

CUMULUS MEDIA INC

Form 10-Q

October 29, 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 September 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)

(404) 949-0700

(Registrant's telephone number, including area code)

30305

(ZIP 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 Data 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 ..

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

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As of October 22, 2013, the registrant had 205,184,951 outstanding shares of common stock consisting of:  
(i) 189,115,136 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)

|  | September 30,<br>2013 | December 31,<br>2012 |
|--|-----------------------|----------------------|
| Assets   |                       |                      |
| Current assets:  |                       |                      |
| Cash and cash equivalents  | \$64,170              | \$88,050             |
| Restricted cash  | 3,729                 | 5,921                |
| Accounts receivable, less allowance for doubtful accounts of \$3,728 and \$4,131 at September 30, 2013 and December 31, 2012, respectively   | 194,872               | 207,563              |
| Trade receivable   | 7,821                 | 6,104                |
| Deferred income taxes  | 30,575                | 25,145               |
| Prepaid expenses and other current assets  | 23,640                | 20,336               |
| Total current assets   | 324,807               | 353,119              |
| Property and equipment, net  | 240,915               | 255,903              |
| Broadcast licenses   | 1,640,829             | 1,602,373            |
| Other intangible assets, net   | 194,653               | 258,761              |
| Goodwill   | 1,205,195             | 1,195,594            |
| Other assets   | 70,740                | 77,825               |
| Total assets   | \$3,677,139           | \$3,743,575          |
| Liabilities, Redeemable Preferred Stock and Stockholders' Equity   |                       |                      |
| Current liabilities:   |                       |                      |
| Accounts payable and accrued expenses  | \$91,728              | \$102,586            |
| Trade payable  | 7,107                 | 4,803                |
| Current portion of long-term debt  | 38,092                | 76,468               |
| Other current liabilities  | 3,714                 | 11,386               |
| Total current liabilities  | 140,641               | 195,243              |
| Long-term debt, excluding 7.75% senior notes   | 1,966,230             | 2,014,599            |
| 7.75% senior notes   | 610,000               | 610,000              |
| Series B cumulative redeemable preferred stock   | 77,241                | —                    |
| Other liabilities  | 39,587                | 45,313               |
| Deferred income taxes  | 575,007               | 559,918              |
| Total liabilities  | 3,408,706             | 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; 0 and 75,767 shares issued and outstanding at September 30, 2013 and December 31, 2012, respectively | —                     | 71,869               |
| Total redeemable preferred stock   | —                     | 71,869               |
| Stockholders' equity:  |                       |                      |
| Class A common stock, par value \$0.01 per share; 750,000,000 shares authorized; 191,473,932 and 182,682,073 shares issued, and 167,300,363 and 158,519,394 shares outstanding, at September 30, 2013 and December 31, 2012, respectively          | 1,914                 | 1,827                |
|  | 154                   | 154                  |

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Class B common stock, par value \$0.01 per share; 600,000,000 shares authorized;  
15,424,944 shares issued and outstanding at both September 30, 2013 and  
December 31, 2012

Class C common stock, par value \$0.01 per share; 644,871 shares authorized, issued  
and outstanding at both September 30, 2013 and December 31, 2012

|  |             |                |
|--|-------------|----------------|
| Treasury stock, at cost, 24,173,569 and 24,162,676 shares at September 30, 2013 and<br>December 31, 2012, respectively | 6           | 6              |
|  | (250,917    | ) (252,001 )   |
| Additional paid-in-capital   | 1,510,329   | 1,514,849      |
| Accumulated deficit  | (993,053    | ) (1,018,202 ) |
| Total stockholders' equity   | 268,433     | 246,633        |
| Total liabilities, redeemable preferred stock and stockholders' equity   | \$3,677,139 | \$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<br>September 30, |             | Nine Months Ended<br>September 30, |             |
|--|-------------------------------------|-------------|------------------------------------|-------------|
|  | 2013                                | 2012        | 2013                               | 2012        |
| Broadcast revenues   | \$280,156                           | \$274,160   | \$802,704                          | \$790,870   |
| Management fees  | 917                                 | 1,190       | 917                                | 1,516       |
| Net revenues   | 281,073                             | 275,350     | 803,621                            | 792,386     |
| Operating expenses:  |                                     |             |                                    |             |
| Direct operating expenses (excluding depreciation, amortization and LMA fees)  | 174,038                             | 161,740     | 509,972                            | 484,106     |
| Depreciation and amortization  | 28,942                              | 35,239      | 86,809                             | 106,321     |
| LMA fees   | 628                                 | 928         | 2,356                              | 2,652       |
| Corporate, general and administrative expenses<br>(including stock-based compensation expense of \$2,259, \$11,757, \$2,764, \$7,393 and \$15,671, respectively) | 12,979                              | 12,979      | 33,365                             | 46,473      |
| Gain on sale of stations   | (5,198)                             | —           | (3,662)                            | —           |
| Loss (gain) on derivative instrument   | 172                                 | (129)       | (2,672)                            | 624         |
| Impairment of intangible assets  | —                                   | —           | —                                  | 12,435      |
| Total operating expenses   | 210,339                             | 210,757     | 626,168                            | 652,611     |
| Operating income   | 70,734                              | 64,593      | 177,453                            | 139,775     |
| Non-operating (expense) income:  |                                     |             |                                    |             |
| Interest expense, net  | (45,194)                            | (49,757)    | (133,279)                          | (150,179)   |
| Loss on early extinguishment of debt   | —                                   | —           | (4,539)                            | —           |
| Other expense, net   | (140)                               | (224)       | (400)                              | (34)        |
| Total non-operating expense, net   | (45,334)                            | (49,981)    | (138,218)                          | (150,213)   |
| Income (loss) from continuing operations before income taxes   | 25,400                              | 14,612      | 39,235                             | (10,438)    |
| Income tax (expense) benefit   | (18,363)                            | 12,175      | (14,087)                           | 22,862      |
| Income from continuing operations  | 7,037                               | 26,787      | 25,148                             | 12,424      |
| Income from discontinued operations, net of taxes  | —                                   | 29,258      | —                                  | 39,635      |
| Net income   | 7,037                               | 56,045      | 25,148                             | 52,059      |
| Less: dividends declared and accretion of redeemable preferred stock   | 4,369                               | 5,274       | 10,676                             | 17,765      |
| Income attributable to common shareholders   | \$2,668                             | \$50,771    | \$14,472                           | \$34,294    |
| Basic and diluted income (loss) per common share (see Note 12, "Earnings Per Share"):  |                                     |             |                                    |             |
| Basic: Income (loss) from continuing operations per share  | \$0.01                              | \$0.10      | \$0.06                             | \$(0.03)    |
| Income from discontinued operations per share  | \$—                                 | \$0.14      | \$—                                | \$0.25      |
| Income per share   | \$0.01                              | \$0.24      | \$0.06                             | \$0.22      |
| Diluted: Income (loss) from continuing operations per share  | \$0.01                              | \$0.10      | \$0.06                             | \$(0.03)    |
| Income from discontinued operations per share  | \$—                                 | \$0.14      | \$—                                | \$0.25      |
| Income per share   | \$0.01                              | \$0.24      | \$0.06                             | \$0.22      |
| Weighted average basic common shares outstanding   | 179,699,739                         | 169,510,007 | 176,994,583                        | 158,902,196 |
| Weighted average diluted common shares outstanding   | 183,131,260                         | 176,352,267 | 180,032,349                        | 158,902,196 |

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)

|   | Nine Months Ended September 30, |              |
|---|---------------------------------|--------------|
|   | 2013                            | 2012         |
| Cash flows from operating activities:   |                                 |              |
| Net income  | \$25,148                        | \$52,059     |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                 |              |
| Depreciation and amortization   | 86,809                          | 107,481      |
| Amortization of debt issuance costs/discounts                                     | 7,515                           | 7,581        |
| Provision for doubtful accounts   | 2,002                           | 2,892        |
| Gain on sale of assets or stations  | (3,556)                         | ) (163 )     |
| Gain on exchange on assets or stations  | —                               | (63,228 )    |
| Impairment of intangible assets   | —                               | 12,435       |
| Loss on early extinguishment of debt  | 4,539                           | —            |
| Fair value adjustment of derivative instruments                                   | (2,657)                         | ) 935        |
| Deferred income taxes   | 9,659                           | 6,043        |
| Stock-based compensation expense  | 7,393                           | 15,671       |
| Changes in assets and liabilities:  |                                 |              |
| Accounts receivable   | 10,686                          | 15,174       |
| Trade receivable  | (1,717)                         | ) (1,106 )   |
| Prepaid expenses and other current assets   | (3,350)                         | ) (8,130 )   |
| Other assets  | (69)                            | ) 1,451      |
| Accounts payable and accrued expenses   | (11,281)                        | ) (4,421 )   |
| Trade payable   | 2,304                           | 624          |
| Other liabilities   | (5,758)                         | ) (16,598 )  |
| Net cash provided by operating activities   | 127,667                         | 128,700      |
| Cash flows from investing activities:   |                                 |              |
| Restricted cash   | 2,192                           | 600          |
| Acquisition less cash acquired  | (52,685)                        | ) —          |
| Initial payment of Green Bay Option   | (5,000)                         | ) —          |
| Proceeds from sale of assets or stations  | 6,492                           | 426          |
| Capital expenditures  | (8,448)                         | ) (4,655 )   |
| Proceeds from exchange of assets or stations                                      | —                               | 114,918      |
| Net cash (used in) provided by investing activities                               | (57,449)                        | ) 111,289    |
| Cash flows from financing activities:   |                                 |              |
| Repayment of borrowings under term loans and revolving credit facilities          | (88,931)                        | ) (161,000 ) |
| Tax withholding payments on behalf of employees for stock based compensation      | (337)                           | ) (1,909 )   |
| Exercise of warrants  | 64                              | 136          |
| Exercise of options   | 614                             | —            |
| Series A Preferred stock dividends  | (9,395)                         | ) (11,599 )  |
| Redemption of Series A preferred stock  | (73,150)                        | ) (49,233 )  |
| Proceeds from issuance of Series B preferred stock                                | 77,241                          | —            |
| Deferred financing costs  | (204)                           | ) —          |
| Net cash used in financing activities   | (94,098)                        | ) (223,605 ) |
| (Decrease) increase in cash and cash equivalents                                  | (23,880)                        | ) 16,384     |
| Cash and cash equivalents at beginning of period                                  | 88,050                          | 30,592       |

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|  |           |           |
|--|-----------|-----------|
| Cash and cash equivalents at end of period   | \$64,170  | \$46,976  |
| Supplemental disclosures of cash flow information:                                   |           |           |
| Interest paid  | \$112,716 | \$133,975 |
| Income taxes paid  | \$3,085   | \$3,956   |
| Supplemental disclosures of non-cash flow information:                               |           |           |
| Compensation held in trust   | \$—       | \$24,807  |
| Trade revenue  | \$18,661  | \$20,396  |
| Trade expense  | \$20,484  | \$19,114  |
| 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 merger to an Illinois corporation with the same name that had been organized in 1997.

#### Nature of Business

Cumulus Media owns and operates commercial radio station clusters throughout the United States, and we believe we are the largest pure-play radio broadcaster in the United States based on number of stations owned and operated. At September 30, 2013, Cumulus Media owned or operated approximately 520 radio stations (including under local marketing agreements, or “LMAs”, for 14 radio stations) in 108 United States media markets. Additionally, we create audio content and partner with third parties to create audio content to support nationwide radio networks serving over 5,500 stations. At September 30, 2013, under LMAs we are provided sales and marketing services of radio stations in the United States.

#### 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 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 months and nine months ended September 30, 2013, the cash flows for the nine months ended September 30, 2013 and the Company’s financial condition as of September 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 account balances in the 2012 periods have been 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 was 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

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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.

## 2. Acquisitions and Dispositions

## 2013 Acquisitions and Dispositions

## 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 an increase of up to \$10 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 September 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 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 \$1.4 million attributable to the Pamal Broadcasting Asset Purchase were included in the Company’s condensed consolidated statement of operations for the three and nine months ended September 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 and Dispositions



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## Townsquare Asset Exchange

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.

The table below summarizes the final purchase price allocation in 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 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 \$4.1 million attributable to the AR Broadcasting Asset Purchase were included in the Company's condensed consolidated statement of operations for the three and nine months ended September 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):



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|                                     |          |
|-------------------------------------|----------|
| 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 |

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 date, nor is it reflective of the Company's expected actual financial position or results of operations for any future period (dollars in thousands):

| Description | Unaudited<br>Supplemental<br>Pro Forma Data |                       |
|-------------|---|-----------------------|
|             | Three Months<br>Ended                       | Nine Months<br>Ended  |
|             | September 30,<br>2012                       | September 30,<br>2012 |
| Net revenue | \$276,166                                   | \$798,681             |
| Net income  | 17,684                                      | 13,512                |

The pro forma financial information set forth above for the three and nine months ended September 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 Asset Purchase is not required, as such information is not material to the Company's financial statements.

