CUMULUS MEDIA INC
Form 10-Q
April 30, 2015
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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 March 31, 2015

OR

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

For the transition period from to

Commission file number 000-24525

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

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

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

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

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

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

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

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

As of April 21, 2015, the registrant had 233,281,577 outstanding shares of common stock consisting of:
(i) 232,636,706 shares of Class A common stock; and (ii) 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)

	March 31, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	$22,758	$7,271
Restricted cash	8,414	10,055
Accounts receivable, less allowance for doubtful accounts of $5,158 and $6,004 at March 31, 2015 and December 31, 2014, respectively	217,824	248,308
Trade receivable	4,103	2,455
Assets held for sale	45,157	15,007
Prepaid expenses and other current assets	90,473	87,730
Total current assets	388,729	370,826
Property and equipment, net	193,459	221,497
Broadcast licenses	1,593,939	1,596,715
Other intangible assets, net	226,343	243,640
Goodwill	1,252,694	1,253,823
Other assets	58,222	58,940
Total assets	$3,713,386	$3,745,441
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$142,254	$151,658
Trade payable	4,729	3,964
Total current liabilities	146,983	155,622
Long-term debt, excluding 7.75% senior notes	1,876,177	1,875,127
7.75% senior notes	610,000	610,000
Other liabilities	51,299	55,121
Deferred income taxes	495,593	507,991
Total liabilities	3,180,052	3,203,861
Commitments and Contingencies (Note 11)		
Stockholders' equity:		
Class A common stock, par value $0.01 per share; 750,000,000 shares authorized; 255,280,514 and 254,997,925 shares issued, and 232,636,706 and 232,378,371 shares outstanding, at March 31, 2015 and December 31, 2014, respectively	2,552	2,549
Class C common stock, par value $0.01 per share; 644,871 shares authorized, issued and outstanding at both March 31, 2015 and December 31, 2014	6	6
Treasury stock, at cost, 22,643,808 and 22,619,554 shares at March 31, 2015 and December 31, 2014, respectively	(231,684)	(231,588)
Additional paid-in-capital	1,604,825	1,600,963
Accumulated deficit	(842,365)	(830,350)
Total stockholders' equity	533,334	541,580

Total liabilities and stockholders’ equity	$3,713,386	$3,745,441

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 March 31,	
	2015	2014
Net revenue	$271,079	$292,044
Operating expenses:		
Content costs	100,807	108,493
Selling, general & administrative expenses	116,307	115,335
Depreciation and amortization	25,311	28,881
LMA fees	2,498	1,557
Corporate expenses (including stock-based compensation expense of $3,863 and $4,091, respectively)	13,462	19,194
Loss (gain) on sale of assets or stations	819	(538)
Total operating expenses	259,204	272,922
Operating income	11,875	19,122
Non-operating (expense) income:		
Interest expense	(34,984)	(36,265)
Interest income	358	331
Other income (expense), net	379	(65)
Total non-operating expense, net	(34,247)	(35,999)
Loss before income taxes	(22,372)	(16,877)
Income tax benefit	10,357	7,608
Net loss	$(12,015)	$(9,269)
Basic and diluted loss per common share (see Note 9, “Earnings (Loss) Per Share”):		
Basic and diluted loss per share	$(0.05)	$(0.04)
Weighted average basic and diluted common shares outstanding	233,125,055	215,703,667

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)

	Three Months Ended March 31, 2015	2014
Cash flows from operating activities:		
Net loss	$(12,015)	$(9,269)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	25,311	28,881
Amortization of debt issuance costs/discounts	2,342	2,318
Provision for doubtful accounts	596	568
Loss (gain) on sale of assets or stations	819	(538)
Fair value adjustment of derivative instruments	—	14
Deferred income taxes	(9,961)	(7,631)
Stock-based compensation expense	3,863	4,091
Changes in assets and liabilities:		
Accounts receivable	29,888	32,065
Trade receivable	(1,648)	234
Prepaid expenses and other current assets	(5,180)	(10,303)
Other assets	(574)	(1,336)
Accounts payable and accrued expenses	(9,406)	4,087
Trade payable	765	(466)
Other liabilities	(3,822)	(5,839)
Net cash provided by operating activities	20,978	36,876
Cash flows from investing activities:		
Restricted cash	1,641	—
Proceeds from sale of assets or stations	3,055	1,054
Capital expenditures	(10,095)	(1,335)
Net cash used in investing activities	(5,399)	(281)
Cash flows from financing activities:		
Repayment of borrowings under term loans and revolving credit facilities	—	(30,937)
Deferred financing costs	—	(21)
Tax withholding payments on behalf of employees	(93)	(1,314)
Proceeds from exercise of warrants	1	38
Proceeds from exercise of options	—	117
Net cash used in financing activities	(92)	(32,117)
Increase in cash and cash equivalents	15,487	4,478
Cash and cash equivalents at beginning of period	7,271	32,792
Cash and cash equivalents at end of period	$22,758	$37,270
Supplemental disclosures of cash flow information:		
Interest paid	$20,229	$23,520
Income taxes (refunds) paid	(112)	8,708
Supplemental disclosures of non-cash flow information:		
Trade revenue	$10,176	$9,424
Trade expense	9,439	9,393
Equity interest in Pulser Media	435	1,887

