CUMULUS MEDIA INC
Form 10-Q
November 08, 2016
Table of Contents

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

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2016
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	36-4159663
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
3280 Peachtree Road, NW Suite 2300, Atlanta, GA	30305
(Address of Principal Executive Offices)	(ZIP Code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act:

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

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

As of November 1, 2016, the registrant had 29,305,476 outstanding shares of common stock consisting of:
(i) 29,224,867 shares of Class A common stock; and (ii) 80,609 shares of Class C common stock.

Table of Contents

CUMULUS MEDIA INC.
INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2016	December 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 157,601	$ 31,657
Restricted cash	4,550	7,981
Accounts receivable, less allowance for doubtful accounts of $5,207 and $4,923 at September 30, 2016 and December 31, 2015, respectively	220,423	243,428
Trade receivable	4,959	4,146
Assets held for sale	30,150	45,157
Prepaid expenses and other current assets	36,075	26,906
Total current assets	453,758	359,275
Property and equipment, net	162,692	169,437
Broadcast licenses	1,577,001	1,578,066
Other intangible assets, net	128,432	174,530
Goodwill	703,354	703,354
Other assets	26,027	17,726
Total assets	$ 3,051,264	$ 3,002,388
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 106,753	$ 118,396
Trade payable	4,757	4,374
Total current liabilities	111,510	122,770
Term loan, net of debt issuance costs/discounts of $32,061 and $37,524 at September 30, 2016 and December 31, 2015, respectively	1,806,879	1,801,416
7.75% senior notes, net of debt issuance costs of $6,796 and $8,515 at September 30, 2016 and December 31, 2015, respectively	603,204	601,485
Other liabilities	37,309	44,804
Deferred income taxes	440,967	415,881
Total liabilities	2,999,869	2,986,356
Commitments and Contingencies (Note 10)		
Stockholders’ equity:		
Class A common stock, par value $0.01 per share; 93,750,000 shares authorized; 32,031,054 and 31,987,862 shares issued, and 29,224,867 and 29,182,118 shares outstanding, at September 30, 2016 and December 31, 2015, respectively	292	292
Class C common stock, par value $0.01 per share; 80,609 shares authorized, issued and outstanding at both September 30, 2016 and December 31, 2015	1	1
Treasury stock, at cost, 2,806,187 and 2,805,743 shares at September 30, 2016 and December 31, 2015, respectively	(229,310)	(229,310)
Additional paid-in-capital	1,624,298	1,621,893
Accumulated deficit	(1,343,886)	(1,376,844)

Total stockholders' equity	51,395	16,032
Total liabilities and stockholders' equity	$ 3,051,264	$ 3,002,388

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net revenue	$286,136	$289,441	$841,859	$859,854
Operating expenses:				
Content costs	115,348	94,829	312,526	286,655
Selling, general & administrative expenses	117,387	115,562	352,474	350,417
Depreciation and amortization	21,957	25,547	68,023	76,582
LMA fees	2,481	2,515	10,351	7,585
Corporate expenses (including stock-based compensation expense of $735, $12,304, $2,403 and $20,047,respectively)	9,960	34,253	34,028	60,211
(Gain) loss on sale of assets or stations	(94,014)	57	(97,155)	792
Impairment of intangible assets and goodwill	—	565,584	1,816	565,584
Impairment charges - equity interest in Pulser Media Inc.	—	18,308	—	19,364
Total operating expenses	173,119	856,655	682,063	1,367,190
Operating income (loss)	113,017	(567,214)	159,796	(507,336)
Non-operating (expense) income:				
Interest expense	(34,929)	(35,691)	(103,896)	(106,087)
Interest income	139	22	364	407
Other income (expense), net	882	(151)	1,598	12,601
Total non-operating expense, net	(33,908)	(35,820)	(101,934)	(93,079)
Income (loss) before income taxes	79,109	(603,034)	57,862	(600,415)
Income tax (expense) benefit	(32,788)	60,855	(24,904)	58,520
Net income (loss)	$46,321	$(542,179)	$32,958	$(541,895)
Basic and diluted income (loss) per common share (see Note 8, “Earnings (Loss) Per Share”):				
Basic: Income (loss) per share	$1.58	$(18.57)	$1.12	$(18.58)
Diluted: Income (loss) per share	$1.58	$(18.57)	$1.12	$(18.58)
Weighted average basic common shares outstanding	29,275,111	29,194,508	29,268,885	29,165,188
Weighted average diluted common shares outstanding	29,275,111	29,194,508	29,268,885	29,165,188

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

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

	Nine Months Ended September 30, 2016	2015
Cash flows from operating activities:		
Net income (loss)	$32,958	$(541,895)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	68,023	76,582
Amortization of debt issuance costs/discounts	7,325	7,112
Provision for doubtful accounts	1,188	2,417
(Gain) loss on sale of assets or stations	(97,155)	792
Impairment of intangible assets and goodwill	1,816	565,584
Impairment charges - equity interest in Pulser Media Inc.	—	19,364
Deferred income taxes	25,086	(58,520)
Stock-based compensation expense	2,403	20,047
Changes in assets and liabilities:		
Accounts receivable	21,817	17,790
Trade receivable	(813)	(2,146)
Prepaid expenses and other current assets	(9,169)	(1,615)
Other assets	(8,444)	(2,508)
Accounts payable and accrued expenses	(5,643)	(5,519)
Trade payable	383	668
Other liabilities	(7,496)	(9,964)
Net cash provided by operating activities	32,279	88,189
Cash flows from investing activities:		
Restricted cash	3,431	1,633
Proceeds from sale of assets or stations	106,935	3,055
Capital expenditures	(16,704)	(15,817)
Net cash provided by (used in) investing activities	93,662	(11,129)
Cash flows from financing activities:		
Tax withholding payments on behalf of employees	—	(93)
Proceeds from exercise of warrants	3	7
Net cash provided by (used in) financing activities	3	(86)
Increase in cash and cash equivalents	125,944	76,974
Cash and cash equivalents at beginning of period	31,657	7,271
Cash and cash equivalents at end of period	$157,601	$84,245
Supplemental disclosures of cash flow information:		
Interest paid	$83,122	$84,998
Income taxes paid	3,814	3,359
Supplemental disclosures of non-cash flow information:		
Trade revenue	$26,493	$25,317
Trade expense	25,593	23,968
Equity interest in Pulser Media Inc.	—	2,025
Transfer of deposit from escrow - Los Angeles land and building sale	6,000	—

Table of Contents

See accompanying notes to the unaudited condensed consolidated financial statements.