## Pending Acquisitions and Dispositions

### Acquisition of Dial Global (now known as Westwood One)

On August 30, 2013, Cumulus announced that it had entered into an agreement to acquire Dial Global, Inc., now known as WestwoodOne ("Dial Global"), 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 ("Dial Global Acquisition"). The Dial Global Acquisition is expected to add 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. New content to be acquired through the Dial Global Acquisition will include NFL, NCAA, NASCAR, Olympics, AP Radio News, NBC News and other popular programming.

Pursuant to the Dial Global Acquisition, Dial Global will become a wholly owned subsidiary of the Company and, in connection therewith, all of the issued and outstanding shares of capital stock of Dial Global will be automatically canceled and converted into the right to receive an aggregate of approximately \$45 million in cash, and Dial Global will repay all of its outstanding indebtedness, including approximately \$215 million with cash from the Company. The Company expects to fund the purchase price to complete the Dial Global Acquisition with proceeds from its sale of stations in the Townsquare Transactions (defined below), together with available cash.

Completion of the Dial Global Acquisition is subject to various customary closing conditions, as well as regulatory approval by the FCC, the absence of a material adverse effect on Dial Global's business prior to closing, and the completion of the Townsquare Transactions.

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## Townsquare Transactions

Also on August 30, 2013, the Company entered into an agreement with Townsquare Media, LLC ("Townsquare") pursuant to which it agreed to sell Townsquare 53 radio stations in 12 small and mid-sized markets for approximately \$238 million in cash (the "Townsquare Transaction") and to swap 15 radio stations in two small and mid-sized markets with Townsquare in exchange for five radio stations in Fresno, California. The Company intends to use the net proceeds from the Townsquare Transaction to pay a portion of the purchase price to complete the Dial Global Acquisition.

Completion of the Townsquare Transaction is subject to various customary closing conditions, as well as regulatory approval by the FCC.

## 3. Discontinued Operations

On July 31, 2012, the Company completed the Townsquare Asset Exchange. The results of operations associated with the stations disposed of in the Townsquare Asset Exchange are separately reported within discontinued operations, net of the related tax impact, in the accompanying condensed consolidated statements of operations for the three and nine months ended September 30, 2012.

## Components of Results of Discontinued Operations

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

|  | Three Months<br>Ended September<br>30,<br>2012 | Nine Months<br>Ended September<br>30,<br>2012 |
|--|--|---|
| Discontinued operations:                         |  |   |
| Net revenue                                      | \$3,534  | \$23,855                                      |
| Operating income                                 | 1,458  | 8,227   |
| Non-operating expenses                           | 63,226   | 63,219  |
| Income from discontinued operations before taxes | 64,684   | 71,446  |
| Income tax benefit                               | (35,426)                                       | ) (31,811 )                                   |
| Income from discontinued operations              | \$29,258                                       | \$39,635                                      |

During the three and nine months ended September 30, 2012, the Company recognized a \$7.2 million deferred tax benefit related to settlement of deferred tax liabilities associated with the indefinite lived intangible assets disposed of in the Townsquare Asset Exchange. The deferred tax benefit is reflected in income tax expense for discontinued operations for those periods.

## 4. Restricted Cash

As of September 30, 2013 and December 31, 2012, the Company's balance sheet included approximately \$3.7 million and \$5.9 million in restricted cash, respectively, of which \$2.3 million at each date related to a cash reserve from the Company's previously completed acquisition of Citadel Broadcasting Corporation ("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 both September 30, 2013 and December 31, 2012, \$0.6 million of the restricted cash balance related 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 September 30, 2013 and December 31, 2012, \$0.8 million and \$0.7 million, respectively, of the restricted cash balance related 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 September 30, 2013, and balances as of such dates (dollars in thousands):

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|                                       | 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                           | 44,839           | 773            | 45,612       |
| Disposition                           | (6,383           | ) —            | (6,383 )     |
| Amortization                          | —                | (64,423        | ) (64,423 )  |
| Balance as of September 30, 2013      | \$ 1,640,829     | \$ 194,653     | \$ 1,835,482 |

The following table presents the changes in goodwill and accumulated impairment losses during the periods from January 1, 2013 to September 30, 2013 and January 1, 2012 to September 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  | 11,703       | 3,014        |
| Purchase price allocation adjustments                                    | —            | (9,550       |
| Finalization of purchase accounting for fourth quarter 2012 acquisitions | (1,889       | ) —          |
| Disposition  | (213         | ) (31,628    |
| Balance as of September 30:  |              |              |
| Goodwill   | 1,534,936    | 1,526,089    |
| Accumulated impairment losses  | (329,741     | ) (229,741   |
| Total  | \$ 1,205,195 | \$ 1,296,348 |

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.

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



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\$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 September 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 expense of less than \$0.1 million during each of the three months and nine months ended September 30, 2013, and interest expense of \$0.1 million and \$0.3 million for the three and nine months ended September 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 pursuant to which the Company has been 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. On July 19, 2013, the Company received notice from Clear Channel that it would exercise the put option contained in this LMA, which requires the Company to purchase the five stations subject to the LMA for \$17.6 million (the fair value of those stations at the time of execution of the LMA) (the "Green Bay Option"). In accordance with the terms of the agreement, the Company made a requisite \$5 million payment. Completion of these station acquisitions are subject to FCC regulatory 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.

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 were transferred to another party as of the date of the valuation.

The unaudited condensed consolidated balance sheets as of September 30, 2013 and December 31, 2012 reflect other current liabilities of \$3.7 million and \$11.4 million to include the fair value of the Green Bay Option (See Note 8 "Fair Value Measurements"). The Company recorded a \$0.2 million loss and \$2.7 million 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 nine months ended September 30, 2013, respectively.

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         |                   |
|--|---------------------------|--------------------|-------------------|
|  |                           | September 30, 2013 | December 31, 2012 |
| Derivatives not designated as hedging instruments: |                           |                    |                   |
| Interest rate cap                                  | Other long-term assets    | \$29               | \$44              |
| Green Bay Option                                   | Other current liabilities | (3,714 )           | (11,386 )         |
|  | Total                     | \$(3,685 )         | \$(11,342 )       |

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

| Derivative Instruments | Statement of Operations Location | Recognized on Derivatives                |      | For the Nine Months Ended |      |
|------------------------|----------------------------------|--|------|---------------------------|------|
|                        |                                  | For the Three Months Ended September 30, |      | September 30,             |      |
|                        |                                  | 2013                                     | 2012 | 2013                      | 2012 |

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|                   |                                      |       |         |            |       |
|-------------------|--------------------------------------|-------|---------|------------|-------|
| Interest rate cap | Interest expense                     | \$42  | \$61    | \$15       | \$311 |
| Green Bay Option  | Loss (gain) on derivative instrument | 172   | (129 )  | (2,672 )   | 624   |
|                   | Total                                | \$214 | \$(68 ) | \$(2,657 ) | \$935 |

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## 7. Long-Term Debt

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

|   | September 30,<br>2013 | December 31,<br>2012 |
|---|-----------------------|----------------------|
| Term Loan and Revolving Credit Facilities:      |                       |                      |
| First Lien Term Loan                            | \$1,237,260           | \$1,321,687          |
| Second Lien Term Loan                           | 785,496               | 790,000              |
| Revolving Credit Facility                       | —                     | —                    |
| Less: Term Loan discount                        | (18,434)              | (20,620)             |
| Total Term Loan and Revolving Credit Facilities | 2,004,322             | 2,091,067            |
| 7.75% Senior Notes                              | 610,000               | 610,000              |
| Less: Current portion of long-term debt         | (38,092)              | (76,468)             |
| Long-term debt, net                             | \$2,576,230           | \$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, and certain agents and lenders thereto; 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, and certain agents and lenders thereto.

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"). 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 was 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" in the unaudited condensed consolidated statement of operations for the nine months ended September 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

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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.

The Company repaid \$50.0 million of principal outstanding under its First Lien Term Loan during the quarter ended September 30, 2013. At September 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 September 30, 2013, the required 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 September 30, 2013, the Company would have been in compliance with this 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.

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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 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 nine months ended September 30, 2013, the Company recorded an aggregate of \$2.3 million and \$7.5 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

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non-financial assets and liabilities are measured at fair value on a non-recurring basis. Fair values as of September 30, 2013 and December 31, 2012 were as follows (dollars in thousands):

|                              | Fair Value Measurements at September 30, 2013      |   |   |   |
|------------------------------|--|---|---|---|
|                              | Total Fair Value                                   | Using Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Financial assets:            |  |   |   |   |
| Interest Rate Cap (1)        | \$29   | \$—   | \$29  | \$—                                       |
| Total assets                 | \$29   | \$—   | \$29  | \$—                                       |
| Financial liabilities:       |  |   |   |   |
| Other current liabilities    |  |   |   |   |
| Green Bay Option (2)         | \$(3,714)  | ) \$—   | \$—   | \$(3,714)                                 |
| Contingent consideration (3) | (31)   | ) —   | —   | (31)                                      |
| Total liabilities            | \$(3,745)  | ) \$—   | \$—   | \$(3,745)                                 |
|                              |  |   |   |   |
|                              | 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)                                |

Pursuant to 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 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.

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.

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 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 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 Green Bay Option from January 1, 2013 to September 30, 2013 (dollars in thousands):



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| Description                               | Green Bay Option |
|---|------------------|
| Fair value balance at January 1, 2013     | \$ (11,386 )     |
| Add: Mark to market fair value adjustment | 2,672            |
| Add: Down payment to Clear Channel        | 5,000            |
| Fair value balance at September 30, 2013  | \$ (3,714 )      |

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

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

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

| Fair Value | Valuation Technique | Unobservable Inputs                 |             |   |
|------------|---------------------|-------------------------------------|-------------|---|
| \$(3,714 ) | Black-Scholes Model | Risk adjusted discount rate         | 5.7         | % |
|            |                     | Total term                          | less than 1 |   |
|            |                     | 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 September 30, 2013 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 loans and 7.75% Senior Notes (dollars in thousands):

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|                        | September 30,<br>2013 | December 31,<br>2012 |
|------------------------|-----------------------|----------------------|
| First Lien Term Loan:  |                       |                      |
| Carrying value         | \$ 1,237,260          | \$ 1,321,687         |
| Fair value - Level 2   | 1,249,633             | 1,331,600            |
| Second Lien Term Loan: |                       |                      |
| Carrying value         | \$ 785,496            | \$ 790,000           |
| Fair value - Level 2   | 801,207               | 811,725              |
| 7.75% Senior Notes:    |                       |                      |
| Carrying value         | \$ 610,000            | \$ 610,000           |
| Fair value - Level 2   | 635,925               | 599,325              |

As of September 30, 2013, the Company used trading prices of 101.0% and 102.0% to calculate the fair value of the First Lien Term Loan and Second Lien Term Loan, respectively, and 104.25% to calculate the fair value of the 7.75% Senior Notes.

As of December 31, 2012, the Company used 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 (the "Series A Preferred Stock"). The Company has designated 150,000 shares of its authorized preferred stock as Series B, par value \$0.01 per share, with a liquidation preference of \$1,000 per share (the "Series B Preferred Stock").

##### Series A Preferred Stock

During the three and nine months ended September 30, 2013 the Company paid \$4.0 million and \$9.4 million in Series A Preferred Stock Dividends. During the three and nine months ended September 30, 2012, the Company redeemed 49,233 shares of its Series A Preferred Stock for \$49.2 million and \$0.8 million of unpaid dividends accrued through the redemption date. Total dividends accrued and paid on the Series A Preferred Stock during the three months ended September 30, 2012 were \$3.4 million and \$5.1 million, respectively, including \$0.8 million of dividends paid on the redeemed shares through the redemption date. Total dividends accrued and paid on the Series A Preferred Stock during the nine months ended September 30, 2012 were \$11.1 million and \$11.6 million, respectively, including \$0.8 million of dividends paid on the redeemed shares through the redemption date. During the three and nine months ended September 30, 2012, the Company accreted \$1.9 million and \$6.6 million, respectively, on the Series A Preferred Stock. The accretion of Series A Preferred Stock resulted in an equivalent reduction in additional paid-in capital on the accompanying unaudited condensed consolidated balance sheets at September 30, 2013 and December 31, 2012.

On August 20, 2013, the Company used proceeds of \$77.2 million from the issuance of 77,241 shares of Series B Preferred Stock to redeem all of the outstanding shares of Series A Preferred Stock, including accrued and unpaid dividends thereon. No shares of Series A Preferred stock are issuable in the future.

##### Series B Preferred Stock

Pursuant to the certificate of designations setting forth the terms and conditions of the Series B Preferred Stock (the "Certificate of Designations"), no other shares of Series B Preferred are issuable in the future, except for such shares of Series B Preferred Stock as may be issued as pay-in-kind dividends in lieu of any cash dividends in accordance with the terms thereof. The Series B Preferred Stock will mature on March 24, 2020, at which time the Company will be required to redeem all Series B Preferred Stock then outstanding for the liquidation value thereof, plus any accrued but unpaid dividends. The Company has classified the Series B Preferred Stock as a long-term liability due to the fact it has a fixed maturity date of March 24, 2020, and cannot be converted into equity.