See accompanying notes to the unaudited condensed consolidated financial statements.

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1. Description of Business, Interim Financial Data and Basis of Presentation:
Description of Business
Cumulus Media Inc. (and its consolidated subsidiaries, except as the context may otherwise require, “Cumulus,” “Cumulus Media,” “we,” “us,” “our,” or the “Company”) is a Delaware corporation, organized in 2002, and successor by merg to an Illinois corporation with the same name that had been organized in 1997.
Nature of Business
The Company combines high-quality local programming with iconic, nationally syndicated media, sports and entertainment brands in order to deliver premium choices for listeners, provide substantial reach for advertisers and create opportunities for shareholders. As the largest pure-play radio broadcaster in the United States, the Company provides exclusive content that is fully distributed through approximately 460 owned and operated stations in 90 U.S. media markets, approximately 8,500 broadcast radio affiliates and numerous digital channels. The Company believes it is well-positioned in the widening digital audio space through a significant stake in the Rdio digital music service, featuring over 30 million songs on-demand in addition to custom playlists and exclusive curated channels. The Company is also the leading provider of country music and lifestyle content through its NASH brand, which serves country fans through radio programming, NASH magazine, concerts, licensed products and television/video.
Interim Financial Data
The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company and the notes related thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2014. 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, 2014 condensed balance sheet data was derived from audited financial statements. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of our results of operations for, and financial condition as of the end of, the interim periods have been made. The results of operations for the three months ended March 31, 2015, the cash flows for the three months ended March 31, 2015 and the Company’s financial condition as of March 31, 2015, 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, 2015.
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, income taxes, stock-based compensation, contingencies, litigation, and 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 three months ended March 31, 2015, the Company finalized a plan to sell certain land. During the year ended December 31, 2014, the Company entered into an agreement to sell certain land and buildings to a third party. The Company expects these sales to close in the next twelve months and, therefore, the carrying value of the identified assets has been classified as held for sale in the unaudited condensed consolidated balance sheets at March 31, 2015 and December 31, 2014. The estimated fair value of the land and buildings is in excess of the carrying value.

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Adoption of New Accounting Standards

ASU 2014-08. In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08. Under this ASU, only disposals that represent a strategic shift that has (or will have) a major effect on the entity’s results and operations would qualify as discontinued operations. This ASU (1) expands the disclosure requirements for disposals that meet the definition of a discontinued operation, (2) requires entities to disclose information about disposals of individually significant components, (3) defines “discontinued operations” similarly to how it is defined under International Financial Reporting Standards 5, and (4) requires entities to expand their disclosures about discontinued operations to include more information about assets, liabilities, income and expenses. In addition, this ASU will also require entities to disclose the pre-tax income attributable to a disposal of “an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements.” The Company adopted this guidance effective January 1, 2015. The adoption of this guidance did not have an impact on the consolidated financial statements.

Recent Accounting Standards Updates

ASU 2014-09. In May 2014, the FASB issued ASU 2014-09. The amended guidance under this ASU outlines a single comprehensive revenue model for entities to use in accounting for revenue arising from contracts with customers. The guidance supersedes most current revenue recognition guidance, including industry-specific guidance. The core principle of the single comprehensive revenue model is that “an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.” Entities have the option of using either a full retrospective or modified approach to adopt the guidance. The ASU is effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2016. In April 2015, the FASB voted for a one-year deferral of the effective date of the new revenue recognition standard. Transition to the new guidance may be done using either a full or modified retrospective method. The Company is currently assessing the expected impact that this ASU will have on the consolidated financial statements.