Table of Contents

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

Description of Business

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

Nature of Business

A leader in the radio broadcasting industry, Cumulus Media (NASDAQ:CMLS) combines high-quality local programming with iconic, nationally syndicated media, sports and entertainment brands to deliver premium content choices to the 245 million people reached each week through its approximately 450 owned-and-operated stations broadcasting in 90 U.S. media markets (including eight of the top ten), more than 8,200 broadcast radio stations affiliated with its Westwood One network and numerous digital channels. Together, the Cumulus/Westwood One platforms make Cumulus Media one of the few media companies that can provide advertisers with national reach and local impact. Cumulus/Westwood One is the exclusive radio broadcast partner to some of the largest brands in sports, entertainment, news, and talk, including the NFL, the NCAA, the Masters, the Olympics, the GRAMMYs, the Academy of Country Music Awards, the American Music Awards, the Billboard Music Awards, Westwood One News, and more. Additionally, it is the nation's leading provider of country music and lifestyle content through its NASH brand, which serves country fans nationwide through radio programming, exclusive digital content, and live events.

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, 2015. The accompanying unaudited condensed consolidated financial statements include the condensed consolidated accounts of Cumulus and its wholly-owned subsidiaries, with all intercompany balances and transactions eliminated in consolidation. The December 31, 2015 condensed balance sheet data was derived from audited financial statements. The accompanying unaudited condensed consolidated 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 statement of our results of operations for, and financial condition as of the end of, the interim periods have been made. The results of operations for the three and nine months ended September 30, 2016, the cash flows for the nine months ended September 30, 2016 and the Company’s financial condition as of September 30, 2016, are not necessarily indicative of the results of operations or cash flows that can be expected for, or the Company’s financial condition that can be expected as of the end of, any other interim period or for the fiscal year ending December 31, 2016.

Reverse Stock Split

On October 12, 2016, the Company effected a one-for-eight (1:8) reverse stock split (the "Reverse Stock Split"). As a result of the Reverse Stock Split, every eight shares of each class of the Company's outstanding common stock were combined into one share of the same class of common stock and the authorized shares of each class of the Company's common stock were reduced by the same ratio. No fractional shares were issued in connection with the Reverse Stock Split. The number and strike price of the Company's outstanding stock options and warrants were adjusted proportionally, as appropriate. The par value of the Company's common stock was not adjusted as a result of the Reverse Stock Split. All authorized, issued and outstanding stock and per share amounts contained within the accompanying unaudited condensed consolidated financial statements and these footnotes have been retroactively adjusted to reflect this Reverse Stock Split for all periods presented.

Out of Period Adjustment

In connection with the preparation of these unaudited condensed consolidated financial statements, we recorded a correction of an immaterial misstatement that occurred in prior periods, which resulted in an increase in content costs of $3.6 million in the second quarter of 2016. The correction related to the Radio Station Group segment only and was not material to the prior year quarterly or annual results. The effect of this correction is not expected to be material to the 2016 annual financial statements.

Table of Contents

Reportable Segments

During the first quarter of 2016 the Company modified its management reporting framework affecting how the Company evaluates operating performance and internally reports financial information. This modification resulted in a reorganization of the Company's reportable segments. Prior to this reorganization, the Company operated in one reportable business segment which consisted of radio broadcasting, advertising and related services. The Company now operates in two reportable segments, the Radio Station Group and Westwood One, for which there is discrete financial information available and whose operating results are reviewed by the chief operating decision maker. Historical information included in these financial statements has been revised to reflect the change to two segments, with no impact to previously disclosed consolidated results (See Note 3, "Intangible Assets and Goodwill" and Note 12, "Segment Data").

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 significant estimates related to revenue recognition, bad debts, intangible assets, income taxes, stock-based compensation, contingencies, litigation, and, if applicable, purchase price allocation. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts and results may differ materially from these estimates.

Assets Held for Sale

During the year ended December 31, 2015, the Company entered into an agreement to sell certain land in the Company's Washington, DC market to a third party. The closing of the transaction is subject to various conditions and approvals, which remain pending. The identified asset has been classified as held for sale in the accompanying unaudited condensed consolidated balance sheets at September 30, 2016 and December 31, 2015. The estimated fair value of the land to be disposed of is in excess of its carrying value.

Dispositions

On August 30, 2016, the Company completed the sale of certain land and buildings in Los Angeles for $110.6 million in cash. In conjunction with this sale, the Company recorded a net gain of $94.0 million, which is included in (gain) loss on sale of assets or stations in the accompanying unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2016. The identified assets were classified as held for sale in the accompanying December 31, 2015 unaudited condensed consolidated balance sheet.

Adoption of New Accounting Standards

ASU 2015-03. In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03. The amendments in this ASU require that debt issuance costs be presented in the balance sheet as a direct deduction from the carrying amount of long-term debt, consistent with debt discounts or premiums. The new standard is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. We adopted this standard retrospectively in the first quarter of 2016. The balance sheet as of December 31, 2015 was retrospectively adjusted, which resulted in reductions to other assets of $22.4 million and long-term debt of $22.4 million.

