amount equal to the amount invested therein plus any accrued but unpaid dividends, and dividend rights to the fullest extent permitted by law, before any distribution of assets is made to the holders of our common stock.

Additionally, upon receipt by the Company of net cash proceeds from (i) the issuance by the Company or any of its subsidiaries of debt for borrowed money or (ii) the issuance by the Company or any of its subsidiaries of equity, the Company shall redeem, for cash, to the fullest extent permitted by law, that number of shares of Series A preferred stock with an aggregate redemption price equal to the lesser of (1) an amount equal to 100% of such net cash proceeds and (2) the $125.0 million aggregate par value of the Series A Preferred Stock plus any accrued but unpaid dividends.

Total dividends accrued on the Series A Preferred Stock during the three and six months ended June 30, 2013 were $2.7 million and $5.4 million, respectively. Total dividends accrued on the Series A Preferred Stock during the three and six months ended June 30, 2012 were $4.4 million and $7.7 million, respectively. Total dividends paid on the Series A Preferred Stock during the three and six months ended June 30, 2013 were $2.7 million and $5.4 million, respectively. Total dividends paid on the Series A Preferred Stock during the three and six months ended June 30, 2012 were $3.3 million and $6.5 million, respectively. During the three and six months ended June 30, 2013, the Company accreted $0.5 million and $1.0 million, respectively, on the Series A Preferred Stock. During the three and six months ended June 30, 2012, the Company accreted $2.4 million and $4.8 million, respectively, on the Series A Preferred Stock. At June 30, 2013 and December 31, 2012, 75,767 shares of Series A Preferred Stock remained outstanding. The accretion of Series A Preferred Stock resulted in an equivalent reduction in additional paid-in capital on the consolidated balance sheet at June 30, 2013 and December 31, 2012.

10. 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 (see Note 9, "Redeemable Preferred Stock").

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) to 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.

After payment of dividends to the holders of Series A Preferred Stock, the holders of all classes of common stock share ratably in any dividends that may be declared by the board of directors of the Company.

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2009 Warrants

In June 2009, in connection with the execution of an amendment to the Terminated Credit Agreement, the Company issued immediately exercisable warrants to the lenders under the Terminated Credit Agreement 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, 2013, 0.9 million 2009 Warrants remained outstanding.

CMP Restated Warrants

In connection with the completion of the CMP Acquisition, a subsidiary of the Company, entered into an amended and restated warrant agreement, dated as of August 1, 2011 (the “Restated Warrant Agreement”). Pursuant to the Restated Warrant Agreement, and subject to the terms and conditions thereof, the previously outstanding 3.7 million warrants to acquire shares of this subsidiary were amended and restated to no longer be exercisable for shares of common stock of this subsidiary but instead be exercisable, for an aggregate of approximately 8.3 million shares of Class B common stock (the “CMP Restated Warrants”). The CMP Restated Warrants expired by their terms on July 31, 2012. Prior to the termination thereof, approximately 3.7 million CMP Restated Warrants were converted into approximately 8.2 million shares of Class B common stock.

Equity Held in Reserve

As part of the Citadel Merger and as of June 30, 2013, 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 remain 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. This equity held in reserve is included in additional paid-in-capital on the accompanying unaudited condensed consolidated balance sheets at June 30, 2013 and December 31, 2012.

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 shall 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 and six months ended June 30, 2013, approximately 2.6 million and 3.7 million, respectively, Company Warrants were converted into shares of Class A common stock with an aggregate total of 37.9 million having been converted since issuance through June 30, 2013. At June 30, 2013, 33.8 million Company Warrants remained outstanding.

Crestview Warrants

Also on September 16, 2011, and 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 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 of the date of such issuance. In addition, the number of shares of Class A common stock

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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, 2013, all 7.8 million Crestview Warrants remained outstanding.

11. 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 1,357,500 shares of Class A common stock to certain Company employees under the Cumulus Media Inc. 2011 Equity Incentive Plan, 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 with 20% vesting on each of February 16, 2014 and 2015.

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.

For the three and six months ended June 30, 2013 and 2012, the Company recognized approximately $2.5 million, $5.1 million, $3.2 million and $6.0 million, respectively, in stock-based compensation expense related to equity awards. The Company previously had certain liability classified awards related to the cash consideration portion of the Citadel Merger (“Liability Awards”). These Liability Awards were fully expensed during the second of quarter of 2012 and as such, the Company had no stock based compensation expense related to the Liability Awards in any period in 2013. For the three and six months ended June 30, 2012, the Company recognized approximately $2.7 million and $6.9 million, respectively, in stock-based compensation expense related to Liability Awards.