ASU 2014-15. In August 2014, the FASB issued ASU 2014-15. The amendments in this update 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. In doing so, the amendments should reduce diversity in 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 adoption of this guidance is not expected to have an impact on the consolidated financial statements.

ASU 2015-01. In January 2015, the FASB issued ASU 2015-01. The amendments in this ASU eliminate the concept of an extraordinary item from GAAP. As a result, an entity will no longer be required to segregate extraordinary items from the results of ordinary operations, to separately present an extraordinary item on its income statement, net of tax, after income from continuing operations or to disclose income taxes and earnings-per-share data applicable to an extraordinary item. However, the ASU will still retain the presentation and disclosure guidance for items that are unusual in nature and occur infrequently. The ASU will be effective for fiscal years beginning after December 15, 2015 and subsequent interim periods. Early adoption is permitted. The adoption of this guidance is not expected to have an impact on the consolidated financial statements.

ASU 2015-02. In February 2015, the FASB issued ASU 2015-02. The amendments in this ASU provide modifications to the evaluation of variable interest entities that may impact consolidation of reporting entities. The ASU will be effective for fiscal years, and interim reporting periods within those years, beginning after December 15, 2015. 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 2015-03. In April 2015, the FASB issued ASU 2015-03. The amendments in this ASU requires 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. Presently, debt issuance costs are reported as an asset. The recognition and measurement guidance for debt issuance costs are not affected by the amendments in this update. The ASU will be effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within those fiscal years. Early adoption is permitted. The new guidance would be applied retrospectively to all prior reporting periods presented. The Company is currently assessing the expected impact, if any, that this ASU will have on the consolidated financial statements.

2. Acquisitions and Dispositions

2014 Acquisitions and Dispositions

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Country Weekly Acquisition

On November 7, 2014, the Company completed the purchase of Country Weekly magazine and its related business (“Country Weekly”) for $3.0 million in cash (the "Country Weekly Acquisition"). The Company had previously included NASH branded inserts into the Country Weekly publication.

Wise Brothers Acquisition

On August 1, 2014, the Company completed the purchase of Wise Brother Media, Inc. for $5.5 million in cash (the "Wise Brothers Acquisition"). Revenues attributable to the assets acquired in the Wise Brothers Acquisition were not material to the Company’s condensed consolidated statement of operations for the year ended December 31, 2014. The table below summarizes the purchase price allocation in the Wise Brothers Acquisition (dollars in thousands):

Allocation	Amount
Property and equipment	$ 50
Deferred income taxes	100
Other intangible assets	5,025
Goodwill	475
Current liabilities	(75)
Other liabilities	(75)
Total purchase price	$ 5,500

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

Description	Estimated Useful Life in Years	Fair Value
Other intangibles - programming content	4	$ 5,025

Pro forma financial information for the Country Weekly Acquisition and Wise Brothers Acquisition is not required, as such information is not material to the Company's financial statements.

3. Restricted Cash

As of March 31, 2015 and December 31, 2014, the Company’s balance sheet included approximately $8.4 million and $10.1 million, respectively, in restricted cash, of which $0.6 million relates to securing the maximum exposure generated by automated clearinghouse transactions in the Company's operating bank accounts and as dictated by the Company's bank's internal policies with respect to cash. At March 31, 2015 and December 31, 2014, the Company held $7.8 million and $9.5 million, respectively, relating to collateralizing standby letters of credit pertaining to certain leases and insurance policies.

4. Intangible Assets and Goodwill

The following table presents the changes in intangible assets, other than goodwill, during the periods from January 1, 2014 to December 31, 2014 and January 1, 2015 to March 31, 2015, and balances as of such dates (dollars in thousands):

	Indefinite-Lived	Definite-Lived	Total
Intangible Assets:			
Balance as of January 1, 2014	$ 1,596,337	$ 315,490	$ 1,911,827
Purchase price allocation adjustments	963	—	963
Acquisitions	—	8,205	8,205
Dispositions	(585)	(74)	(659)
Amortization	—	(79,981)	(79,981)
Balance as of December 31, 2014	1,596,715	243,640	1,840,355
Purchase price allocation adjustments	—	—	—