Recent Accounting Standards Updates

ASU 2014-09 and related updates. In May 2014, the FASB issued ASU 2014-09. The amended guidance under this ASU outlines a single comprehensive revenue model for entities to use in accounting for revenue arising from contracts with customers. The guidance supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the single comprehensive revenue model is that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” In August 2015, the FASB issued ASU 2015-14, which delayed the effective date of ASU 2014-09 by one year. Transition to the new guidance may be done using either a full or modified retrospective method. ASU 2014-09, as amended, is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2017. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. In March 2016, the FASB issued ASU 2016-08 which clarifies the implementation guidance on principal versus agent considerations. In April 2016, the FASB issued ASU 2016-10 which amends the revenue recognition guidance on accounting for licenses of intellectual property and identifying performance obligations as well as clarifies when a promised good or service is separately identifiable. In May 2016, the FASB issued ASU

Table of Contents

2016-12 which provides clarifying guidance in certain narrow areas such as an assessment of collectibility, presentation of sales taxes, noncash consideration, and completed contracts and contract modifications at transition as well as adds some practical expedients. The amendments in ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12 may be applied either retrospectively to each prior period presented or retrospectively with the cumulative effect of initially applying ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12 at the date of initial application. The Company is currently evaluating adoption methods and the impact of adopting ASU 2014-09, ASU 2016-08, ASU 2016-10 and ASU 2016-12 on its consolidated financial statements.

ASU 2014-15. In August 2014, the FASB issued ASU 2014-15. The amendments in this ASU provide guidance in GAAP about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. Management's evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. These amendments should standardize the timing and content of footnote disclosures. The amendments in this ASU are effective for public and nonpublic entities for annual periods ending after December 15, 2016, and interim periods thereafter. Early adoption is permitted. The Company is currently assessing the expected impact, if any, that this ASU will have on the consolidated financial statements and disclosures.

ASU 2016-01. In January 2016, the FASB issued ASU 2016-01. The amendments in this ASU enhance the reporting model for financial instruments including aspects of recognition, measurement, presentation and disclosure of financial instruments. The new guidance revises the accounting requirements related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. The update also changes certain disclosure requirements associated with the fair value of financial instruments. These changes will require an entity to measure, at fair value, investments in equity securities and other ownership interests in an entity - including investments in partnerships, unincorporated joint ventures and limited liability companies that do not result in consolidation and are not accounted for under the equity method - and recognize the changes in fair value within net income. This ASU will be effective for fiscal years beginning after December 15, 2017, and interim periods thereafter. Early adoption is not permitted, except for certain amendments within the ASU. The Company is currently assessing the expected impact, if any, that this ASU will have on the consolidated financial statements.

ASU 2016-02. In February 2016, the FASB issued ASU 2016-02. The amendments in this ASU provide guidance for accounting for leases. This update requires lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases of greater than twelve months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. This ASU will be effective for fiscal years beginning after December 15, 2018, and interim periods thereafter. A modified retrospective transition method is required, with the option to elect a package of practical expedients. Early adoption is permitted. The Company is currently assessing the expected impact that this ASU will have on the consolidated financial statements.

ASU 2016-09. In March 2016, the FASB issued ASU 2016-09. The amendments in this ASU provide guidance for employee share-based payment accounting. This update removes the requirement that reporting entities present tax benefits as excess cash flows from financing activities and cash flows from operating activities. As a result of this amendment, cash flows related to excess tax benefits will be classified only in operating activities. This ASU will be effective for fiscal years beginning after December 15, 2016, and interim periods thereafter. Early adoption is permitted. The Company is currently assessing the expected impact, if any, that this ASU will have on the consolidated financial statements.

ASU 2016-15. In August 2016, the FASB issued ASU 2016-15. The amendments in the ASU provide guidance for several new and/or revised disclosures pertaining to the classification of certain cash receipts and cash payments on the statement of cash flows, including contingent consideration payments made after a business acquisition. This ASU will be effective for fiscal years beginning after December 15, 2017, and interim periods thereafter. Early adoption is permitted. The Company does not expect adoption of this guidance to have a material impact of its business practices, financial condition, results of operation or disclosures.

ASU 2016-16. In October 2016, the FASB issued ASU 2016-16. The amendments in the ASU provide guidance for the accounting for the income tax consequences of intra-entity transfers of assets other than inventory when the transfer occurs between entities in different tax jurisdictions. This ASU will be effective for fiscal years beginning after December 15, 2017, and interim periods thereafter. Early adoption is permitted. The Company does not expect adoption of this guidance to have a material impact of its business practices, financial condition, results of operation or disclosures.

Table of Contents

2. Restricted Cash

As of September 30, 2016 and December 31, 2015, the Company’s balance sheet included approximately $4.6 million and $8.0 million, respectively, in restricted cash. At September 30, 2016 and December 31, 2015, the Company held $4.0 million and $7.4 million, respectively, relating to collateralizing standby letters of credit pertaining to certain leases and insurance policies. In addition, $0.6 million at each date related to securing the maximum exposure generated by automated clearinghouse transactions in the Company's operating bank accounts and as dictated by the Company's banks' internal policies with respect to cash.