Shares of Series B Preferred Stock generally do not have voting rights, except with respect to any amendment to the Company's Third Amended and Restated Certificate of Incorporation that would adversely affect the rights, privileges or preferences of the Series B Preferred Stock or the creation of a class or series of shares senior to, or pari passu with, the Series B Preferred Stock as to dividends, redemption or upon liquidation, and consent rights over certain other actions of the

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Company and its subsidiaries that could adversely affect the ability of the Company to fulfill its obligations under the Certificate of Designations. Holders of Series B 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 \$1,000 liquidation preference per share, 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 on the Series B Preferred Stock accrue at a rate of 12% per annum until September 30, 2014, thereafter at a rate of 14% per annum until March 31, 2015, and thereafter at a rate of 17% per annum, in each case subject to increase as described below. Dividends are payable in cash, except that, if on any dividend payment date the Company does not have cash on hand and availability under its financing agreements to pay dividends due in full in cash, the Company will be required to pay the portion of such dividend that it is unable to pay in cash through the issuance of additional shares of Series B Preferred Stock. In such event, the applicable dividend rate will increase by 200 basis points until all accrued but unpaid dividends outstanding on the Series B Preferred Stock are paid in cash and all shares of Series B Preferred previously issued in lieu of cash dividends are redeemed in full. If the Company does not redeem all outstanding shares of Series B Preferred Stock on the maturity date therefor, the applicable dividend rate will increase by 300 basis points until all shares of Series B Preferred Stock are redeemed. Payments of dividends on the Series B Preferred Stock are in preference and prior to any dividends payable on any class of the Company's common stock and, in the event of any liquidation, dissolution or winding up of the Company, holders of Series B Preferred Stock are entitled to the liquidation value thereof prior to, and in preference of, payment of any amounts to holders of any class of the Company's common stock.

The Certificate of Designations provides that the Company may, at its option, redeem the Series B Preferred Stock at any time for a redemption price equal to the liquidation value thereof, plus any accrued but unpaid dividends. 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 is required to use of 100% of such net cash proceeds to redeem, for cash, to the fullest extent permitted by law and applicable financing agreements, shares of Series B Preferred Stock at a redemption price equal to the liquidation value thereof, plus any accrued but unpaid dividends.

The Certificate of Designations also provides that in the event of the liquidation, dissolution or winding-up of the affairs of the Company, whether voluntary or involuntary, the holders of Series B Preferred Stock at the time will be entitled to receive liquidating distributions with respect to each share of Series B Preferred Stock in an amount equal to the \$1,000 per share liquidation amount 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 the Company's common stock.

The Certificate of Designations provides that the holders of a majority of the outstanding shares of Series B Preferred Stock have the right to cause the Company to exchange, at any time but subject to (i) such proposed exchange not creating or resulting in a default or event of default under any of the Company's then-applicable financing agreements and (ii) certain other conditions, all then outstanding shares of Series B Preferred Stock for an aggregate principal amount of subordinated unsecured notes of Cumulus Holdings equal the aggregate liquidation preference for the shares of Series B Preferred Stock so exchanged. Such subordinated unsecured notes would bear interest at the same rate, and be payable at the same time and in the same manner, as dividends on the Series B Preferred Stock (except that any pay-in-kind interest would be payable through issuance of additional subordinated unsecured notes), would have the same mandatory and optional redemption terms as the Series B Preferred Stock, and would have a maturity date that is the same as the maturity date of the Series B Preferred Stock. Such subordinated unsecured notes would also provide that Cumulus Holdings would be subject to covenants and restrictions on its operations similar to those set forth in the Certificate of Designations.

At September 30, 2013, the Company had accrued \$1.0 million of dividend expense related to the Series B Preferred Stock.

On October 17, 2013, the Company issued a notice of redemption of all outstanding shares of Series B Preferred Stock. See Note 16, "Subsequent Events."

#### 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").

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### 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.

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 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 September 30, 2013, 0.7 million 2009 Warrants remained outstanding.

### CMP Restated Warrants

In connection with the completion of our acquisition of Cumulus Media Partners, LLC in 2011, ("CMP") a subsidiary of CMP 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 expiration 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 of September 30, 2013, pursuant to our acquisition of Citadel in 2011, 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 September 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

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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 and nine months ended September 30, 2013, approximately 4.7 million and 8.4 million, respectively, Company Warrants were converted into shares of Class A common stock with an aggregate total of 42.6 million having been converted since issuance through September 30, 2013. At September 30, 2013, 29.1 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 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 September 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, 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 nine months ended September 30, 2013 the Company recognized approximately \$2.3 million and \$7.4 million, respectively, in stock-based compensation expense related to equity awards, and for the three months and nine months ended September 30, 2012, the Company recognized \$2.8 million and \$15.7 million, respectively, related to stock 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 nine months ended September 30, 2012, the Company recognized approximately \$0.0 million and \$6.9 million, respectively, in stock-based compensation expense related to Liability Awards.



As of September 30, 2013, unrecognized stock-based compensation expense of approximately \$12.1 million related to equity awards is expected to be recognized over a weighted average remaining life of 2.6 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 nine months ended September 30, 2013 was \$1.6 million. The total fair value of restricted stock awards that vested during the nine months ended September 30, 2012 was \$19.1

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million, of which \$13.2 million related to the Liability Awards and was paid in cash. 139,141 and 0 stock options were exercised during the nine months ended September 30, 2013 or 2012.

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. 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, 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.

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The following table sets forth the computation of basic and diluted earnings per common share for the three and nine months ended September 30, 2013 and 2012 (amounts in thousands, except per share data):

|   | Three Months Ended<br>September 30, |          | Nine Months Ended<br>September 30, |            |
|---|-------------------------------------|----------|------------------------------------|------------|
|   | 2013                                | 2012     | 2013                               | 2012       |
| <b>Basic Income (Loss) Per Share</b>  |                                     |          |                                    |            |
| Numerator:  |                                     |          |                                    |            |
| Undistributed net income from continuing operations   | \$7,037                             | \$26,787 | \$25,148                           | \$12,424   |
| Less:   |                                     |          |                                    |            |
| Dividends declared on redeemable preferred stock  | 4,091                               | 3,418    | 9,395                              | 11,126     |
| Accretion of redeemable preferred stock   | 486                                 | 1,446    | 2,474                              | 6,065      |
| Participation rights of the Company Warrants in undistributed earnings                                    | 372                                 | 4,093    | 2,169                              | —          |
| Participation rights of unvested restricted stock in undistributed earnings                               | 5                                   | 84       | 27                                 | —          |
| Basic undistributed net income (loss) from continuing operations attributable to common shares            | \$2,083                             | \$17,746 | \$11,083                           | \$(4,767 ) |
| Denominator:  |                                     |          |                                    |            |
| Basic weighted average shares outstanding   | 179,700                             | 169,510  | 176,995                            | 158,902    |
| Basic undistributed net income (loss) from continuing operations per share--attributable to common shares | \$0.01                              | \$0.10   | \$0.06                             | \$(0.03 )  |
| <b>Diluted Income (Loss) Per Share:</b>   |                                     |          |                                    |            |
| Numerator:  |                                     |          |                                    |            |
| Undistributed net income from continuing operations   | \$7,037                             | \$26,787 | \$25,148                           | \$12,424   |
| Less:   |                                     |          |                                    |            |
| Dividends declared on redeemable preferred stock  | 4,091                               | 3,418    | 9,395                              | 11,126     |
| Accretion of redeemable preferred stock   | 486                                 | 1,446    | 2,474                              | 6,065      |
| Participation rights of the Company Warrants in undistributed net income                                  | 366                                 | 3,962    | 2,139                              | —          |
| Participation rights of unvested restricted stock in undistributed earnings                               | 5                                   | 81       | 27                                 | —          |
| Basic undistributed net income (loss) from continuing operations attributable to common shares            | \$2,089                             | \$17,880 | \$11,113                           | \$(4,767 ) |
| Denominator:  |                                     |          |                                    |            |
| Basic weighted average shares outstanding   | 179,700                             | 169,510  | 176,995                            | 158,902    |
| Effect of dilutive options and warrants   | 3,432                               | 6,842    | 3,038                              | —          |
| Diluted weighted average shares outstanding   | 183,132                             | 176,352  | 180,033                            | 158,902    |
| Diluted undistributed net income (loss) from continuing operations attributable to common shares          | \$0.01                              | \$0.10   | \$0.06                             | \$(0.03 )  |

For each of the three and nine months ended September 30, 2013, the Company had \$0.1 million and \$27.6 million stock options and warrants, that were antidilutive due to having higher exercise prices than the Company's average stock price during the period.

For the three months ended September 30, 2012, the Company had 27.5 million stock options and warrants that were antidilutive due to having higher exercise prices than the Company's average stock price. For the nine months ended September 30, 2012, the Company had 53.1 million warrants outstanding that were excluded from the computation of EP due to a net loss.



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### 13. Income Taxes

For the three months ended September 30, 2013, the Company recorded income tax expense of \$18.4 million on pre-tax income from continuing operations of \$25.4 million, resulting in an effective tax rate for the three months ended September 30, 2013 of approximately 72.4%. For the three months ended September 30, 2012, the Company recorded an income tax benefit of \$12.2 million, on pre-tax income from continuing operations of \$14.6 million, resulting in an effective tax rate for the three months ended September 30, 2012 of approximately (83.6)%. For the nine months ended September 30, 2013 the Company recorded income tax expense of \$14.1 million on pre-tax income from continuing operations of \$39.2 million, resulting in an effective tax rate for the nine months ended September 30, 2013 of approximately 35.9%. “For the nine months ended September 30, 2012 the Company recorded an income tax benefit of \$22.9 million on a pre-tax loss from continuing operations of \$10.4 million, resulting in an effective tax rate for the nine months ended September 30, 2012 of approximately 219%.

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.

In accordance with ASC 740, Accounting for Income Taxes, each quarter the Company assesses the likelihood that it will be able to recover its deferred tax assets. As of September 30, 2013 the Company does not believe that it is more likely than not that it will be able to recover its deferred tax assets and as a result continues to maintain a full valuation allowance on its net deferred tax assets exclusive of its deferred tax liabilities on its indefinite lived intangibles assets and deferred cancellation of debt income (CODI), for which no net operating loss ("NOL"), carryforward is available. During the second quarter of 2013, the Company released \$14.1 million of its valuation allowance to meet its estimate that more of its NOL carryforwards would become available to settle the deferred tax liabilities associated with the CODI.

The Company expects that it may release its remaining valuation allowance, but for certain tax attributes that are more likely than not set to expire by statute, in the fourth quarter of 2013, and such release would be recorded as a discrete tax benefit at such time. This event is subject to a number of unknown factors including, but not limited to, the Company achieving its forecasted fourth quarter earnings and execution of the contemplated transactions as disclosed in Note 2, "Acquisitions and Dispositions".

### 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 \$168.5 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 Media (the parent company of Rdio and Vdio), or Pulser, entered into a five year strategic promotional partnership and sales arrangement, or the Rdio Agreement.

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The Rdio Agreement 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 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 Agreement. There was no activity under this agreement in any reported period.

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 September 30, 2013, the Company believes that it will meet such minimum obligations.

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 \$12.6 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 September 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 nine months ended September 30, 2013 and 2012, (ii) unaudited condensed consolidating balance sheets as of September 30, 2013 and December 31, 2012, and (iii) unaudited condensed consolidating statements of cash flows for the nine months ended September 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 September 30, 2013 and for the three and nine months ended September 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 then-outstanding Series A Preferred Stock in its supplemental condensed consolidating financial information footnote for prior 2012 interim periods. The Company should have presented the preferred stock balance and related accrued dividends in the Cumulus Media Inc. (Parent Guarantor) column, but such amounts were 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.



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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 for prior 2012 interim periods. The Company should have presented the intercompany transactions within financing activities, but such amounts were 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 but such balances should have been classified as either intercompany receivables or intercompany payables depending on the nature of the balance. In the following disclosure, separate line items entitled "Intercompany receivables" and "Intercompany payables" are presented on the condensed consolidating balance sheets and "Intercompany transactions, net" is presented on the condensed combined 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 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 nine months ended September 30, 2012.