Acquisitions	—	—	—
Dispositions	(2,776)	—	(2,776)
Amortization	—	(17,297)	(17,297)
Balance as of March 31, 2015	$ 1,593,939	$226,343	$1,820,282

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The following table presents the changes in goodwill and accumulated impairment losses during the periods from January 1, 2015 to March 31, 2015 and January 1, 2014 to March 31, 2014, and balances as of such dates (dollars in thousands):

Goodwill:	2015	2014
Balance as of January 1:		
Goodwill	$1,583,564	$1,586,482
Accumulated impairment losses	(329,741)	(329,741)
Subtotal	1,253,823	1,256,741
Acquisition	—	886
Purchase price allocation adjustments	—	(3,188)
Disposition	(1,129)	(616)
Balance as of March 31:		
Goodwill	1,582,435	1,583,564
Accumulated impairment losses	(329,741)	(329,741)
Total	$1,252,694	$1,253,823

The Company has significant intangible assets recorded comprised primarily of 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 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 March 31, 2015 to necessitate the test as fair value exceeded carrying value.

5. Long-Term Debt

The Company's long-term debt consisted of the following as of March 31, 2015 and December 31, 2014 (dollars in thousands):

	March 31, 2015	December 31, 2014
Term Loan and Securitization Facility:		
Term loan	$1,903,875	$1,903,875
Securitization facility	—	—
Less: term loan discount	(27,698)	(28,748)
Total Term Loan and Securitization Facility	1,876,177	1,875,127
7.75% senior notes	610,000	610,000
Less: Current portion of long-term debt	—	—
Long-term debt, net	$2,486,177	$2,485,127

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Amended and Restated Credit Agreement

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

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

At March 31, 2015, 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 March 31, 2015 was 5.50 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 March 31, 2015 the Company's leverage was greater than the required ratio and, as a result, the Company did not have access to borrowings under the Revolving Credit Facility. The Company will not regain access until the Company is able to satisfy the first lien ratio requirement that would permit such borrowings.

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

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

At March 31, 2015 and December 31, 2014, the Company had $1.904 billion outstanding under the Term Loan and no amounts outstanding under the Revolving Credit Facility.

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7.75% Senior Notes

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

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

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

Cumulus Holdings, as issuer of the 7.75% Senior Notes, may redeem all or part of the 7.75% Senior Notes at any time on or after May 1, 2015 at 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 March 31, 2015, 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 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.

Accounts Receivable Securitization Facility

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

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

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

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At March 31, 2015 and December 31, 2014, there were no amounts outstanding under the Securitization Facility.
For each of the three months ended March 31, 2015 and 2014, the Company recorded an aggregate of $2.3 million of amortization of debt discount and debt issuance costs related to its Term Loan, 7.75% Senior Notes, and Securitization Facility respectively.

6. Fair Value Measurements
The three levels of the fair value hierarchy to be applied to financial instruments when determining fair value are described below:
Level 1 — Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access;
Level 2 — Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities; and
Level 3 — Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.
A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The Company's financial assets and liabilities are measured at fair value on a recurring basis and non-financial assets and liabilities are measured at fair value on a non-recurring basis. Fair values as of March 31, 2015 and December 31, 2014 were as follows (dollars in thousands):

		Fair Value Measurements at March 31, 2015 Using		
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Equity interest in Pulser Media (1)	$17,774	$—	$—	$17,774
Total assets	$17,774	$—	$—	$17,774
Financial liabilities:				
Other current liabilities				
Contingent consideration (2)	$(181)	$—	$—	$(181)
Total liabilities	$(181)	$—	$—	$(181)

		Fair Value Measurements at December 31, 2014 Using		
	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:				
Equity interest in Pulser Media (1)	$17,339	$—	$—	$17,339
Total assets	$17,339	$—	$—	$17,339
Financial liabilities:				
Other current liabilities				
Contingent consideration (2)	$(181)	$—	$—	$(181)
Total liabilities	$(181)	$—	$—	$(181)

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(1) On September 13, 2013, the Company and Pulser Media Inc. (the parent company of Rdio) ("Pulser"), entered into a five year strategic promotional partnership and sales arrangement (the "Rdio Agreement"). In exchange for $75 million of promotional commitments over five years, Cumulus will receive a 15% equity interest in Pulser, with the opportunity to earn additional equity, see Note 11, "Commitments and Contingencies". The fair value of the equity interest in Pulser was determined using inputs that are supported by little or no market activity (a Level 3 measurement). At March 31, 2015 the fair value of the equity interest in Pulser approximated its cost basis and the Company determined that the investment was not impaired.