3. Intangible Assets and Goodwill

As described in Note 1, "Description of Business, Interim Financial Data and Basis of Presentation" and Note 12 "Segment Data", during the first quarter of 2016 the Company modified its management reporting framework. This modification resulted in a reorganization of the Company's reportable segments and reporting units. Prior to this reorganization, the Company had three reporting units for purposes of goodwill allocation. The Company's top 50 Nielsen Audio rated markets and Westwood One comprised one reporting unit ("Reporting Unit 1"), the second reporting unit consisted of all of the Company's other radio markets ("Reporting Unit 2") while the third reporting unit, in which there was no goodwill, consisted of all non-radio lines of business ("Reporting Unit 3"). After the modification, all of the Company's radio markets comprise one reporting unit ("Reporting Unit 1"), Westwood One comprises the second reporting unit ("Reporting Unit 2") and the third reporting unit ("Reporting Unit 3"), in which there is no goodwill, continues to consist of the Company's all non-radio lines of business. As part of the reorganization of reportable segments and reporting units, the Company allocated goodwill to the new reporting unit structure based upon a relative fair value approach. The Company determined that goodwill was not impaired before or immediately after the allocation.

A significant portion of the Company's intangible assets are comprised of indefinite-lived assets including broadcast licenses and goodwill acquired through acquisitions. The Company performs its annual impairment testing of broadcast licenses and goodwill during the fourth quarter and on an interim basis if events or circumstances indicate that broadcast licenses or goodwill may be impaired. The Company performs the goodwill test at the reporting unit level. The calculation of the fair value of each reporting unit is prepared using an income approach and discounted cash flow methodology. If the carrying value exceeds the estimate of fair value, the Company calculates impairment as the excess of the carrying value of goodwill over its estimated fair value and charges the impairment to results of operations in the period in which the impairment occurred.

The Company reviews the carrying value of its definite-lived intangible assets for recoverability whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. There were no triggering events as of September 30, 2016 to necessitate an interim impairment test as of such date, and the fair value of such assets continued to exceed their carrying value.

During the second quarter of 2016, the Company recorded an impairment charge to its definite-lived intangible assets of $1.8 million for all customer lists and trademark definite-lived intangible assets related to the print publication of NASH Country Weekly as the Company re-positioned the print publication to a digital only medium. There were no similar impairments in 2015.

There were no changes in goodwill during the nine month period ended September 30, 2016.

During the three months ended September 30, 2015, the Company recorded impairment charges of $549.7 million and $15.9 million related to goodwill and indefinite-lived assets (FCC Licenses), respectively because of declines in the Company's stock price and operating results. There were no impairment charges during the three months ended September 30, 2016. Estimating the fair value of reporting units require significant judgments including estimating future cash flows, near-term and long-term revenue growth, and determining appropriate discount rates, among other assumptions. Any adverse changes in these estimates and assumptions could result in materially different determinations of fair value, and could result in the Company recording goodwill impairment at a future reporting date, which charges could be material. In addition, if market conditions or operational performance of any of the Company's reporting units were to deteriorate, and there was no expectation that conditions or their performance would improve within a reasonable period of time, or if an event were to occur or circumstances change that would reduce the fair value of a reporting unit's goodwill below the amounts reflected in the balance sheet, the Company may be required to recognize an impairment charge in future periods, which could be material.

Table of Contents

The following tables present goodwill and accumulated impairment losses on a segment and consolidated basis as of December 31, 2015 and September 30, 2016 (dollars in thousands):

Radio Station Group	
Goodwill:	
Balance as of December 31, 2015:	
Goodwill	$1,278,526
Accumulated impairment losses	(710,386)
Total	$568,140
Balance as of September 30, 2016:	
Goodwill	1,278,526
Accumulated impairment losses	(710,386)
Total	$568,140
Westwood One	
Goodwill:	
Balance as of December 31, 2015:	
Goodwill	$304,280
Accumulated impairment losses	(169,066)
Total	$135,214
Balance as of September 30, 2016:	
Goodwill	304,280
Accumulated impairment losses	(169,066)
Total	$135,214
Consolidated	
Goodwill:	
Balance as of December 31, 2015:	
Goodwill	$1,582,806
Accumulated impairment losses	(879,452)
Total	$703,354
Balance as of September 30, 2016:	
Goodwill	1,582,806
Accumulated impairment losses	(879,452)
Total	$703,354

The following table presents the changes in intangible assets, other than goodwill, on a consolidated basis during the period December 31, 2015 to September 30, 2016, and balances as of such dates (dollars in thousands):

	Indefinite-Lived	Definite-Lived	Total
Intangible Assets:			
Balance as of December 31, 2015	$ 1,578,066	$ 174,530	$1,752,596
Dispositions	(1,065)	—	(1,065)
Impairment losses	—	(1,816)	(1,816)
Amortization	—	(44,282)	(44,282)
Balance as of September 30, 2016	$ 1,577,001	$ 128,432	$1,705,433

Table of Contents

4. Long-Term Debt

The Company’s long-term debt consisted of the following as of September 30, 2016 and December 31, 2015 (dollars in thousands):

	September 30, 2016	December 31, 2015
Term Loan:		
Term loan	$ 1,838,940	$ 1,838,940
Less: unamortized term loan discount and debt issuance costs	(32,061)	(37,524)
Total Term Loan	1,806,879	1,801,416
7.75% senior notes:	610,000	610,000
Less: unamortized debt issuance costs	(6,796)	(8,515)
Total 7.75% senior notes	603,204	601,485
Less: Current portion of long-term debt	—	—
Long-term debt, net	$ 2,410,083	$ 2,402,901

Amended and Restated Credit Agreement

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

Term Loan borrowings and borrowings under the Revolving Credit Facility bear interest, at the option of Cumulus Holdings, based on the Base Rate (as defined below) or the London Interbank Offered Rate (“LIBOR”), plus 3.25% on LIBOR-based borrowings and 2.25% on Base Rate-based borrowings. LIBOR-based borrowings are subject to a LIBOR floor of 1.0% under the Term Loan. Base Rate-based borrowings are subject to a Base Rate floor of 2.0% under the Term Loan. Base Rate is defined, for any day, as the 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 Chase Bank, N.A., as established from time to time, and (iii) 30 day LIBOR plus 1.0%. Amounts outstanding under the Term Loan amortize at a rate of 1.0% per annum of the original principal amount of the Term Loan, payable quarterly, with the balance payable on the maturity date. The Company's 7.75% Senior Notes (defined below) mature on May 1, 2019. If 91 days prior to the stated maturity date of the 7.75% Senior Notes (the "Springing Maturity Date") the aggregate principal amount of 7.75% Senior Notes outstanding exceeds $200.0 million, the Term Loan maturity date shall be accelerated to the Springing Maturity Date.