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## CUMULUS MEDIA INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months Ended September 30, 2013

(Dollars in thousands)

(Unaudited)

|  | Cumulus<br>Media Inc.<br>(Parent<br>Guarantor) | Cumulus<br>Media<br>Holdings<br>Inc.<br>(Subsidiary<br>Issuer) | Subsidiary<br>Guarantors | Subsidiary<br>Non-guarantors | Eliminations | Total<br>Consolidated |
|--|--|--|--------------------------|------------------------------|--------------|-----------------------|
| Broadcast revenues   | \$—  | \$—  | \$280,156                | \$ —                         | \$—          | \$280,156             |
| Management fees  | —  | 917  | —                        | —                            | —            | 917                   |
| Net revenues   | —  | 917  | 280,156                  | —                            | —            | 281,073               |
| Operating expenses:  |  |  |                          |                              |              |                       |
| Direct operating expenses<br>(excluding depreciation,<br>amortization and LMA fees)                            | —  | —  | 173,459                  | 579                          | —            | 174,038               |
| Depreciation and amortization  | —  | 471  | 28,471                   | —                            | —            | 28,942                |
| LMA fees   | —  | —  | 628                      | —                            | —            | 628                   |
| Corporate general and<br>administrative expenses (including<br>stock-based compensation expense<br>of \$2,259) | —  | 11,757   | —                        | —                            | —            | 11,757                |
| Gain on sale of stations   | —  | —  | (5,198 )                 | —                            | —            | (5,198 )              |
| Loss on derivative instrument  | —  | —  | 172                      | —                            | —            | 172                   |
| Total operating expenses   | —  | 12,228   | 197,532                  | 579                          | —            | 210,339               |
| Operating (loss) income  | —  | (11,311 )  | 82,624                   | (579 )                       | —            | 70,734                |
| Non-operating (expense) income:  |  |  |                          |                              |              |                       |
| Interest expense, net  | (3,498 )                                       | (41,698 )  | 2                        | —                            | —            | (45,194 )             |
| Other expense, net   | —  | —  | (140 )                   | —                            | —            | (140 )                |
| Total non-operating expense, net   | (3,498 )                                       | (41,698 )  | (138 )                   | —                            | —            | (45,334 )             |
| (Loss) income before income taxes  | (3,498 )                                       | (53,009 )  | 82,486                   | (579 )                       | —            | 25,400                |
| Income tax expense   | —  | —  | (2,895 )                 | (15,468 )                    | —            | (18,363 )             |
| Earnings (loss) from consolidated<br>subsidiaries  | 10,535   | 63,544   | (16,047 )                | —                            | (58,032 )    | —                     |
| Net income (loss)  | \$7,037  | \$10,535   | \$63,544                 | \$ (16,047 )                 | \$ (58,032 ) | \$7,037               |

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## CUMULUS MEDIA INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Nine Months Ended September 30, 2013

(Dollars in thousands)

(Unaudited)

|  | Cumulus<br>Media Inc.<br>(Parent<br>Guarantor) | Cumulus<br>Media<br>Holdings<br>Inc.<br>(Subsidiary<br>Issuer) | Subsidiary<br>Guarantors | Subsidiary<br>Non-guarantors | Eliminations  | Total<br>Consolidated |
|--|--|--|--------------------------|------------------------------|---------------|-----------------------|
| Broadcast revenues   | \$—  | \$—  | \$802,704                | \$ —                         | \$ —          | \$802,704             |
| Management fees  | —  | 917  | —                        | —                            | —             | 917                   |
| Net revenues   | —  | 917  | 802,704                  | —                            | —             | 803,621               |
| Operating expenses:  |  |  |                          |                              |               |                       |
| Direct operating expenses<br>(excluding depreciation,<br>amortization and LMA fees)                            | —  | —  | 508,284                  | 1,688                        | —             | 509,972               |
| Depreciation and amortization  | —  | 1,451  | 85,358                   | —                            | —             | 86,809                |
| LMA fees   | —  | —  | 2,356                    | —                            | —             | 2,356                 |
| Corporate general and<br>administrative expenses (including<br>stock-based compensation expense<br>of \$7,393) | —  | 33,365   | —                        | —                            | —             | 33,365                |
| Loss on sale of stations   | —  | —  | (3,662 )                 | —                            | —             | —(3,662 )             |
| Gain on derivative instrument  | —  | —  | (2,672 )                 | —                            | —             | —(2,672 )             |
| Total operating expenses   | —  | 34,816   | 589,664                  | 1,688                        | —             | 626,168               |
| Operating (loss) income  | —  | (33,899 )  | 213,040                  | (1,688 )                     | —             | 177,453               |
| Non-operating (expense) income:  |  |  |                          |                              |               |                       |
| Interest (expense) income, net   | (8,186 )                                       | (125,173 )   | 80                       | —                            | —             | (133,279 )            |
| Loss on early extinguishment of<br>debt  | —  | (4,539 )   | —                        | —                            | —             | —(4,539 )             |
| Other expense, net   | —  | —  | (400 )                   | —                            | —             | —(400 )               |
| Total non-operating expense, net   | (8,186 )                                       | (129,712 )   | (320 )                   | —                            | —             | —(138,218 )           |
| (Loss) income before income taxes  | (8,186 )                                       | (163,611 )   | 212,720                  | (1,688 )                     | —             | 39,235                |
| Income tax benefit (expense)   | —  | —  | 9,821                    | (23,908 )                    | —             | —(14,087 )            |
| Earnings (loss) from consolidated<br>subsidiaries  | 33,334   | 196,945  | (25,596 )                | —                            | (204,683 )    | —                     |
| Net income (loss)  | \$25,148                                       | \$33,334   | \$196,945                | \$ (25,596 )                 | \$ (204,683 ) | \$25,148              |



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CUMULUS MEDIA INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
Three Months Ended September 30, 2012  
(Dollars in thousands)  
(Unaudited)

|  | Cumulus<br>Media Inc.<br>(Parent<br>Guarantor) | Cumulus<br>Media<br>Holdings<br>Inc.<br>(Subsidiary<br>Issuer) | Subsidiary<br>Guarantors | Subsidiary<br>Non-guarantors | Eliminations  | Total<br>Consolidated |
|--|--|--|--------------------------|------------------------------|---------------|-----------------------|
| Broadcast revenues   | \$—  | \$—  | \$274,160                | \$ —                         | \$—           | \$ 274,160            |
| Management fees  | 1,190  | —  | —                        | —                            | —             | 1,190                 |
| Net revenues   | 1,190  | —  | 274,160                  | —                            | —             | 275,350               |
| Operating expenses:  |  |  |                          |                              |               |                       |
| Direct operating expenses<br>(excluding depreciation,<br>amortization and LMA fees)                            | —  | —  | 160,282                  | 1,458                        | —             | 161,740               |
| Depreciation and amortization  | 543  | —  | 34,696                   | —                            | —             | 35,239                |
| LMA fees   | —  | —  | 928                      | —                            | —             | 928                   |
| Corporate general and<br>administrative expenses (including<br>stock-based compensation expense<br>of \$2,764) | 12,979   | —  | —                        | —                            | —             | 12,979                |
| Gain on derivative instrument  | —  | —  | (129 )                   | —                            | —             | (129 )                |
| Total operating expenses   | 13,522   | —  | 195,777                  | 1,458                        | —             | 210,757               |
| Operating (loss) income  | (12,332 )                                      | —  | 78,383                   | (1,458 )                     | —             | 64,593                |
| Non-operating (expense) income:  |  |  |                          |                              |               |                       |
| Interest (expense) income, net   | (1,361 )                                       | (48,651 )  | 255                      | —                            | —             | (49,757 )             |
| Other expense, net   | —  | —  | (224 )                   | —                            | —             | (224 )                |
| Total non-operating (expense)<br>income, net   | (1,361 )                                       | (48,651 )  | 31                       | —                            | —             | (49,981 )             |
| (Loss) income before income taxes  | (13,693 )                                      | (48,651 )  | 78,414                   | (1,458 )                     | —             | 14,612                |
| Income tax benefit   | —  | —  | 10,010                   | 2,165                        | —             | 12,175                |
| (Loss) income from continuing<br>operations  | (13,693 )                                      | (48,651 )  | 88,424                   | 707                          | —             | 26,787                |
| Income (loss) from discontinued<br>operations, net of taxes  | —  | —  | 35,275                   | (6,017 )                     | —             | 29,258                |
| Earnings (loss) from consolidated<br>subsidiaries  | 69,738   | 118,389  | (5,310 )                 | —                            | (182,817 )    | —                     |
| Net income (loss)  | \$56,045                                       | \$69,738   | \$118,389                | \$ (5,310 )                  | \$ (182,817 ) | \$ 56,045             |



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## CUMULUS MEDIA INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Nine Months Ended September 30, 2012

(Dollars in thousands)

(Unaudited)

|  | Cumulus<br>Media Inc.<br>(Parent<br>Guarantor) | Cumulus<br>Media<br>Holdings<br>Inc.<br>(Subsidiary<br>Issuer) | Subsidiary<br>Guarantors | Subsidiary<br>Non-guarantors | Eliminations  | Total<br>Consolidated |
|--|--|--|--------------------------|------------------------------|---------------|-----------------------|
| Broadcast revenues   | \$—  | \$—  | \$790,870                | \$ —                         | \$—           | \$ 790,870            |
| Management fees  | 1,516  | —  | —                        | —                            | —             | 1,516                 |
| Net revenues   | 1,516  | —  | 790,870                  | —                            | —             | 792,386               |
| Operating expenses:  |  |  |                          |                              |               |                       |
| Direct operating expenses (excluding depreciation, amortization and LMA fees)                          | —  | —  | 481,601                  | 2,505                        | —             | 484,106               |
| Depreciation and amortization  | 1,109  | —  | 105,212                  | —                            | —             | 106,321               |
| LMA fees   | —  | —  | 2,652                    | —                            | —             | 2,652                 |
| Corporate general and administrative expenses (including stock-based compensation expense of \$15,671) | 46,473   | —  | —                        | —                            | —             | 46,473                |
| Realized loss on derivative instrument   | —  | —  | 624                      | —                            | —             | 624                   |
| Impairment of intangible assets  | —  | —  | 12,435                   | —                            | —             | 12,435                |
| Total operating expenses   | 47,582   | —  | 602,524                  | 2,505                        | —             | 652,611               |
| Operating (loss) income  | (46,066 )                                      | —  | 188,346                  | (2,505 )                     | —             | 139,775               |
| Non-operating (expense) income:  |  |  |                          |                              |               |                       |
| Interest (expense) income, net   | (1,683 )                                       | (149,349 )   | 853                      | —                            | —             | (150,179 )            |
| Other (expense), net   | —  | —  | (34 )                    | —                            | —             | (34 )                 |
| Total non-operating (expense) income, net  | (1,683 )                                       | (149,349 )   | 819                      | —                            | —             | (150,213 )            |
| (Loss) income before income taxes  | (47,749 )                                      | (149,349 )   | 189,165                  | (2,505 )                     | —             | (10,438 )             |
| Income tax benefit   | —  | —  | 11,272                   | 11,590                       | —             | 22,862                |
| (Loss) income from continuing operations   | (47,749 )                                      | (149,349 )   | 200,437                  | 9,085                        | —             | 12,424                |
| Income (loss) from discontinued operations, net of taxes   | —  | —  | 48,766                   | (9,131 )                     | —             | 39,635                |
| Earnings (loss) from consolidated subsidiaries   | 99,808   | 249,157  | (46 )                    | —                            | (348,919 )    | —                     |
| Net income (loss)  | \$52,059                                       | \$99,808   | \$249,157                | \$ (46 )                     | \$ (348,919 ) | \$ 52,059             |





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## CUMULUS MEDIA INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

September 30, 2013

(Dollars in thousands, except for share and per share data)