(2) 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 Wise Brothers Acquisition and the Company's 2013 asset exchange with Family Stations, Inc. (the "WFME Asset Exchange").

The reconciliation below contains the components of the change in fair value associated with the equity interest in Pulser from January 1, 2015 to March 31, 2015 (dollars in thousands):

Description	Equity Interest in Pulser
Fair value balance at January 1, 2015	$ 17,339
Add: Additions to equity interest in Pulser	435
Fair value balance at March 31, 2015	$ 17,774

The reconciliation below contains the components of the change in continuing contingency associated with the contingent consideration from January 1, 2015 to March 31, 2015 (dollars in thousands):

Description	Contingent Consideration
Fair value balance at January 1, 2015	$ (181)
Mark to market adjustment	—
Fair value balance at March 31, 2015	$ (181)

Quantitative information regarding the significant unobservable inputs related to the WFME Asset Exchange contingent consideration as of March 31, 2015 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.

Quantitative information regarding the significant unobservable inputs related to the Wise Brothers Acquisition contingent consideration as of March 31, 2015 was as follows (dollars in thousands):

Fair Value	Valuation Technique	Unobservable Inputs	
$ 150	Income Approach	Total term	2 years
		Conditions	4

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

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

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	March 31, 2015	December 31, 2014
Term Loan:		
Carrying value	$1,903,875	$1,903,875
Fair value - Level 2	1,875,317	1,856,278
7.75% Senior Notes:		
Carrying value	$610,000	$610,000
Fair value - Level 2	597,800	617,625

As of March 31, 2015, the Company used trading prices of 98.50% to calculate the fair value of the Term Loan and 98.00% to calculate the fair value of the 7.75% Senior Notes.

As of December 31, 2014, the Company used trading prices of 97.50% to calculate the fair value of the Term Loan and 101.25% to calculate the fair value of the 7.75% Senior Notes.

7. 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.

Common Stock

Except with regard to voting and conversion rights, shares of Class A, Class B and Class C common stock are identical in all respects. The preferences, qualifications, limitations, restrictions, and the special or relative rights in respect of the common stock and the various classes of common stock are as follows:

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

- Conversion. Each holder of Class B common stock and Class C common stock is entitled to convert at any time all or any part of such holder's shares into an equal number of shares of Class A common stock; provided, however, that to the extent that such conversion would result in the holder holding more than 4.99% of the Class A common stock following such conversion, the holder will first be required to deliver to the Company an ownership certification to enable the Company to (a) determine that such holder does not have an attributable interest in another entity that would cause the Company to violate applicable FCC rules and regulations and (b) obtain any necessary approvals from the FCC or the Department of Justice. During the year ended December 31, 2014, all of the approximately 15.4 million shares of outstanding Class B common stock were converted into shares of Class A common stock.

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

2009 Warrants

In June 2009, in connection with the execution of an amendment to the Company's then-outstanding credit agreement, the Company issued warrants to the lenders thereunder that allow them to acquire up to 1.3 million shares of Class A common stock at an exercise price of $1.17 per share (the "2009 Warrants"). The 2009 Warrants expire on June 29, 2019. The number of shares of Class A common stock issuable upon exercise of the 2009 Warrants is subject to adjustment in certain circumstances, including upon the payment of a dividend in shares of Class A common stock. At

March 31, 2015, 0.4 million 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 71.7 million shares of Class A common stock (the "Company Warrants") under a warrant agreement dated September 16, 2011 (the "Warrant Agreement"). The Company Warrants are exercisable at any time prior to June 3, 2030 at an exercise price of $0.01 per share. The exercise price of the Company Warrants is not subject to any anti-dilution protection, other than standard adjustments in the case of stock splits, dividends and the like. Pursuant to the terms and conditions of the Warrant Agreement, upon the request of a holder, the Company has the discretion to issue, upon exercise of the Company Warrants, shares of Class B common stock in lieu of an equal number of shares of Class A common stock and, upon request of a holder and at the Company’s discretion, the Company has the right to exchange such warrants to purchase an equivalent number of shares of Class B common stock for outstanding warrants to purchase shares of Class A common stock.