At September 30, 2016, the Term Loan bore interest at 4.25% per annum.

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

In the event amounts are outstanding under the Revolving Credit Facility or any letters of credit are outstanding that have not been collateralized by cash as of the end of each quarter, the Credit Agreement requires compliance with a consolidated first lien leverage ratio covenant. The required ratio at September 30, 2016 was 5.0 to 1, and the first lien net leverage ratio covenant periodically decreases until it reaches 4.0 to 1 on March 31, 2018. As the Company currently has no borrowings outstanding under the Revolving Credit Facility, the Company is not required to comply with such ratio. However, as of September 30, 2016, the Company's actual leverage ratio was in excess of that ratio.

Table of Contents

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

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

At September 30, 2016 and December 31, 2015, the Company had $1.839 billion outstanding under the Term Loan and no amounts outstanding under the Revolving Credit Facility.

7.75% Senior Notes

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

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

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

Cumulus Holdings, as issuer of the 7.75% Senior Notes, may redeem all or part of the 7.75% Senior Notes at any time 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.

The indenture governing the 7.75% Senior Notes contains representations, covenants and events of default customary for financing transactions of this nature. At September 30, 2016, the Company was in compliance with all required covenants under the indenture governing 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 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.

Accounts Receivable Securitization Facility

On December 6, 2013, the Company entered into a 5-year, $50.0 million Securitization Facility with Wells Fargo (as successor to General Electric Capital Corporation), as a lender, as swingline lender and as administrative agent (together with any other lenders party thereto from time to time, the “Lenders”).

Table of Contents

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

Advances available under the Funding Agreement at any time are based on advance rates relating to the value of the eligible receivables held by the SPV at that time. The Securitization Facility matures on December 6, 2018, subject to earlier termination at the election of the SPV. Advances bear interest based on either LIBOR plus 2.50% or the Index Rate (as defined in the Funding Agreement) plus 1.00%. The SPV is also required to pay a monthly fee based on any unused portion of the Securitization Facility. The Securitization Facility contains representations and warranties, affirmative and negative covenants, and events of default that are customary for financings of this type.

At September 30, 2016 and December 31, 2015, there were no amounts outstanding under the Securitization Facility.

Amortization of Debt Discount and Debt Issuance Costs

For the three and nine months ended September 30, 2016, the Company recorded an aggregate of $2.5 million and $7.3 million of amortization of debt discount and debt issuance costs related to its Term Loan, 7.75% Senior Notes, and Securitization Facility. For the three and nine months ended September 30, 2015, the Company recorded an aggregate of $2.4 million and $7.1 million, respectively, of amortization of debt discount and debt issuance costs related to its Term Loan, 7.75% Senior Notes, and Securitization Facility.

5. Fair Value Measurements

The three levels of the fair value hierarchy to be applied when determining fair value of financial instruments 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.

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

	September 30, 2016	December 31, 2015
Term Loan:		
Gross value	$ 1,838,940	$ 1,838,940
Fair value - Level 2	1,287,258	1,360,816
7.75% Senior Notes:		
Gross value	$ 610,000	$ 610,000
Fair value - Level 2	254,675	204,350

As of September 30, 2016, the Company used trading prices of 70.00% to calculate the level 2 fair value of the Term Loan and 41.75% to calculate the level 2 fair value of the 7.75% Senior Notes.

As of December 31, 2015, the Company used trading prices of 74.00% to calculate the level 2 fair value of the Term Loan and 33.50% to calculate the level 2 fair value of the 7.75% Senior Notes.

6. Stockholders’ Equity

For information on the Company's October 12, 2016 Reverse Stock Split and the resulting adjustments to authorized, issued and outstanding common stock, warrants and options, see Note 1, "Description of Business, Interim Financial Data and Basis of Presentation: Reverse Stock Split."

The Company is authorized to issue an aggregate of 268,830,609 shares of stock divided into four classes consisting of: (i) 93,750,000 shares designated as Class A common stock, (ii) 75,000,000 shares designated as Class B common stock, (iii) 80,609 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.

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.

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.

As of September 30, 2016 there were no shares of Class B common stock issued or outstanding.

Table of Contents

2009 Warrants

In June 2009, in connection with the execution of an amendment to the Company's then-existing credit agreement, the Company issued warrants to the lenders thereunder that allow them to acquire up to 156,250 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. None of such warrants were converted during the three or nine months ended September 30, 2016 and, as of such date, 40,057 2009 Warrants remained outstanding.

Company Warrants

As a component of the Company's September 16, 2011 acquisition of Citadel Broadcasting Corporation (the "Citadel Merger") and the related financing transactions, the Company issued warrants to purchase an aggregate of 9.0 million shares of Class A common stock (the "Company Warrants") under a warrant agreement dated September 16, 2011 (the "Warrant Agreement"). The Company Warrants are exercisable at any time prior to June 3, 2030 at an exercise price of $0.01 per share. The number of shares for which the Company Warrants are exercisable is not subject to any anti-dilution protection, other than standard adjustments in the case of stock splits, dividends and certain other similar events. 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.

No Company Warrants were exercised during the three months ended September 30, 2016, and during the nine months ended September 30, 2016, 43,192 Company Warrants were exercised for shares of Class A common stock. At September 30, 2016, 31,955 Company Warrants remained outstanding.