(Unaudited)

|   | Cumulus<br>Media Inc.<br>(Parent<br>Guarantor) | Cumulus<br>Media<br>Holdings<br>Inc.<br>(Subsidiary<br>Issuer) | Subsidiary<br>Guarantors | Subsidiary<br>Non-guarantors | Eliminations  | Total<br>Consolidated |
|---|--|--|--------------------------|------------------------------|---------------|-----------------------|
| <b>Assets</b>   |  |  |                          |                              |               |                       |
| <b>Current assets:</b>  |  |  |                          |                              |               |                       |
| Cash and cash equivalents   | \$—  | \$63,970   | \$200                    | \$ —                         | \$—           | \$64,170              |
| Restricted cash   | —  | 3,729  | —                        | —                            | —             | 3,729                 |
| Accounts receivable, less<br>allowance for doubtful accounts<br>of \$3,728                | —  | —  | 194,872                  | —                            | —             | 194,872               |
| Trade receivable  | —  | —  | 7,821                    | —                            | —             | 7,821                 |
| Deferred income taxes   | —  | —  | 30,575                   | —                            | —             | 30,575                |
| Prepaid expenses and other<br>current assets  | —  | 5,292  | 18,348                   | —                            | —             | 23,640                |
| Total current assets  | —  | 72,991   | 251,816                  | —                            | —             | 324,807               |
| Property and equipment, net   | —  | 3,680  | 237,235                  | —                            | —             | 240,915               |
| Broadcast licenses  | —  | —  | —                        | 1,640,829                    | —             | 1,640,829             |
| Other intangible assets, net  | —  | —  | 194,653                  | —                            | —             | 194,653               |
| Goodwill  | —  | —  | 1,205,195                | —                            | —             | 1,205,195             |
| Investment in consolidated<br>subsidiaries  | 428,574  | 3,543,072  | 1,046,065                | —                            | (5,017,711 )  | —                     |
| Intercompany receivables  | —  | 83,032   | 675,200                  | —                            | (758,232 )    | —                     |
| Other assets  | 132  | 51,473   | 38,892                   | —                            | (19,757 )     | 70,740                |
| Total assets  | \$428,706                                      | \$3,754,248  | \$3,649,056              | \$ 1,640,829                 | \$(5,795,700) | \$3,677,139           |
| <b>Liabilities, Redeemable Preferred<br/>Stock and Stockholders' Equity<br/>(Deficit)</b> |  |  |                          |                              |               |                       |
| <b>Current liabilities:</b>   |  |  |                          |                              |               |                       |
| Accounts payable and accrued<br>expenses  | \$—  | \$32,186   | \$59,542                 | \$ —                         | \$—           | \$91,728              |
| Trade payable   | —  | —  | 7,107                    | —                            | —             | 7,107                 |
| Current portion of long-term debt   | —  | 38,092   | —                        | —                            | —             | 38,092                |
| Other current liabilities   | —  | —  | 3,714                    | —                            | —             | 3,714                 |
| Total current liabilities   | —  | 70,278   | 70,363                   | —                            | —             | 140,641               |
| Long-term debt, excluding<br>7.75% Senior Notes   | —  | 1,966,230  | —                        | —                            | —             | 1,966,230             |
| 7.75% Senior Notes  | —  | 610,000  | —                        | —                            | —             | 610,000               |
| Series B cumulative redeemable<br>preferable stock  | 77,241   | —  | —                        | —                            | —             | 77,241                |
| Other liabilities   | —  | 3,966  | 35,621                   | —                            | —             | 39,587                |

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|  |            |             |             |              |               |             |
|--|------------|-------------|-------------|--------------|---------------|-------------|
| Intercompany payables                              | 83,032     | 675,200     | —           | —            | (758,232 )    | —           |
| Deferred income taxes                              | —          | —           | —           | 594,764      | (19,757 )     | 575,007     |
| Total liabilities                                  | 160,273    | 3,325,674   | 105,984     | 594,764      | (777,989 )    | 3,408,706   |
| Stockholders' equity (deficit):                    |            |             |             |              |               |             |
| Class A common stock, par value                    |            |             |             |              |               |             |
| \$0.01 per share; 750,000,000                      |            |             |             |              |               |             |
| shares authorized; 191,473,932                     | 1,914      | —           | —           | —            | —             | 1,914       |
| shares issued and 167,300,363                      |            |             |             |              |               |             |
| shares outstanding                                 |            |             |             |              |               |             |
| Class B common stock, par value                    |            |             |             |              |               |             |
| \$0.01 per share; 600,000,000                      |            |             |             |              |               |             |
| shares authorized; 15,424,944                      | 154        | —           | —           | —            | —             | 154         |
| shares issued and outstanding                      |            |             |             |              |               |             |
| Class C common stock, par value                    |            |             |             |              |               |             |
| \$0.01 per share; 644,871 shares                   |            |             |             |              |               |             |
| authorized, issued and                             | 6          | —           | —           | —            | —             | 6           |
| outstanding  |            |             |             |              |               |             |
| Treasury stock, at cost,                           | (250,917 ) | —           | —           | —            | —             | (250,917 )  |
| 24,173,569 shares                                  |            |             |             |              |               |             |
| Additional paid-in-capital                         | 1,510,329  | 212,631     | 3,844,237   | 2,044,040    | (6,100,908 )  | 1,510,329   |
| Accumulated (deficit) equity                       | (993,053 ) | 215,943     | (301,165 )  | (997,975 )   | 1,083,197     | (993,053 )  |
| Total stockholders' equity                         | 268,433    | 428,574     | 3,543,072   | 1,046,065    | (5,017,711 )  | 268,433     |
| (deficit)  |            |             |             |              |               |             |
| Total liabilities, redeemable                      |            |             |             |              |               |             |
| preferred stock and stockholders' equity (deficit) | \$428,706  | \$3,754,248 | \$3,649,056 | \$ 1,640,829 | \$(5,795,700) | \$3,677,139 |

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## CUMULUS MEDIA INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

December 31, 2012

(Dollars in thousands, except for share and per share data)

(Unaudited)

|   | Cumulus<br>Media Inc.<br>(Parent<br>Guarantor) | Cumulus<br>Media<br>Holdings<br>Inc.<br>(Subsidiary<br>Issuer) | Subsidiary<br>Guarantors | Subsidiary<br>Non-guarantors | Eliminations  | Total<br>Consolidated |
|---|--|--|--------------------------|------------------------------|---------------|-----------------------|
| <b>Assets</b>   |  |  |                          |                              |               |                       |
| <b>Current assets:</b>  |  |  |                          |                              |               |                       |
| Cash and cash equivalents   | \$81,599                                       | \$—  | \$6,451                  | \$ —                         | \$—           | \$ 88,050             |
| Restricted cash   | 5,921  | —  | —                        | —                            | —             | 5,921                 |
| Accounts receivable, less<br>allowance for doubtful accounts of—<br>\$4,131               | —  | —  | 207,563                  | —                            | —             | 207,563               |
| Trade receivable  | —  | —  | 6,104                    | —                            | —             | 6,104                 |
| Deferred income Tax   | —  | —  | 25,145                   | —                            | —             | 25,145                |
| Prepaid expenses and other<br>current assets  | 6,928  | —  | 13,408                   | —                            | —             | 20,336                |
| Total current assets  | 94,448   | —  | 258,671                  | —                            | —             | 353,119               |
| Property and equipment, net   | 4,690  | —  | 251,213                  | —                            | —             | 255,903               |
| Broadcast licenses  | —  | —  | —                        | 1,602,373                    | —             | 1,602,373             |
| Other intangible assets, net  | —  | —  | 258,761                  | —                            | —             | 258,761               |
| Goodwill  | —  | —  | 1,195,594                | —                            | —             | 1,195,594             |
| Investment in consolidated<br>subsidiaries  | 415,573  | 3,354,891  | 1,127,135                | —                            | (4,897,599 )  | —                     |
| Intercompany receivables  | —  | —  | 471,329                  | —                            | (471,329 )    | —                     |
| Other assets  | 11,605   | 47,818   | 18,402                   | —                            | —             | 77,825                |
| Total assets  | \$526,316                                      | \$3,402,709  | \$3,581,105              | \$ 1,602,373                 | \$(5,368,928) | \$ 3,743,575          |
| <b>Liabilities, Redeemable Preferred<br/>Stock and Stockholders' Equity<br/>(Deficit)</b> |  |  |                          |                              |               |                       |
| <b>Current liabilities:</b>   |  |  |                          |                              |               |                       |
| Accounts payable and accrued<br>expenses  | \$10,690                                       | \$8,213  | \$83,683                 | \$ —                         | \$—           | \$ 102,586            |
| Trade payable   | —  | —  | 4,803                    | —                            | —             | 4,803                 |
| Current portion of long-term debt   | —  | 76,468   | —                        | —                            | —             | 76,468                |
| Other current liabilities   | —  | —  | 11,386                   | —                            | —             | 11,386                |
| Total current liabilities   | 10,690   | 84,681   | 99,872                   | —                            | —             | 195,243               |
| Long-term debt, excluding 7.75%<br>Senior Notes   | —  | 2,014,599  | —                        | —                            | —             | 2,014,599             |
| 7.75% Senior Notes  | —  | 610,000  | —                        | —                            | —             | 610,000               |
| Other liabilities   | 3,651  | —  | 41,662                   | —                            | —             | 45,313                |
| Intercompany payables   | 193,473  | 277,856  | —                        | —                            | (471,329 )    | —                     |

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|  |         |           |         |         |            |           |
|--|---------|-----------|---------|---------|------------|-----------|
| Deferred income taxes  | —       | —         | 84,680  | 475,238 | —          | 559,918   |
| Total liabilities  | 207,814 | 2,987,136 | 226,214 | 475,238 | (471,329 ) | 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 | 71,869  | —         | —       | —       | —          | 71,869    |
| Total redeemable preferred stock   | 71,869  | —         | —       | —       | —          | 71,869    |
| Stockholders' equity (deficit):  |         |           |         |         |            |           |

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|   |             |             |             |             |               |              |
|---|-------------|-------------|-------------|-------------|---------------|--------------|
| Class A common stock, par value<br>\$0.01 per share; 750,000,000 shares<br>authorized; 182,682,073 shares<br>issued and 158,519,394 shares<br>outstanding | 1,827       | —           | —           | —           | —             | 1,827        |
| Class B common stock, par value<br>\$0.01 per share; 600,000,000 shares<br>authorized; 15,424,944 shares<br>issued and outstanding                        | 154         | —           | —           | —           | —             | 154          |
| Class C common stock, par value<br>\$0.01 per share; 644,871 shares<br>authorized, issued and outstanding   | 6           | —           | —           | —           | —             | 6            |
| Treasury stock, at cost, 24,162,676<br>shares   | (252,001 )  | —           | —           | —           | —             | (252,001 )   |
| Additional paid-in-capital  | 1,514,849   | 232,964     | 3,853,001   | 2,099,514   | (6,185,479 )  | 1,514,849    |
| Accumulated (deficit) equity  | (1,018,202) | 182,609     | (498,110 )  | (972,379 )  | 1,287,880     | (1,018,202 ) |
| Total stockholders' equity (deficit)  | 246,633     | 415,573     | 3,354,891   | 1,127,135   | (4,897,599 )  | 246,633      |
| Total liabilities, redeemable<br>preferred stock and stockholders'<br>equity (deficit)  | \$526,316   | \$3,402,709 | \$3,581,105 | \$1,602,373 | \$(5,368,928) | \$3,743,575  |

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## CUMULUS MEDIA INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended September 30, 2013

(Dollars in thousands)

(Unaudited)

|  | Cumulus<br>Media Inc.<br>(Parent<br>Guarantor) | Cumulus<br>Media<br>Holdings<br>Inc.<br>(Subsidiary<br>Issuer) | Subsidiary<br>Guarantors | Subsidiary<br>Non-guarantors | Eliminations | Total<br>Consolidated |
|--|--|--|--------------------------|------------------------------|--------------|-----------------------|
| Cash flows from operating activities:  |  |  |                          |                              |              |                       |
| Net income (loss)  | \$25,148                                       | \$33,334   | \$196,945                | \$ (25,596 )                 | \$(204,683 ) | \$25,148              |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: |  |  |                          |                              |              |                       |
| Depreciation and amortization  | —  | 1,451  | 85,358                   | —                            | —            | 86,809                |
| Amortization of debt issuance costs/discounts  | —  | 7,515  | —                        | —                            | —            | 7,515                 |
| Provision for doubtful accounts  | —  | —  | 2,002                    | —                            | —            | 2,002                 |
| Gain on sale of assets or stations   | —  | —  | (3,556 )                 | —                            | —            | (3,556 )              |
| Loss on early extinguishment of debt   | —  | 4,539  | —                        | —                            | —            | 4,539                 |
| Fair value adjustment of derivative instruments  | —  | (27 )  | (2,630 )                 | —                            | —            | (2,657 )              |
| Deferred income taxes  | —  | —  | (14,249 )                | 23,908                       | —            | 9,659                 |
| Stock-based compensation expense   | —  | 7,393  | —                        | —                            | —            | 7,393                 |
| (Loss) earnings from consolidated subsidiaries   | (33,334 )                                      | (196,945 )   | 25,596                   | —                            | 204,683      | —                     |
| Changes in assets and liabilities  | (83,899 )                                      | 105,672  | (32,646 )                | 1,688                        | —            | (9,185 )              |
| Net cash (used in) provided by operating activities                                      | (92,085 )                                      | (37,068 )  | 256,820                  | —                            | —            | 127,667               |
| Cash flows from investing activities   |  |  |                          |                              |              |                       |
| Proceeds from sale of assets or stations   | —  | —  | 6,492                    | —                            | —            | 6,492                 |
| Restricted cash  | —  | 2,192  | —                        | —                            | —            | 2,192                 |
| Initial payment of Green Bay Option  | —  | —  | (5,000 )                 | —                            | —            | (5,000 )              |
| Acquisition less cash required   | —  | —  | (52,685 )                | —                            | —            | (52,685 )             |
| Capital expenditures   | —  | (441 )   | (8,007 )                 | —                            | —            | (8,448 )              |
| Net cash provided by (used in) investing activities                                      | —  | 1,751  | (59,200 )                | —                            | —            | (57,449 )             |
| Cash flows from financing activities:  |  |  |                          |                              |              |                       |

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|  |           |           |            |      |     |           |
|--|-----------|-----------|------------|------|-----|-----------|
| Intercompany transactions, net   | 15,112    | 188,759   | (203,871 ) | —    | —   | —         |
| Repayments of borrowings under term loans and revolving credit facilities    | —         | (88,931 ) | —          | —    | —   | (88,931 ) |
| Tax withholding payments on behalf of employees for stock based compensation | —         | (337 )    | —          | —    | —   | (337 )    |
| Redemption of Series A preferred stock                                       | (73,150 ) | —         | —          | —    | —   | (73,150 ) |
| Proceeds from issuance of Series B preferred stock                           | 77,241    |           |            |      |     | 77,241    |
| Series A Preferred stock dividends   | (9,395 )  | —         | —          | —    | —   | (9,395 )  |
| Proceeds from exercises of warrants  | 64        | —         | —          | —    | —   | 64        |
| Proceeds from exercises of options   | 614       | —         | —          | —    | —   | 614       |
| Deferred financing costs   | —         | (204 )    | —          | —    | —   | (204 )    |
| Net cash provided by (used in) financing activities                          | 10,486    | 99,287    | (203,871 ) | —    | —   | (94,098 ) |
| (Decrease) increase in cash and cash equivalents                             | (81,599 ) | 63,970    | (6,251 )   | —    | —   | (23,880 ) |
| Cash and cash equivalents at beginning of period                             | 81,599    | —         | 6,451      | —    | —   | 88,050    |
| Cash and cash equivalents at end of period                                   | \$—       | \$63,970  | \$200      | \$ — | \$— | \$64,170  |

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## CUMULUS MEDIA INC.