Conversion of the Company Warrants is subject to compliance with applicable FCC regulations, and the Company Warrants are exercisable provided that ownership of the Company’s securities by the holder does not cause the Company to violate applicable FCC rules and regulations relating to foreign ownership of broadcasting licenses.

Holders of Company Warrants are entitled to participate ratably in any distributions on the Company’s common stock on an as-exercised basis. No distribution will be made to holders of Company Warrants or common stock if (i) an FCC ruling, regulation or policy prohibits such distribution to holders of Company Warrants or (ii) the Company’s FCC counsel opines that such distribution is reasonably likely to cause (a) the Company to violate any applicable FCC rules or regulations or (b) any holder of Company Warrants to be deemed to hold an attributable interest in the Company.

During the three months ended March 31, 2015, approximately 0.3 million Company Warrants were converted into shares of Class A common stock. At March 31, 2015, 1.1 million Company Warrants remained outstanding.

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Crestview Warrants

Also on September 16, 2011, but pursuant to a separate warrant agreement, the Company issued warrants to purchase 7.8 million shares of Class A common stock with an exercise price, as adjusted to date, of $4.34 per share (the "Crestview Warrants"). The Crestview Warrants are exercisable until September 16, 2021, and the per share exercise price is subject to standard weighted average adjustments in the event that the Company issues additional shares of common stock or common stock derivatives for less than the fair market value per share, as defined in the Crestview Warrants, as of the date of such issuance. In addition, the number of shares of Class A common stock issuable upon exercise of the Crestview Warrants, and the exercise price of the Crestview Warrants, are subject to adjustment in the, case of stock splits, dividends and the like. As of March 31, 2015, all 7.8 million Crestview Warrants remained outstanding.

8. Stock-Based Compensation Expense

On February 16, 2012, the Company granted 161,724 shares of time-vesting restricted Class A common stock, with an aggregate grant date fair value of $0.6 million, to the non-employee directors of the Company with a cliff vesting term of one year. In addition, on February 16, 2012, the Company granted time-vesting stock options to purchase 1.4 million shares of Class A common stock to certain Company employees, with an aggregate grant date fair value of $3.3 million. The options have an exercise price of $4.34 per share, with 30% of the awards having vested on each of September 16, 2012 and February 16, 2013, and 20% having vested on each of February 16, 2014 and February 16, 2015.

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

On May 22, 2014, the Company granted 93,312 shares of time-vesting restricted Class A common stock, with an aggregate grant fair value of $0.6 million, to the non-employee directors of the Company with a cliff vesting term of one year.

During the three months ended March 31, 2015, the Company granted 250,000 stock options with an aggregate grant date fair value of $0.6 million. During the three months ended March 31, 2014, the Company granted 0.4 million stock options with an aggregate grant date fair value of $1.7 million. The options range in exercise price from $2.91 to $7.74 per share, and provide for vesting on each of the first four anniversaries of the date of grant, with 30% of the award vesting on each of the first two anniversaries thereof, and 20% of the award vesting on each of the next two anniversaries thereof.

For the three months ended March 31, 2015, and 2014, the Company recognized approximately $3.9 million and $4.1 million, respectively, in stock-based compensation expense related to equity awards.

As of March 31, 2015, unrecognized stock-based compensation expense of approximately $22.2 million related to equity awards is expected to be recognized over a weighted average remaining life of 2.47 years. Unrecognized stock-based compensation expense for equity awards will be adjusted for future changes in estimated forfeitures.

The total fair value of restricted stock awards that vested during the three months ended March 31, 2015 and March 31, 2014 was $0.1 million and $1.0 million, respectively. There were no stock options exercised during the three months ended March 31, 2015 and 1.1 million stock options were exercised during the three months ended March 31, 2014.