Crestview Warrants

Also on September 16, 2011, but pursuant to a separate warrant agreement, the Company issued warrants to purchase 1.0 million shares of Class A common stock with an exercise price, as adjusted, of $34.56 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 certain other similar events. As of September 30, 2016, all 1.0 million Crestview Warrants remained outstanding.

7. Stock-Based Compensation Expense

The Company uses the Black-Scholes option pricing model to estimate the fair value on the date of grant of stock options issued. The determination of the fair value of stock options is affected by the Company’s stock price, historical stock price volatility over the expected term of the awards, risk-free interest rates and expected dividends. With respect to restricted stock awards, the Company recognizes compensation expense over the vesting period equal to the grant date fair value of the shares awarded. To the extent non-vested restricted stock awards include performance or market conditions management examines the requisite service period to recognize the cost associated with the award. There were no changes to the Black-Scholes calculations or assumptions during the year.

On May 14, 2015, the Company granted 30,365 shares of time-vesting restricted Class A common stock, with a grant date aggregate fair value of $0.6 million, to the non-employee directors of the Company with a cliff vesting term of one year.

Table of Contents

During the nine months ended September 30, 2016, the Company granted 383,375 stock options with a grant date aggregate fair value of $0.5 million. During the nine months ended September 30, 2015, the Company granted 83,750 stock options with a grant date aggregate fair value of $1.1 million. The options granted in both periods range in exercise price from $2.48 to $34.72 per share, and provide for vesting on each of the first four anniversaries of the date of grant, with 30% of the award vesting on each of the first two anniversaries thereof, and 20% of the award vesting on each of the next two anniversaries thereof.

For the three and nine months ended September 30, 2016, the Company recognized approximately $0.7 million and $2.4 million in stock-based compensation expense related to equity awards. For the three and nine months ended September 30, 2015, the Company recognized approximately $12.3 million and $20.0 million in stock-based compensation expense related to equity awards.

As of September 30, 2016, unrecognized stock-based compensation expense of approximately $4.1 million related to equity awards is expected to be recognized over a weighted average remaining life of 2.67 years. Unrecognized stock-based compensation expense for equity awards will be adjusted for future changes in estimated forfeitures.

There were no stock options exercised during the three or nine months ended September 30, 2016 or September 30, 2015.

8. Earnings (Loss) Per Share

For all periods presented, the Company has disclosed basic and diluted earnings (loss) per common share utilizing the two-class method. In accordance with, ASC Topic 260, "Earnings per Share," the presentation of basic and diluted EPS is required only for common stock and not for participating securities.

Non-vested restricted shares of Class A common stock are considered participating securities for purposes of calculating basic weighted average common shares outstanding in periods in which the Company records net income (loss). In addition, Company Warrants are accounted for as participating securities, as holders of such Warrants, in accordance with and subject to the terms and conditions of the Warrant Agreement, are entitled to receive ratable distributions of the Company's earnings concurrently with such distributions made to the holders of Class A common stock.

Basic earnings (loss) per common share is calculated by dividing net income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding during the period. In accordance with the terms of the Company's certificate of incorporation, the Company allocates undistributed net income (loss) after any allocation for preferred stock dividends between each class of common stock on an equal basis per share. In accordance with the two-class method, earnings applicable to the non-vested restricted shares of Class A common stock and Company Warrants are excluded from the computation of basic EPS.

Diluted earnings (loss) per share is computed in the same manner as basic earnings (loss) per share after assuming issuance of common stock for all potentially dilutive equivalent shares, which includes stock options and certain 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 to the extent that each security may share in earnings, as if all of the earnings (loss) for the period had been distributed. Earnings (loss) are allocated to each class of common stock equally per share. The following table sets forth the computation of basic and diluted earnings (loss) per common share for the three and nine months ended September 30, 2016 and 2015 (amounts in thousands, except per share data):

Table of Contents

	Three Months Ended September 30, 2016	2015	Nine Months Ended September 30, 2016	2015
Basic Earnings (Loss) Per Share				
Numerator:				
Undistributed net income (loss) from continuing operations	$46,321	$(542,179)	$32,958	$(541,895)
Less:				
Participation rights of the Company Warrants in undistributed earnings	50	—	43	—
Participation rights of unvested restricted stock in undistributed earnings	48	—	34	—
Basic undistributed net income (loss) attributable to common shares	$46,223	$(542,179)	$32,881	$(541,895)
Denominator:				
Basic weighted average shares outstanding	29,275	29,195	29,269	29,165
Basic undistributed net income (loss) per share attributable to common shares	$1.58	$(18.57)	$1.12	$(18.58)
Diluted Earnings (Loss) Per Share:				
Numerator:				
Undistributed net income (loss) from continuing operations	$46,321	$(542,179)	$32,958	$(541,895)
Less:				
Participation rights of the Company Warrants in undistributed net earnings	50	—	43	—
Participation rights of unvested restricted stock in undistributed earnings	48	—	34	—
Basic undistributed net income (loss) attributable to common shares	$46,223	$(542,179)	$32,881	$(541,895)
Denominator:				
Basic weighted average shares outstanding	29,275	29,195	29,269	29,165
Effect of dilutive stock options, warrants and restricted stock	—	—	—	—
Diluted weighted average shares outstanding	29,275	29,195	29,269	29,165
Diluted undistributed net income (loss) per share attributable to common shares	$1.58	$(18.57)	$1.12	$(18.58)

Table of Contents

9. Income Taxes

For the three months ended September 30, 2016, the Company recorded income tax expense of $32.8 million on pre-tax book income of $79.1 million, resulting in an effective tax rate for the three months ended September 30, 2016 of approximately 41.4%. For the three months ended September 30, 2015, the Company recorded an income tax benefit of $60.9 million on a pre-tax loss of $603.0 million, resulting in an effective tax rate for the three months ended September 30, 2015 of approximately 10.1%.