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Nine Months Ended September 30, 2012

(Dollars in thousands)

(Unaudited)

|  | Cumulus<br>Media<br>Inc.<br>(Parent<br>Guarantor) | Cumulus<br>Media<br>Holdings<br>Inc.<br>(Subsidiary<br>Issuer) | Subsidiary<br>Guarantors | Subsidiary<br>Non-guarantors | Eliminations | Total<br>Consolidated |
|--|---|--|--------------------------|------------------------------|--------------|-----------------------|
| Cash flows from operating activities:  |   |  |                          |                              |              |                       |
| Net income (loss)  | \$52,059  | \$99,808   | \$249,157                | \$ (46 )                     | \$(348,919 ) | \$52,059              |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |   |  |                          |                              |              |                       |
| Depreciation and amortization  | 1,109   | —  | 106,372                  | —                            | —            | 107,481               |
| Amortization of debt issuance costs/discount   | —   | 7,581  | —                        | —                            | —            | 7,581                 |
| Provision for doubtful accounts  | —   | —  | 2,892                    | —                            | —            | 2,892                 |
| Gain on sale of assets or stations   | —   | —  | (163 )                   | —                            | —            | (163 )                |
| Gain on exchange of assets or stations   | —   | —  | (38,251 )                | (24,977 )                    | —            | (63,228 )             |
| Impairment of intangible assets  | —   | —  | 12,435                   | —                            | —            | 12,435                |
| Fair value adjustment of derivative instruments  | 311   | —  | 624                      | —                            | —            | 935                   |
| Deferred income taxes  | —   | —  | (16,475 )                | 22,518                       | —            | 6,043                 |
| Stock-based compensation expense   | 15,671  | —  | —                        | —                            | —            | 15,671                |
| (Loss) earnings from consolidated subsidiaries   | (99,808 )   | (249,157 )   | 46                       | —                            | 348,919      | —                     |
| Changes in assets and liabilities  | 11,103  | (7,581 )   | (19,033 )                | 2,505                        | —            | (13,006 )             |
| Net cash (used in) provided by operating activities  | (19,555 )   | (149,349 )   | 297,604                  | —                            | —            | 128,700               |
| Cash flows from investing activities:  |   |  |                          |                              |              |                       |
| Restricted cash  | 600   | —  | —                        | —                            | —            | 600                   |
| Proceeds from sale of assets or stations   | 426   | —  | —                        | —                            | —            | 426                   |
| Proceeds from exchange of asset or stations  | —   | —  | 114,918                  | —                            | —            | 114,918               |
| Capital expenditures   | (722 )  | —  | (3,933 )                 | —                            | —            | (4,655 )              |
| Net cash provided by investing activities  | 304   | —  | 110,985                  | —                            | —            | 111,289               |
| Cash flows from financing activities:  |   |  |                          |                              |              |                       |
| Intercompany transactions, net   | 108,989   | 310,349  | (419,338 )               | —                            | —            | —                     |



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|  |           |            |            |      |     |            |
|--|-----------|------------|------------|------|-----|------------|
| Repayments of borrowings under term loans and revolving credit facilities    | —         | (161,000 ) | —          | —    | —   | (161,000 ) |
| Tax withholding payments on behalf of employees for stock-based compensation | (1,909 )  | —          | —          | —    | —   | (1,909 )   |
| Series A preferred stock dividends   | (11,599 ) | —          | —          | —    | —   | (11,599 )  |
| Proceeds from exercises of warrants  | 136       | —          | —          | —    | —   | 136        |
| Repayment of Series A preferred stock  | (49,233 ) | —          | —          | —    | —   | (49,233 )  |
| Net cash provided by (used in) financing activities                          | 46,384    | 149,349    | (419,338 ) | —    | —   | (223,605 ) |
| Increase (decrease) in cash and cash equivalents                             | 27,133    | —          | (10,749 )  | —    | —   | 16,384     |
| Cash and cash equivalents at beginning of period                             | 11,714    | —          | 18,878     | —    | —   | 30,592     |
| Cash and cash equivalents at end of period                                   | \$38,847  | \$—        | \$8,129    | \$ — | \$— | \$46,976   |

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16. Subsequent Events

On October 16, 2013, the Company issued and sold 18,860,000 shares of its Class A common stock in an underwritten public offering, resulting in net proceeds after underwriting discounts and commissions and estimated offering expenses of \$89.8 million. The Company intends to use approximately \$78.0 million of the net proceeds from the offering to redeem all outstanding shares of the Company's Series B Preferred Stock, including accrued and unpaid dividends. Notice of this redemption was given on October 17, 2013, and it will be complete on October 30, 2013. The remaining net proceeds from the offering will be placed in the Company's corporate treasury and used for general corporate purposes.

In accordance with the terms of the Crestview Warrants Agreement, since the offering involved the issuance of shares of the Company's Class A common stock for less than fair market value per share, as defined in the Crestview Warrants, on the date of such issuance, the Crestview Warrants are subject to a standard weighted average adjustment (See Note 10 "Stockholders' Equity").

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and notes thereto included elsewhere in this quarterly report. This discussion, as well as various other sections of this quarterly report, contains and refers to statements that constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. Such statements relate to our intent, belief or current expectations primarily with respect to our future operating, financial and strategic performance. Any such forward-looking statements are not guarantees of future performance and may involve risks and uncertainties. Actual results may differ from those contained in or implied by the forward-looking statements as a result of various factors, including, but not limited to, risks and uncertainties relating to the need for additional funds to execute our business strategy, our inability to renew one or more of our broadcast licenses, changes in interest rates, our ability to complete any pending acquisitions, the timing, costs and synergies resulting from the integration of any completed acquisitions, our ability to eliminate certain costs, our ability to manage rapid growth, the popularity of radio as a broadcasting and advertising medium, changing consumer tastes, any material changes from the preliminary to final purchase price allocations in completed acquisitions, the impact of general economic conditions in the United States or in specific markets in which we currently do or expect to do business, industry conditions, including existing competition and future competitive technologies, cancellation, disruptions or postponements of advertising schedules in response to national or world events, and our ability to generate revenue from new sources, including technology-based initiatives. Many of these risks and uncertainties are beyond our control, and the unexpected occurrence or failure to occur of any such events or matters could significantly alter our actual results of operations or financial condition.

For additional information about certain of the matters discussed and described in the following Management's Discussion and Analysis of Financial Condition and Results of Operations, including certain defined terms used herein, see the notes to the accompanying unaudited condensed consolidated financial statements included elsewhere in this quarterly report.

Our Business

We own and operate commercial radio station clusters throughout the United States, and we believe we are the largest pure-play radio broadcaster in the United States based on number of stations owned and operated. At September 30, 2013, we owned or operated approximately 520 radio stations (including under LMAs for 14 radio stations) in 108 United States media markets. Additionally, we create audio content and partner with third parties to create and audio content to support operated nationwide radio networks serving over 5,500 stations. At September 30, 2013, under LMAs, we provided sales and marketing services for 14 radio stations in the United States.

Operating Overview

We believe that we have created a leading radio broadcasting company with a true national platform and an opportunity to further leverage and expand upon our strengths, market presence and programming. Specifically we have an extensive radio station portfolio consisting of approximately 520 radio stations, including a presence in eight of the top 10 markets, and broad diversity in format, listener base, geography, advertiser base and revenue stream, all of which are designed to reduce our dependence on any single demographic, region or industry. Our nationwide radio networks platform generates premium content that can be delivered through broadcast and digital mediums. Our increased scale allows larger, more significant investments in the local digital media marketplace enabling us to apply our local digital platforms and strategies, including our social commerce initiatives, across additional markets. We believe national platform perspective will allow us to optimize our available advertising inventory while providing holistic and comprehensive solutions for our customers.

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Cumulus believes that our capital structure provides adequate liquidity and scale for Cumulus to operate and grow our current business operations, as well as pursue and finance potential strategic acquisitions in the future.

### Liquidity Considerations

Historically, our principal needs for funds have been for acquisitions of radio stations, expenses associated with our station and corporate operations, capital expenditures, and interest and debt service payments. We believe that our funding needs in the future will be for substantially similar matters.

Our principal sources of funds have primarily been cash flow from operations and borrowings under credit facilities in existence from time to time. We continually monitor our capital structure and from time to time have obtained, and expect that we will continue to evaluate future opportunities to obtain, other public or private capital from the divestiture of radio stations or other assets that are not a part of, or do not complement, our strategic operations, as well as the issuance of equity and/or debt securities, in each case subject to market and other conditions in existence at the appropriate time. No assurances can be provided that any source of funds would be available when needed on terms acceptable to the Company, or at all.

Our cash flow from operations is subject to such factors as shifts in population, station listenership, demographics, audience tastes, and fluctuations in preferred advertising media. In addition, customers may not be able to pay, or may delay payment of, accounts receivable that are owed to us, which risks may be exacerbated in challenging economic periods. In recent periods, management has taken steps to mitigate this risk through heightened collection efforts and enhancements to our credit approval process, although no assurances as to the longer-term success of these efforts can be provided. In addition, we believe that our broad diversity in format, listener base, geography, advertiser base and revenue stream helps us to reduce our dependence on any single demographic, region or industry.

At September 30, 2013, we had \$1.237 billion outstanding under the First Lien Facility, \$785.5 million outstanding under the Second Lien Facility and no amounts outstanding under the Revolving Credit Facility. We also had outstanding \$610.0 million of 7.75% Senior Notes due 2019.

On May 31, 2013, we entered into an amendment (the "Amendment") to the First Lien Facility. Pursuant to the Amendment, the consolidated total net leverage ratio covenant contained in the First Lien Facility with which the Company was 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.

In the three months ended September 30, 2013, the Company issued 77,241 shares of newly designated Series B Preferred Stock. Proceeds from the issuance of approximately \$77.2 million were used to redeem all outstanding shares of Series A Preferred Stock, including accrued and unpaid dividends. Dividends on the Series B Preferred Stock accrue at a rate of 12% per annum. On October 16, 2013, the Company issued and sold 18,860,000 shares of Class A common stock in an underwritten public offering, resulting in net proceeds after deducting underwriting commissions and discounts and estimated offering expenses of \$89.8 million. The Company intends to use approximately \$78.0 million of the net proceeds therefrom to redeem all outstanding shares of Series B Preferred Stock. On October 17, 2013, the Company issued a notice of redemption of all outstanding shares of Series B Preferred Stock, which redemption will be complete on October 30, 2013.

We have assessed the current and expected conditions of our business climate, our current and expected needs for funds and our current and expected sources of funds and determined, based on our financial condition as of September 30, 2013, and after giving effect to the transactions described above, that cash on hand, cash expected to be generated from operating activities and cash available from various financing sources will be sufficient to satisfy our anticipated financing needs for working capital, capital expenditures, interest and debt service payments, and any repurchases of securities and other debt obligations through at least September 30, 2014.

### Advertising Revenue and Adjusted EBITDA

Our primary source of revenues is the sale of advertising time. Our sales of advertising time are primarily affected by the demand from local, regional and national advertisers, which impacts the advertising rates charged by us.

Advertising rates are based primarily on a station's ability to attract audiences in the demographic groups targeted by its advertisers, as measured principally by various ratings agencies on a periodic basis. We endeavor to develop strong listener loyalty and we believe that the diversification of our formats and programs helps to insulate us from the

effects of changes in the musical tastes of the public with respect to any particular format, as a substantial portion of our revenue comes from non-music formats and proprietary content. In addition, we believe that the portfolio that we own and operate, which has increased diversity in terms of format, listener base, geography, advertiser base and revenue stream as a result of our acquisitions and the development of our

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strategy to focus on radio stations in larger markets and geographically strategic regional clusters, will further reduce our revenue dependence on any single demographic, region or industry.