9. Earnings (Loss) Per Share

For all periods presented, the Company has disclosed basic and diluted earnings (loss) per common share utilizing the two-class method. Basic earnings (loss) per common share is calculated by dividing net income (loss) available to common shareholders by the weighted average number of shares of common stock outstanding during the period. In accordance with the terms of the Company's certificate of incorporation, the Company allocates undistributed net income (loss) from continuing operations after any allocation for preferred stock dividends between each class of

common stock on an equal basis.
Non-vested restricted shares of Class A common stock and the Company Warrants are considered participating securities for purposes of calculating basic weighted average common shares outstanding in periods in which the Company records net income. Diluted earnings (loss) per share is computed in the same manner as basic earnings (loss) per share after assuming issuance of common stock for all potentially dilutive equivalent shares, which includes stock options and certain other warrants to purchase common stock. Antidilutive instruments are not considered in this calculation. Under the two-class method, net income (loss) is allocated to common stock and participating securities to the extent that each security may share in earnings (loss), as if all of the earnings (loss) for the period had been distributed. Earnings (loss) are allocated to each participating security and common shares equally. The following table sets forth the computation of basic and diluted earnings (loss) per common share for the three months ended March 31, 2015 and 2014 (amounts in thousands, except per share data):

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	Three Months Ended March 31, 2015	2014
Basic Loss Per Share		
Numerator:		
Undistributed net loss from continuing operations	$(12,015)	$(9,269)
Less:		
Participation rights of the Company Warrants in undistributed earnings	—	—
Participation rights of unvested restricted stock in undistributed earnings	—	—
Basic undistributed net loss attributable to common shares	$(12,015)	$(9,269)
Denominator:		
Basic weighted average shares outstanding	233,125	215,704
Basic undistributed net loss per share attributable to common shares	$(0.05)	$(0.04)
Diluted Loss Per Share:		
Numerator:		
Undistributed net loss from continuing operations	$(12,015)	$(9,269)
Less:		
Participation rights of the Company Warrants in undistributed net earnings	—	—
Participation rights of unvested restricted stock in undistributed earnings	—	—
Basic undistributed net loss attributable to common shares	$(12,015)	$(9,269)
Denominator:		
Basic weighted average shares outstanding	233,125	215,704
Effect of dilutive stock options and warrants	—	—
Diluted weighted average shares outstanding	233,125	215,704
Diluted undistributed net loss per share attributable to common shares	$(0.05)	$(0.04)

10. Income Taxes

For the three months ended March 31, 2015, the Company recorded an income tax benefit of $10.4 million on a pre-tax loss of $22.4 million, resulting in an effective tax rate for the three months ended March 31, 2015 of approximately 46.4%. For the three months ended March 31, 2014, the Company recorded an income tax benefit of $7.6 million on pre-tax loss of $16.9 million, resulting in an effective tax rate for the three months ended March 31, 2014 of approximately 45.0%.

The difference between the effective tax rate and the federal statutory rate of 35.0% for both the three months ended March 31, 2015, and 2014 primarily relates to state and local income taxes, an increase in the valuation allowance with respect to state net operating losses and the tax effect of certain statutory non deductible items.

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 Accounting Standards Codification ("ASC") Topic 740, Income Taxes ("ASC 740"). As of March 31, 2015, 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.

We believe our annual effective tax rate before discrete items for fiscal year 2015 will be approximately 44.8%. The difference between the annual estimated effective tax rate and the federal statutory rate of 35% primarily relates to the valuation allowance on certain forecasted state net operating losses in 2014.

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11. 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 was 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 operating expenses on January 1, 2012. On August 28, 2012, the Federal District Court for the Southern District of New York approved a settlement between the RMLC and BMI concerning the fees payable covering the period January 1, 2010 through December 31, 2016. Included in the agreement was a $70.5 million industry fee credit against fees previously paid in 2010 and 2011, with such fees having been made immediately available to the industry.
The radio broadcast industry’s principal ratings service is Nielsen Audio, which publishes surveys for domestic radio markets. Certain of the Company’s subsidiaries have agreements with Nielsen Audio under which they receive programming ratings materials in a majority of their respective markets. The remaining aggregate obligation under the agreements with Nielsen Audio is approximately $135.1 million and is expected to be paid in accordance with the agreements through December 2017.
The Company engages Katz Media Group, Inc. (“Katz”) as its national advertising sales agent. The national advertising agency contract with Katz contains termination provisions that, if exercised by the Company during the term of the contract, would obligate the Company to pay a termination fee to Katz, calculated based upon a formula set forth in the contract.
On September 13, 2013, the Company and Pulser entered into the Rdio Agreement which provides that Cumulus will act as the exclusive promotional agent for Rdio ad products, including display, mobile, in-line audio, synced banners and other digital inventory that may become available from time to time. In exchange for $75.0 million of promotional commitments over five years, Cumulus will receive 15% of the equity interests 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. The Company will record the equity received for services at fair value and will evaluate the investment for impairment in subsequent periods.
The Company is committed under various contractual agreements to pay for broadcast rights that include news services and to pay for executives, talent, research, weather and other services.
The Company from time to time enters into radio network contractual obligations to guarantee a minimum amount of revenue share to contractual counterparties on certain programming in future years. Generally, these guarantees are subject to decreases dependent on clearance targets achieved. As of March 31, 2015, the Company believes that it will meet such minimum obligations.
On January 2, 2014 (the "Commencement Date”), Merlin Media, LLC (“Merlin”) and the Company entered into an LMA. Under this LMA, the Company is responsible for operating two FM radio stations in Chicago, Illinois, for monthly fees payable to Merlin of approximately $0.3 million, $0.4 million, $0.5 million and $0.6 million in the first, second, third and fourth years 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 million minus the aggregate amount of monthly fees paid by the Company on or prior to the earlier of the closing date or the date that is four years after the Commencement Date; or (ii) $50.0 million, and Merlin has the right to require the Company to purchase these two FM radio stations at any time during a ten-day period commencing