For the nine months ended September 30, 2016, the Company recorded income tax expense of $24.9 million on pre-tax book income of $57.9 million, resulting in an effective tax rate for the nine months ended September 30, 2016 of approximately 43.0%. For the nine months ended September 30, 2015, the Company recorded an income tax benefit of $58.5 million on a pre-tax loss of $600.4 million, resulting in an effective tax rate for the nine months ended September 30, 2015 of approximately 9.7%.

The difference between the effective tax rate and the federal statutory rate of 35.0% for both the three and nine months ended September 30, 2016 primarily relates to state and local income taxes, an increase in the valuation allowance with respect to state net operating losses, the tax effect of certain statutory non deductible items, enacted changes to state and local tax laws, and the tax effect of certain provision to tax return true-up adjustments.

The difference between the effective tax rate and the federal statutory rate of 35.0% for the three and nine months ended September 30, 2015 primarily relates to the effect of the book impairment charge to goodwill for which there is no deferred tax liability, state and local income taxes, an increase in the valuation allowance with respect to state net operating losses, the tax effect of certain statutory non deductible items, the settlement of uncertain tax positions with the tax authorities and enacted changes to state and local tax laws.

The Company continually reviews the adequacy of the valuation allowance and recognizes the benefits of deferred tax assets only as the reassessment indicates that it is more likely than not that the deferred tax assets will be recognized in accordance with ASC Topic 740, Income Taxes ("ASC 740"). As of September 30, 2016, the Company continues to maintain a partial valuation allowance on certain state net operating loss carryforwards for which the Company does not believe they will be able to meet the more likely than not recognition standard for recovery. The valuation of deferred tax assets requires judgment in assessing the likely future tax consequences of events that have been recognized in the Company's financial statements or tax returns as well as future profitability.

10. Commitments and Contingencies

Future Commitments

The radio broadcast industry’s principal ratings service is Nielsen Audio ("Nielsen"), which publishes surveys for domestic radio markets. Certain of the Company’s subsidiaries have agreements with Nielsen under which they receive programming ratings materials in a majority of their respective markets. The remaining aggregate obligation under these agreements with Nielsen is approximately $67.0 million and is expected to be paid in accordance with the agreements through December 2017.

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

The Company is committed under various contractual agreements to pay for broadcast rights that include sports and news services and to pay for talent, executives, research, weather and other services.

The Company from time to time enters into radio network contractual obligations to guarantee a minimum amount of revenue share to contractual counterparties on certain programming in future years. Generally, these guarantees are subject to decreases dependent on clearance targets achieved.

On January 2, 2014 (the "Commencement Date”), Merlin Media, LLC (“Merlin”) and the Company entered into an LMA under which the Company is responsible for operating two FM radio stations in Chicago, Illinois, for monthly fees payable to Merlin of approximately $0.4 million, $0.5 million and $0.6 million in the second, third and fourth years following the Commencement Date, respectively, in exchange for the Company retaining the operating profits from these radio stations.

In connection therewith, the Company and Merlin also entered into an agreement pursuant to which the Company has the right to purchase these two FM radio stations until October 4, 2017 for an amount in cash equal to the greater of (i) $70.0

Table of Contents

million minus the aggregate amount of monthly fees paid by the Company on or prior to the earlier of the closing date or the date that is four years after the Commencement Date; or (ii) $50.0 million, and Merlin has the right to require the Company to purchase these two FM radio stations at any time during a ten-day period commencing October 4, 2017 for $71.0 million, minus the aggregate amount of monthly fees paid by the Company on or prior to the earlier of the closing date and January 2, 2018.

The Company determined through its review of the requirements of ASC Topic 810, Consolidation ("ASC 810") that the Company is not the primary beneficiary of the LMA with Merlin, and, therefore, consolidation of the stations is not required.

On April 1, 2014, the Company initiated an exit plan for an office lease as part of a restructuring in connection with the acquisition of Westwood One (the "Exit Plan"), which includes charges related to terminated contract costs. In connection with the Exit Plan, the Company recorded restructuring costs of $5.2 million for the year ended December 31, 2014, which costs are included in corporate expenses in the consolidated statement of operations. Liabilities of $0.5 million related to the Exit Plan were included in the accompanying unaudited condensed consolidated balance sheet as of September 30, 2016 in accounts payable and accrued expenses and are expected to be paid within one year, and $3.5 million of non-current liabilities are included in other liabilities in that unaudited condensed consolidated balance sheet. We anticipate no additional future charges for the Exit Plan other than true-ups to closed facilities lease charges and accretion expense.

Legal Proceedings

In March 2011, the Company and certain of our subsidiaries were named as defendants along with other radio companies, including Beasley Broadcast Group, Inc., CBS Radio, Inc., Entercom Communications, Greater Media, Inc. and Townsquare Media, LLC in a patent infringement suit. The case, Mission Abstract Data L.L.C., d/b/a Digimedia v. Beasley Broadcast Group, Inc., et. al., Civil Action Case No: 1:99-mc-09999, U.S. District Court for the District of Delaware (filed March 1, 2011), alleges that the defendants are infringing or have infringed on plaintiff’s patents entitled “Selection and Retrieval of Music from a Digital Database.” Plaintiff is seeking injunctive relief and unspecified damages. This case has been stayed, and is awaiting further action by the court.