As of June 30, 2013, unrecognized stock-based compensation expense of approximately $14.6 million related to equity awards is expected to be recognized over a weighted average remaining life of 2.2 years. Unrecognized stock-based compensation expense for the equity awards will be adjusted for future changes in estimated forfeitures. The total fair value of restricted stock awards that vested during the six months ended June 30, 2013 was $1.6 million. The total fair value of restricted stock awards that vested during the six months ended June 30, 2012 was $19.1 million, of which $13.2 million related to the Liability Awards and was paid in cash. No options were exercised during either of the six months ended June 30, 2012 or 2013.

12. Earnings Per Share (“EPS”)

For all periods presented, the Company has disclosed basic and diluted earnings per common share utilizing the two-class method. Basic earnings per common share is calculated by dividing net income available to common shareholders by the weighted average number of shares of common stock outstanding during the period. 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 as the Company's certificate of incorporation provides that the holders of each class of common stock have equal rights and privileges, except with respect to voting on certain matters.

Non-vested restricted shares of Class A common stock and the Company Warrants, and the CMP Restated Warrants prior to their expiration were considered participating securities for purposes of calculating basic weighted average common shares outstanding in periods in which the Company records net income. Diluted earnings per share is computed in the same manner as basic earnings 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 is allocated to common stock and participating securities to the extent that each security may share in earnings, as if all of the earnings for the period had been distributed. Earnings 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 per common share for the three and six months ended June 30, 2013 and 2012 (amounts in thousands, except per share data):

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	Three Months Ended June 30, 2013	2012	Six Months Ended June 30, 2013	2012
Basic Income (Loss) Per Share				
Numerator:				
Undistributed net income (loss) from continuing operations	$27,101	$(1,763)	$18,112	$(14,362)
Less:				
Dividends declared on redeemable preferred stock	2,652	4,375	5,304	7,708
Accretion of redeemable preferred stock	1,007	1,852	1,989	4,620
Participation rights of the Company Warrants in undistributed earnings	3,890	—	1,833	—
Participation rights of unvested restricted stock in undistributed earnings	39	—	23	—
Basic undistributed net income (loss) from continuing operations attributable to common shares	$19,513	$(7,990)	$8,963	$(26,690)
Denominator:				
Basic weighted average shares outstanding	176,482	157,711	175,620	153,540
Basic undistributed net income (loss) from continuing operations per share--attributable to common shares	$0.11	$(0.05)	$0.05	$(0.17)
Diluted Income (Loss) Per Share:				
Numerator:				
Undistributed net income (loss) from continuing operations	$27,101	$(1,763)	$18,112	$(14,362)
Less:				
Dividends declared on redeemable preferred stock	2,652	4,375	5,304	7,708
Accretion of redeemable preferred stock	1,007	1,852	1,989	4,620
Participation rights of the Company Warrants in undistributed net income	3,834	—	1,807	—
Participation rights of unvested restricted stock in undistributed earnings	38	—	23	—
Basic undistributed net income (loss) from continuing operations attributable to common shares	$19,570	$(7,990)	$8,989	$(26,690)
Denominator:				
Basic weighted average shares outstanding	176,482	157,711	175,620	153,540
Effect of dilutive options and warrants	3,072	—	3,059	—
Diluted weighted average shares outstanding	179,554	157,711	178,679	153,540
Diluted undistributed net income (loss) from continuing operations attributable to common shares	$0.11	$(0.05)	$0.05	$(0.17)

For each of the three and six months ended June 30, 2013, the Company had 20.0 million stock options and 7.8 million warrants that were antidilutive, respectively, due to having higher exercise prices than the Company's average stock price during the period.

For each of the three and six months ended June 30, 2012, the Company had 19.9 million stock options and 58.1 warrants which were potentially dilutive and therefore excluded from the diluted EPS calculation.

13. Income Taxes

The Company accounts for income taxes in accordance with authoritative accounting guidance which establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. The provision for income taxes reflects the Company's estimate of the effective tax rate expected to be applicable for the full current year. To the extent that actual pre-tax results for the year differ from the forecasted estimates applied at the end of the most recent interim period, the actual tax rate recognized during 2013 could be different from the forecasted rate.

The difference between the effective tax rate for each period and the federal statutory rate of 35.0% primarily relates to state and local income taxes, the tax amortization of broadcast licenses and goodwill, and changes in the valuation allowance on net deferred tax assets.

As of June 30, 2013, the Company continues to maintain 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 are 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. In accordance with ASC Topic 740, Accounting for Income Taxes, 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 . As of June 30, 2013, the Company does not believe it is more likely than not that the remaining net deferred tax assets will be recognized. Should the Company's assessment change in a future period it may release all or a portion of the valuation allowance at such time, which would result in a deferred tax benefit in the period of adjustment.

14. 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 is a $70.5 million industry fee credit against fees previously paid in 2010 and 2011, with such fees immediately available to the industry.

The radio broadcast industry's principal ratings service is Arbitron, which publishes surveys for domestic radio markets. Certain of the Company's subsidiaries have agreements with Arbitron under which they receive programming ratings materials in a majority of their respective markets. The remaining aggregate obligation under the agreements with Arbitron is approximately $177.1 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.