We strive to maximize revenue by managing our on-air inventory of advertising time and adjusting prices up or down based on supply and demand. The optimal number of advertisements available for sale depends on the programming format of a particular radio program. Each sales vehicle has a general target level of on-air inventory available for advertising. This target level of advertising inventory may vary at different times of the day but tends to remain stable over time. We seek to broaden our base of advertisers in each of our markets by providing a wide array of audience demographic segments across each cluster of stations, thereby providing each of our potential advertisers with an effective means of reaching a targeted demographic group. In the broadcasting industry, we sometimes utilize trade or barter agreements that exchange advertising time for goods or services such as travel or lodging, instead of for cash. Trade revenue totaled \$18.7 million and \$20.4 million for the nine months ended September 30, 2013 and 2012, respectively. Our advertising contracts are generally short-term. We generate most of our revenue from local and regional advertising, which is sold primarily by a station's sales staff. Local advertising represented approximately 73.4% and 73.0% of our total revenues during the three and nine months ended September 30, 2013, respectively. In addition to local advertising revenues, we monetize our available inventory in both national spot and network sales marketplaces using our national platform. To effectively deliver our network advertising for our customers, we distribute content and programming through third party affiliates in order to achieve a broader national audience. Typically, in exchange for the right to broadcast radio network programming, third party affiliates remit a portion of their advertising time, which is then aggregated into packages focused on specific demographic groups and sold by us to our advertiser clients that want to reach the listeners who comprise those demographic groups on a national basis. Revenues derived from third party affiliates represented less than 10% of consolidated revenues in all periods presented.

Our advertising revenues vary by quarter throughout the year. As is typical in the radio broadcasting industry, our first calendar quarter typically produces the lowest revenues of a last twelve month period, as advertising generally declines following the winter holidays. The second and fourth calendar quarters typically produce the highest revenues for the year. Our operating results in any period may be affected by the incurrence of advertising and promotion expenses that typically do not have an effect on revenue generation until future periods, if at all. We continually evaluate opportunities to increase revenues through new platforms, including technology-based initiatives. Adjusted EBITDA is the financial metric utilized by management to analyze the cash flow generated by the Company's business. This measure isolates the amount of income generated by the Company's radio stations apart from the incurrence of non-cash and non-operating expenses. Management also uses this measure to determine the contribution of the Company's radio station portfolio, including the corporate resources employed to manage the portfolio, to the funding of its other operating expenses and to the funding of debt service and acquisitions. In addition, Adjusted EBITDA is a key metric for purposes of calculating and determining our compliance with certain covenants contained in our First Lien Facility.

In deriving this measure, management excludes depreciation, amortization and stock-based compensation expense, as these do not represent cash payments for activities directly related to the operation of the radio stations. In addition, we exclude LMA fees from our calculation of Adjusted EBITDA, even though these items require a cash settlement, because they are excluded from the definition of Adjusted EBITDA contained in our First Lien Facility. Management excludes any gain or loss on the exchange of assets or stations as they do not represent a cash transaction. Management also excludes any gain or loss on derivative instruments as they do not represent a cash transaction nor are they associated with radio station operations. Interest expense, net of interest income, discontinued operations, income tax (benefit) expense including franchise taxes, and expenses relating to acquisitions and restructuring costs are also excluded from the calculation of Adjusted EBITDA as they are not directly related to the operation of radio stations. Management excludes any impairment of goodwill and intangible assets as they do not require a cash outlay. Management believes that Adjusted EBITDA, although not a measure that is calculated in accordance with GAAP, nevertheless is commonly employed by the investment community as a measure for determining the market value of a radio company. Management has also observed that Adjusted EBITDA is routinely employed to evaluate and negotiate the potential purchase price for radio broadcasting companies, and is a key metric for purposes of calculating

and determining compliance with certain covenants in our First Lien Facility. Given the relevance to the overall value of the Company, management believes that investors consider the metric to be extremely useful.

Adjusted EBITDA should not be considered in isolation or as a substitute for net income, operating income, cash flows from operating activities or any other measure for determining the Company's operating performance or liquidity that is calculated in accordance with GAAP. Moreover, because not all companies use identical calculations in determining Adjusted EBITDA, our presentation may not be comparable to similarly titled measures used by other companies.

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A quantitative reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable financial measure calculated and presented in accordance with GAAP, follows in this section.

## Results of Operations

## Analysis of the Unaudited Condensed Consolidated Results of Operations

The following analysis of selected data from our unaudited condensed consolidated statements of operations and other supplementary data should be referred to while reading the results of operations discussion that follows (dollars in thousands):

|   | Three Months Ended<br>September 30,<br>2013 |   | September 30,<br>2012 |   | Nine Months Ended<br>September 30,<br>2013 |   | September 30,<br>2012 |   | % Change<br>Three Months<br>Ended |    | % Change<br>Nine Months<br>Ended |    |
|---|---|---|-----------------------|---|--|---|-----------------------|---|-----------------------------------|----|----------------------------------|----|
| STATEMENT OF OPERATIONS DATA:   |   |   |                       |   |  |   |                       |   |                                   |    |                                  |    |
| Net revenues  | \$281,073                                   |   | \$275,350             |   | \$803,621                                  |   | \$792,386             |   | 2.1                               | %  | 1.4                              | %  |
| Direct operating expenses (excluding depreciation, amortization and LMA fees)               | 174,038                                     |   | 161,740               |   | 509,972                                    |   | 484,106               |   | 7.6                               | %  | 5.3                              | %  |
| Depreciation and amortization   | 28,942                                      |   | 35,239                |   | 86,809                                     |   | 106,321               |   | (17.9                             | )% | (18.4                            | )% |
| LMA fees  | 628   |   | 928                   |   | 2,356                                      |   | 2,652                 |   | (32.3                             | )% | (11.2                            | )% |
| Corporate, general and administrative expenses (including stock-based compensation expense) | 11,757                                      |   | 12,979                |   | 33,365                                     |   | 46,473                |   | (9.4                              | )% | (28.2                            | )% |
| Gain on sale of stations  | (5,198                                      | ) | —                     |   | (3,662                                     | ) | —                     |   | **                                |    | **                               |    |
| Loss (gain) on derivative instrument  | 172   |   | (129)                 |   | (2,672                                     | ) | 624                   |   | **                                |    | **                               |    |
| Impairment of intangible assets   | —   |   | —                     |   | —  |   | 12,435                |   | **                                |    | **                               |    |
| Operating income  | 70,734                                      |   | 64,593                |   | 177,453                                    |   | 139,775               |   | 9.5                               | %  | 27.0                             | %  |
| Interest expense, net   | (45,194                                     | ) | (49,757               | ) | (133,279                                   | ) | (150,179              | ) | (9.2                              | )% | (11.3                            | )% |
| Loss on early extinguishment of debt  | —   |   | —                     |   | (4,539                                     | ) | —                     |   | **                                |    | **                               |    |
| Other expense, net  | (140  | ) | (224                  | ) | (400                                       | ) | (34                   | ) | 37.5                              | %  | **                               |    |
| Income (loss) from continuing operations before income taxes                                | 25,400                                      |   | 14,612                |   | 39,235                                     |   | (10,438               | ) | 73.8                              | %  | **                               |    |
| Income tax (expense) benefit  | (18,363                                     | ) | 12,175                |   | (14,087                                    | ) | 22,862                |   | **                                |    | **                               |    |
| Income from continuing operations   | 7,037                                       |   | 26,787                |   | 25,148                                     |   | 12,424                |   | (73.7                             | )% | 102.4                            | %  |
| Income from discontinued operations, net of taxes   | —   |   | 29,258                |   | —  |   | 39,635                |   | **                                |    | **                               |    |
| Net income  | \$7,037                                     |   | \$56,045              |   | \$25,148                                   |   | \$52,059              |   | (87.4                             | )% | (51.7                            | )% |
| OTHER DATA:   |   |   |                       |   |  |   |                       |   |                                   |    |                                  |    |
| Adjusted EBITDA   | \$99,170                                    |   | \$106,398             |   | \$271,855                                  |   | \$286,504             |   | (6.8                              | )% | (5.1                             | )% |

\*\* Calculation is not meaningful.

## Three Months Ended September 30, 2013 Compared to the Three Months Ended September 30, 2012

Net Revenues. Net revenues for the three months ended September 30, 2013 increased \$5.7 million, or 2.1%, to \$281.1 million, compared to \$275.4 million for the three months ended September 30, 2012. This increase was primarily attributable to a \$4.6 million increase in local spot advertising revenue, an increase of \$2.1 million in national advertising revenue, an increase of \$1.3 million in live event revenue, and an increase of \$0.9 million in revenue due to the addition of stations in the Bloomington and Peoria markets, acquired in July 2012, partially offset by a decrease of \$2.9 million in cyclical political revenues.



Direct Operating Expenses, Excluding Depreciation and Amortization. Direct operating expenses for the three months ended September 30, 2013 increased \$12.3 million, or 7.6%, to \$174.0 million, compared to \$161.7 million for the three months ended September 30, 2012. The increase was primarily attributable to \$4.0 million of ongoing investments in national content initiatives, a \$1.9 million increase related to ongoing investments in our sales infrastructure, and a \$0.6 million increase in expenses due to the acquisition of stations in the Bloomington and Peoria markets. In addition, music publishing license fees

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increased by \$8.3 million as a result of a non-recurring, one-time credit received in the comparable 2012 period from an industry-wide settlement with Broadcast Music, Inc.

**Depreciation and Amortization.** Depreciation and amortization for the three months ended September 30, 2013 decreased \$6.3 million, or 17.9%, to \$28.9 million, compared to \$35.2 million for the three months ended September 30, 2012. This decrease was primarily due to a \$6.3 million decrease in amortization expense on our definite lived intangible assets, which results from the accelerated amortization methodology we have applied since acquisition of these assets based on the expected pattern in which the underlying assets' economic benefits are consumed.

**Corporate, General and Administrative Expenses, Including Stock-based Compensation Expense.** Corporate general and administrative expenses, including stock-based compensation expense, for the three months ended September 30, 2013 decreased \$1.2 million, or 9.4%, to \$11.8 million, compared to \$13.0 million for the three months ended September 30, 2012. This decrease is primarily due to a decrease of \$1.7 million in acquisition costs partially offset by an increase of \$0.4 million in other overhead costs.

**Loss (gain) on Derivative Instrument.** For the three months ended September 30, 2013, we recorded a \$0.2 million loss related to the fair value adjustment of the put option on five Green Bay stations we operate under an LMA, compared to a \$0.1 million gain recorded for the three months ended September 30, 2012.

**Interest Expense, net.** Total interest expense, net of interest income, for the three months ended September 30, 2013 decreased \$4.6 million, or 9.2%, to \$45.2 million compared to \$49.8 million for the three months ended September 30, 2012. Interest expense associated with outstanding debt decreased by \$5.2 million to \$41.7 million as compared to \$46.9 million in the prior year period. This decrease was due to lower average indebtedness outstanding resulting from principal repayments and a lower weighted average cost of debt due to the December 2012 amendment to our First Lien Facility.

The following summary details the components of our interest expense, net of interest income (dollars in thousands):

|  | Three Months Ended<br>September 30, |           | 2013 vs 2012 |          |    |
|--|-------------------------------------|-----------|--------------|----------|----|
|  | 2013                                | 2012      | \$ Change    | % Change |    |
| 7.75% Senior Notes   | \$ 11,819                           | \$ 11,819 | \$ —         | —        | %  |
| Bank borrowings – term loans and revolving credit facilities | 29,853                              | 35,057    | (5,204       | ) (14.8  | )% |
| Other interest expense                                       | 3,788                               | 3,075     | 713          | 23.2     | %  |
| Change in fair value of interest rate cap and swap           | 42                                  | 61        | (19          | ) (31.1  | )% |
| Interest income  | (308                                | ) (255    | ) (53        | ) 20.8   | %  |
| Interest expense, net  | \$ 45,194                           | \$ 49,757 | \$ (4,563    | ) (9.2   | )% |

**Income Taxes.** For the three months ended September 30, 2013, the Company recorded income tax expense of \$18.4 million on pre-tax income from continuing operations of \$25.4 million, resulting in an effective tax rate for the three months ended September 30, 2013 of approximately 72.4%. For the three months ended September 30, 2012, the Company recorded an income tax benefit of \$12.2 million on pre-tax income from continuing operations of \$14.6 million, resulting in an effective tax rate for the three months ended September 30, 2012 of approximately (83.6)%. 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 and the tax amortization of broadcast licenses and goodwill.