In August 2015, we were named as a defendant in two separate putative class action lawsuits relating to our use and public performance of certain sound recordings fixed prior to February 15, 1972 (the "Pre-1972 Recordings"). The first suit, ABS Entertainment, Inc., et. al. v, Cumulus Media Inc., was filed in the United States District Court for the Central District of California and alleges, among other things, copyright infringement under California state law, common law conversion, misappropriation and unfair business practices. On December 11, 2015, this suit was dismissed without prejudice. The second suit, ABS Entertainment, Inc., v. Cumulus Media Inc., was filed in the United States District Court for the Southern District of New York and alleges, among other things, common law copyright infringement and unfair competition. The New York lawsuit has been stayed pending an appeal before the Second Circuit involving unrelated third-parties over whether the owner of a Pre-1972 Recording holds an exclusive right to publicly perform that recording under New York common law.

The pending suit seeks unspecified damages. The Company is evaluating the suit, and intends to defend itself vigorously. The Company is not yet able to determine what effect the lawsuit will have, if any, on its financial position, results of operations or cash flows.

In the first quarter of 2016, CBS Radio Inc. ("CBS") filed a demand for arbitration against certain of our subsidiaries. This action alleged that certain of our subsidiaries breached the terms of one or more contracts with CBS relating to sports network radio programming and content. In the third quarter of 2016, the Company settled these claims in exchange for a one-time payment of $13.3 million. This payment was classified as a content cost in the accompanying unaudited condensed statement of operations for the three and nine months ended September 30, 2016.

The Company currently is, and expects that from time to time in the future it will be, party to, or a defendant in, various other 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 such known claim or lawsuit will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

19

Table of Contents

11. Supplemental Condensed Consolidated Financial Information

At September 30, 2016, Cumulus (the "Parent Guarantor") and certain of its 100% owned subsidiaries (such subsidiaries, the “Subsidiary Guarantors”) provided guarantees of the obligations of Cumulus Holdings (the "Subsidiary Issuer") under the 7.75% Senior Notes. These guarantees are full and unconditional (subject to customary release provisions) as well as joint and several. Certain of the Subsidiary Guarantors may be subject to restrictions on their respective ability to distribute earnings to Cumulus Holdings or the Parent Guarantor. Not all of the subsidiaries of Cumulus and Cumulus Holdings guarantee the 7.75% Senior Notes (such non-guaranteeing subsidiaries, collectively, the “Subsidiary Non-guarantors”).

The following tables present (i) unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2016 and 2015, (ii) unaudited condensed consolidated balance sheets as of September 30, 2016 and December 31, 2015, and (iii) unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2016 and 2015, 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.

Table of Contents

CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended September 30, 2016
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Net revenue	$—	$—	$286,136	$ —	$—	$286,136
Operating expenses:						
Content costs	—	—	115,348	—	—	115,348
Selling, general & administrative expenses	—	—	116,706	681	—	117,387
Depreciation and amortization	—	400	21,557	—	—	21,957
LMA fees	—	—	2,481	—	—	2,481
Corporate expenses (including stock-based compensation expense of $735)	—	9,960	—	—	—	9,960
Gain on sale of assets or stations	—	—	(94,014)	—	—	(94,014)
Total operating expenses	—	10,360	162,078	681	—	173,119
Operating (loss) income	—	(10,360)	124,058	(681)	—	113,017
Non-operating (expense) income:						
Interest (expense) income, net	(2,178)	(32,704)	139	(47)	—	(34,790)
Other income, net	—	—	882	—	—	882
Total non-operating (expense) income, net	(2,178)	(32,704)	1,021	(47)	—	(33,908)
(Loss) income before income taxes	(2,178)	(43,064)	125,079	(728)	—	79,109
Income tax (expense) benefit	937	19,816	(53,834)	293	—	(32,788)
Earnings (loss) from consolidated subsidiaries	47,562	70,810	(435)	—	(117,937)	—
Net income (loss)	$46,321	$47,562	$70,810	$ (435)	$(117,937)	$46,321

Table of Contents

CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Nine Months Ended September 30, 2016
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Net revenue	$—	$ 165	$ 841,694	$ —	$—	$ 841,859
Operating expenses:						
Content costs	—	—	312,526	—	—	312,526
Selling, general & administrative expenses	—	—	350,719	1,755	—	352,474
Depreciation and amortization	—	1,219	66,804	—	—	68,023
LMA fees	—	—	10,351	—	—	10,351
Corporate expenses (including stock-based compensation expense of $2,403)	—	34,028	—	—	—	34,028
Gain on sale of assets or stations	—	—	(97,155)	—	—	(97,155)
Impairment of intangible assets and goodwill	—	—	1,816	—	—	1,816
Total operating expenses	—	35,247	645,061	1,755	—	682,063
Operating (loss) income	—	(35,082)	196,633	(1,755)	—	159,796
Non-operating (expense) income:						
Interest (expense) income, net	(6,533)	(97,221)	364	(142)	—	(103,532)
Other income, net	—	—	1,598	—	—	1,598
Total non-operating (expense) income, net	(6,533)	(97,221)	1,962	(142)	—	(101,934)
(Loss) income before income taxes	(6,533)	(132,303)	198,595	(1,897)	—	57,862
Income tax benefit (expense)	2,613	51,219	(79,438)	702		(24,904)
Earnings (loss) from consolidated subsidiaries	36,878	117,962	(1,195)	—	(153,645)	—
Net income (loss)	$ 32,958	$ 36,878	$ 117,962	$ (1,195)	$ (153,645)	$ 32,958

CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended September 30, 2015
(Dollars in thousands)
(Unaudited)

	Cumulus Media Inc. (Parent Guarantor)	Cumulus Media Holdings Inc. (Subsidiary Issuer)	Subsidiary Guarantors	Subsidiary Non-guarantors	Eliminations	Total Consolidated
Net revenue	$ —	$ 125	$ 289,316	$ —	$ —	$ 289,441
Operating expenses:						
Content costs	—	—	94,829	—	—	94,829
Selling, general & administrative expenses	—	—	115,126	436	—	115,562
Depreciation and amortization	—					