October 4, 2017 for $71.0 million, minus the aggregate amount of monthly fees paid by the Company on or prior to the earlier of the closing date and the date that is four years after the Commencement Date.

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

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On April 1, 2014, the Company initiated an exit plan for a lease due to a restructuring in connection with the acquisition of WestwoodOne (the "Exit Plan"), which includes charges related to terminated contract costs. As of March 31, 2015, liabilities related to the Exit Plan of $0.4 million were included in accounts payable and accrued expenses and are expected to be paid within one year and $4.1 million of non-current liabilities are included in other liabilities in the condensed consolidated balance sheet. We anticipate no additional future charges for the Exit Plan other than true-ups to closed facilities lease charges and accretion expense.

On April 25, 2014, the Company entered into an LMA with Universal Media Access, LLC “(Universal”) pursuant to which the Company is responsible for operating one FM radio station serving San Jose and San Francisco, California for a fixed fee to Universal of approximately $1.4 million each year for two years in exchange for the Company retaining the operating profits from this radio station.

In connection therewith, the Company and Universal also entered into an agreement pursuant to which the Company has the right to purchase the radio station at any time until April 5, 2016 for $14.8 million minus the aggregate amount of monthly LMA fees paid by the Company on or prior to the earlier of the closing date or the date that is 18 months after April 25, 2014. In addition, Universal has the right to require the Company to purchase the station at any time during a ten-day period commencing April 5, 2016 for $14.8 million, minus the aggregate amount of fees paid by the Company on or prior to the earlier of the closing date and the date that is two years after April 25, 2014.

The Company determined through its review of the requirements of ASC 810 that the Company is not the primary beneficiary of the LMA with Universal, and, therefore consolidation of the station is not required.

The Company may be required to pay additional cash consideration in connection with the WFME Asset Exchange in New York and the Wise Brothers Acquisition. In addition, as a component of the Country Weekly Acquisition, the Company entered into an agreement with one of the sellers to collaborate on the production, publication and distribution of Country Weekly for a fee of $1.0 million for a period of 6 years from date of the Country Weekly Acquisition.

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.

12. Supplemental Condensed Consolidating Financial Information

At March 31, 2015, 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 months ended March 31, 2015 and 2014, (ii) unaudited condensed consolidated balance sheets as of March 31, 2015 and December 31, 2014, and (iii) unaudited condensed consolidated statements of cash flows for the three months ended March 31, 2015 and 2014, 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.

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CUMULUS MEDIA INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
Three Months Ended March 31, 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	$270,954	$ —	$—	$271,079
Operating expenses:						
Content costs	—	—	100,807	—	—	100,807
Selling, general & administrative expenses	—	—	115,776	531	—	116,307
Depreciation and amortization	—	260	25,051	—	—	25,311
LMA fees	—	—	2,498	—	—	2,498
Corporate expenses (including stock-based compensation expense of $3,863)	—	13,462	—	—	—	13,462
Loss on sale of assets or stations	—	—	819	—	—	819
Total operating expenses	—	13,722	244,951	531	—	259,204
Operating (loss) income	—	(13,597)	26,003	(531)	—	11,875
Non-operating (expense) income:						
Interest expense	(2,184)	(32,753)	—	(47)		