The 2011 Credit Facilities contain provisions requiring the Company to use the proceeds from the disposition of assets of the Company to prepay amounts outstanding under the First Lien Facility and the Second Lien Facility (to the extent proceeds remain after the required prepayment of all amounts outstanding under the First Lien Facility), subject to the right of the Company to use such proceeds to acquire, improve or repair assets useful in its business, all within one year from the date of receipt of such proceeds. As of June 30, 2013, we have complied with these provisions and reinvested the proceeds from the Townsquare Asset Exchange; as such, we will not be required to prepay principal outstanding under the 2012 Credit Facilities.

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, 2013, the Company believes that it will meet such minimum obligations.

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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.

As described in Note 6, "Derivative Financial Instruments", on July 16, 2013 Clear Channel notified the Company that it was exercising the Green Bay Option which, upon the closing thereof, will require the Company to pay $17.6 million for the stations related thereto.

Legal Proceedings

The Company is currently, and expects that from time to time in the future it will be, party to, or a defendant in, various claims or lawsuits that are generally incidental to its business. The Company expects that it will vigorously contest any such claims or lawsuits and believes that the ultimate resolution of any known claim or lawsuit will not have a material adverse effect on its consolidated financial position, results of operations or cash flows.

15. Supplemental Condensed Consolidating Financial Information

At June 30, 2013, Cumulus and certain of its 100% owned subsidiaries (such subsidiaries, the “Subsidiary Guarantors”) provided guarantees of the obligations of Cumulus Holdings 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 Cumulus Media Inc. (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, 2013 and 2012, (ii) unaudited condensed consolidating balance sheets as of June 30, 2013 and December 31, 2012, and (iii) unaudited condensed consolidating statements of cash flows for the six months ended June 30, 2013 and 2012, of each of the Parent Guarantor, Cumulus Holdings, the Subsidiary Guarantors, and the Subsidiary Non-guarantors.

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.

Effective January 1, 2013, the Company completed an internal restructuring where all of the operations, with the exception of any equity-related transactions, of the Parent Guarantor were legally transferred to the Subsidiary Issuer. These changes have been reflected in the unaudited condensed consolidating statements as of June 30, 2013 and for the three and six months ended June 30, 2013.

Revision to Prior Period Financial Statements

During the third quarter of 2012, Cumulus Media Inc. determined that it did not properly classify its preferred stock in its supplemental condensed consolidating financial information footnote in previous 2012 interim periods. The Company should have presented the preferred stock balance and related accrued dividends in the Cumulus Media Inc. (Parent Guarantor) column and was inappropriately classified in the Cumulus Media Holdings Inc. (Subsidiary Issuer) column. There was no impact on the consolidated balance sheet, statement of income or statement of cash flows.

During the fourth quarter of 2012, Cumulus Media Inc. determined that it did not properly classify certain intercompany transactions in its supplemental condensed consolidating financial information footnote in previous 2012 interim periods. The Company should have presented the intercompany transactions within financing activities as these transactions had been previously presented in the operating cash flows section of the statement of cash flows. In addition, Cumulus determined that certain intercompany transactions were classified within investment in subsidiaries or additional paid-in capital and have classified such balances as intercompany transactions as either intercompany receivables or intercompany payables depending on the nature of the balance. In the following disclosure, a separate line item entitled “Intercompany transactions, net” is presented on the condensed consolidating balance sheets and statements of cash flows. There was no impact on the consolidated balance sheet, statement of

income or statement of cash flows.
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

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Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements), the Company has presented revised financial information for the three and six months ended June 30, 2012 and will revise the interim condensed consolidating information in future quarterly filings.

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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
Broadcast revenues	$—	$—	$289,676	$ —	$—	$289,676
Management fees	—	—	—	—	—	—
Net revenues	—	—	289,676	—	—	289,676
Operating expenses:						
Direct operating expenses (excluding depreciation, amortization and LMA fees)	—	—	171,143	619	—	171,762
Depreciation and amortization	—	484	28,451	—	—	28,935
LMA fees	—	—	759	—	—	759
Corporate general and administrative expenses (including stock-based compensation expense of $2,470)	—	7,760	—	—	—	7,760
Loss on sale of stations	—	—	91	—	—	91
Gain on derivative instrument	—	—	(2,106)	—	—	(2,106)
Total operating expenses	—	8,244	198,338	619	—	207,201
Operating (loss) income	—	(8,244)	91,338	(619)	—	82,475
Non-operating (expense) income:						
Interest expense, net	(2,378)	(41,532)	77	—	—	(43,833)
Loss on early extinguishment of debt	—	(4,539)	—	—	—	(4,539)
Other expense, net	—	—	(511)	—	—	(511)
Total non-operating expense, net	(2,378)	(46,071)	(434)	—	—	