In accordance with ASC 740, Accounting for Income Taxes, each quarter we assesses the likelihood that the Company will be able to recover its deferred tax assets with respect to the amount of its federal and state net operating loss ("NOL") carryforwards available to satisfy the settlement of its deferred tax liability related to the prior elections made by certain of its acquired subsidiaries to defer the recognition of cancellation of debt income ("CODI").

**Adjusted EBITDA.** As a result of the factors described above, Adjusted EBITDA for the three months ended September 30, 2013 decreased \$7.2 million to \$99.2 million from \$106.4 million for the three months ended September 30, 2012.

Reconciliation of Non-GAAP Financial Measure. The following table reconciles Adjusted EBITDA to net income (the most directly comparable financial measure calculated and presented in accordance with GAAP) as presented in the accompanying consolidated statements of operations (dollars in thousands):

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|  | Three Months Ended<br>September 30, |            | Nine Months Ended<br>September 30, |            | % Change<br>Three Months<br>Ended |    | % Change<br>Nine Months<br>Ended |    |
|--|-------------------------------------|------------|------------------------------------|------------|-----------------------------------|----|----------------------------------|----|
|  | 2013                                | 2012       | 2013                               | 2012       |                                   |    |                                  |    |
| Net income   | \$ 7,037                            | \$ 56,045  | \$ 25,148                          | \$ 52,059  | (87.4                             | )% | (51.7                            | )% |
| Income tax expense (benefit)                           | 18,363                              | (12,175 )  | 14,087                             | (22,862 )  | **                                |    | **                               |    |
| Non-operating expenses, including net interest expense | 45,334                              | 49,981     | 138,218                            | 150,213    | (9.3                              | )% | (8.0                             | )% |
| LMA fees   | 628                                 | 928        | 2,356                              | 2,652      | (32.3                             | )% | (11.2                            | )% |
| Depreciation and amortization                          | 28,942                              | 35,239     | 86,809                             | 106,321    | (17.9                             | )% | (18.4                            | )% |
| Stock-based compensation expense                       | 2,259                               | 2,764      | 7,393                              | 15,671     | (18.3                             | )% | (52.8                            | )% |
| Gain on sale of stations                               | (5,198 )                            | —          | (3,662 )                           | —          | **                                |    | **                               |    |
| Loss (gain) on derivative instrument                   | 172                                 | (129 )     | (2,672 )                           | 624        | **                                |    | **                               |    |
| Impairment of intangible assets                        | —                                   | —          | —                                  | 12,435     | **                                |    | **                               |    |
| Acquisition-related and restructuring costs            | 1,457                               | 2,728      | 3,652                              | 8,194      | (46.6                             | )% | (55.4                            | )% |
| Franchise taxes  | 176                                 | 275        | 526                                | 832        | (36.0                             | )% | (36.8                            | )% |
| Discontinued operations                                | —                                   | (29,258 )  | —                                  | (39,635 )  | **                                |    | **                               |    |
| Adjusted EBITDA  | \$ 99,170                           | \$ 106,398 | \$ 271,855                         | \$ 286,504 | (6.8                              | )% | (5.1                             | )% |

\*\* Calculation is not meaningful.

Nine Months Ended September 30, 2013 Compared to the Nine Months Ended September 30, 2012

**Net Revenues.** Net revenues for the nine months ended September 30, 2013 increased \$11.2 million, or 1.4%, to \$803.6 million, compared to \$792.4 million for the nine months ended September 30, 2012. This increase was attributable to a \$5.8 million increase in local spot advertising revenue, an increase of \$4.3 million in national advertising revenue, an increase of \$4.8 million in live event revenue and a \$5.9 million increase in revenue due to the addition of stations in the Bloomington and Peoria markets, acquired in July 2012, partially offset by a decrease of \$6.9 million in cyclical political revenue.

**Direct Operating Expenses, Excluding Depreciation and Amortization.** Direct operating expenses for the nine months ended September 30, 2013 increased \$25.9 million, or 5.3%, to \$510.0 million, compared to \$484.1 million for the nine months ended September 30, 2012. The increase was primarily attributable to a \$22.6 million increase in our national content initiatives as well as ongoing investments in our sales infrastructure and a \$4.1 million increase in expenses due to the addition of the stations in the Bloomington and Peoria markets we acquired from Townsquare Media in July 2012.

**Depreciation and Amortization.** Depreciation and amortization for the nine months ended September 30, 2013 decreased \$19.5 million or 18.4% to \$86.8 million, compared to \$106.3 million for the nine months ended September 30, 2012. This decrease was primarily due to a \$20.0 million decrease in amortization expense on our definite lived intangible assets, which results from the accelerated amortization methodology we have applied since acquisition of these assets based on the expected pattern in which the underlying assets' economic benefits are consumed. There was also a \$0.5 million increase in depreciation expense.

**Corporate, General and Administrative Expenses, Including Stock-based Compensation Expense.** Corporate, general and administrative expenses, including stock-based compensation expense, for the nine months ended September 30, 2013 decreased \$13.1 million, or 28.2%, to \$33.4 million, compared to \$46.5 million for the nine months ended September 30, 2012. The decrease is primarily due to a decrease in acquisition related costs of \$4.9 million mostly associated with the closure of the legacy Citadel corporate offices and an \$8.3 million decrease in stock-based compensation expense.

**(Gain) loss on Derivative Instrument.** For the nine months ended September 30, 2013, we recorded a \$2.7 million gain related to the fair value adjustment of the put option on five Green Bay stations we operate under an LMA, compared to a \$0.6 million loss recorded for the nine months ended September 30, 2012.

**Impairment of Intangible Assets.** For the nine months ended September 30, 2012, we recorded a definite-lived intangible asset impairment of \$12.4 million related to the cancellation of a contract. There was no similar impairment

for the nine months ended September 30, 2013.

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Interest Expense, net. Total interest expense, net of interest income, for the nine months ended September 30, 2013 decreased \$16.9 million, or 11.3%, to \$133.3 million compared to \$150.2 million for the nine months ended September 30, 2012. Interest expense associated with outstanding debt decreased by \$17.6 million to \$124.5 million as compared to \$142.1 million in the prior year period. This decrease was due to lower average indebtedness outstanding resulting from principal repayments and a lower weighted average cost of debt due to the December 2012 amendment to our First Lien Facility.

The following summary details the components of our interest expense, net of interest income (dollars in thousands):

|  | Nine Months Ended<br>September 30, |            | 2013 vs 2012 |          |    |
|--|------------------------------------|------------|--------------|----------|----|
|  | 2013                               | 2012       | \$ Change    | % Change |    |
| 7.75% Senior Notes   | \$ 35,457                          | \$ 35,457  | \$ —         | —        | %  |
| Bank borrowings – term loans and revolving credit facilities | 89,067                             | 106,607    | (17,540)     | (16.5)   | )% |
| Other interest expense                                       | 9,682                              | 8,657      | 1,025        | 11.8     | %  |
| Change in fair value of interest rate cap and swap           | 15                                 | 311        | (296)        | (95.2)   | )% |
| Interest income  | (942)                              | (853)      | (89)         | 10.4     | %  |
| Interest expense, net  | \$ 133,279                         | \$ 150,179 | \$ (16,900)  | (11.3)   | )% |

Income Taxes. For the nine months ended September 30, 2013, the Company recorded an income tax expense of \$14.1 million on pre-tax income from continuing operations of \$39.2 million, resulting in an effective tax rate of approximately 35.9%. For the nine months ended September 30, 2012, the Company recorded income tax benefit of \$22.9 million on pre-tax loss from continuing operations of \$10.4 million, resulting in an effective tax rate of 219%. 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 and the tax amortization of broadcast licenses and goodwill and changes in the valuation allowance on net deferred tax assets.

In accordance with ASC 740, Accounting for Income Taxes, each quarter we assesses the likelihood that the Company will be able to recover its deferred tax assets with respect to the amount of its federal and state net operating loss carryforwards available to satisfy the settlement of its deferred tax liability related to the prior elections made by certain of its acquired subsidiaries to defer the recognition of cancellation of debt income (“CODI”). As a result of this assessment, the Company estimates that more of its net operating loss carryforwards will become available to settle the deferred tax liabilities associated with the deferred CODI resulting in a \$14.1 million release of its valuation allowance during the nine months ended September 30, 2013.

Adjusted EBITDA. As a result of the factors described above, Adjusted EBITDA for the nine months ended September 30, 2013 decreased \$14.6 million to \$271.9 million from \$286.5 million for the nine months ended September 30, 2012.

## Liquidity and Capital Resources

## Cash Flows provided by Operating Activities

|  | Nine Months Ended<br>September 30, |            |
|--|------------------------------------|------------|
|  | 2013                               | 2012       |
| (Dollars in thousands)   |                                    |            |
| Net cash provided by operating activities  | \$ 127,667                         | \$ 128,700 |
| For the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012, net cash provided by operating activities decreased \$1.0 million. The decrease was primarily due to a decrease in working capital driven by slightly worse collections and timing of payments. |                                    |            |
| Cash Flows used in Investing Activities  |                                    |            |



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| (Dollars in thousands)   | Nine Months Ended<br>September 30, |                 |
|--|------------------------------------|-----------------|
|  | 2013                               | 2012            |
| Net cash used in investing activities  | \$ (57,449                         | ) \$ 111,289    |
| For the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012, net cash used in investing activities decreased \$168.7 million, primarily due to completing \$52.7 million in acquisitions during the nine months ended September 30, 2013 as opposed to receiving \$114.9 million in proceeds from the Townsquare Asset Exchange in the 2012 period.  |                                    |                 |
| Cash Flows used in Financing Activities  |                                    |                 |
| (Dollars in thousands)   | Nine Months Ended<br>September 30, |                 |
|  | 2013                               | 2012            |
| Net cash used in financing activities  | \$ (94,098                         | ) \$ (223,605 ) |
| For the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012, net cash used in financing activities decreased \$129.5 million. The decrease in cash used in financing activities is primarily attributable to a \$72.1 million decrease in repayments on long term borrowings, a \$2.2 million decrease in dividends paid on Series A Preferred Stock, and the \$77.2 million of proceeds from the issuance of the Series B Preferred Stock, offset by the redemption of the Series A Preferred Stock for \$73.2 million. |                                    |                 |
| For additional detail regarding the Company's material liquidity considerations, see "Liquidity Considerations" above.   |                                    |                 |



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### Item 3. Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes to our market risks from those disclosed in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2012 (the “2012 Annual Report”).

### Item 4. Controls and Procedures

We maintain a set of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) of the Securities Exchange Act of 1934, the “Exchange Act”) designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. Such disclosure controls and procedures are designed to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chairman, President and Chief Executive Officer (“CEO”) and Senior Vice President and Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure. Management necessarily applies its judgment in assessing the costs and benefits of such controls and procedures, which, by their nature, can provide only reasonable assurance regarding management’s control objectives. Our management, including the CEO and CFO, does not expect that our disclosure controls and procedures can prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. There are inherent limitations in all control systems, including the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of one or more persons. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and, while our disclosure controls and procedures are designed to be effective under circumstances where they should reasonably be expected to operate effectively, there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Because of the inherent limitations in any control system, misstatements due to possible errors or fraud may occur and not be detected.

At the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including our CEO and CFO, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, the CEO and CFO have concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2013.

There were no changes to our internal control over financial reporting during the fiscal quarter ended September 30, 2013 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

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.

### Item 1A. Risk Factors

Please refer to Part I, Item 1A, “Risk Factors,” in our 2012 Annual Report for information regarding known material risks that could affect our results of operations, financial condition and liquidity. In addition to these risks, other risks that we presently do not consider material, or other unknown risks, could materially adversely impact our business, financial condition and results of operations in a future period.

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

On May 21, 2008, our Board of Directors authorized the purchase, from time to time, of up to \$75.0 million of our Class A Common Stock, subject to the terms and limitations obtained in any applicable agreements and compliance with other applicable legal requirements. During the three months ended September 30, 2013, we did not purchase any shares of our Class A Common Stock.

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Item 6. Exhibits

- 3.1 — Form of Certificate of Designations of Series B Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on August 7, 2013)
- 10.1 — Investment Agreement, dated as of August 6, 2013, by and among Cumulus Media Inc, Cumulus Media Holdings Inc. and the purchasers signatory thereto (incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 8-K filed with the SEC on August 7, 2013)
- 31.1 — Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 — Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 — Certification of the Principal Executive Officer and Principal Financial Officer pursuant to Section 906 of the Sarbanes- Oxley Act of 2002.
- 101 — The following materials from Cumulus Media Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statement of Operations for the three months and nine months ended September 30, 2013 and 2012, (ii) Condensed Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012, (iii) Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2013 and 2012, and (iv) Notes to Condensed Consolidated Financial Statements\*\*\*.

\*\*\* Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files submitted as Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, and otherwise are not subject to liability under those sections.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CUMULUS MEDIA INC.

Date: October 29, 2013

By: /s/ Joseph P. Hannan  
Joseph P. Hannan  
Senior Vice President, Treasurer and Chief  
Financial Officer

EXHIBIT INDEX

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