

CUMULUS MEDIA INC
Form 10-Q
November 05, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2012

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)

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Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

36-4159663
(I.R.S. Employer
Identification No.)

3280 Peachtree Road, NW Suite 2300,
Atlanta, GA
(Address of Principal Executive Offices)

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

30305
(ZIP Code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes 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
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Indicate by checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of October 26, 2012, the registrant had 174,392,288 outstanding shares of common stock consisting of (i) 158,322,473 shares of Class A common stock; (ii) 15,424,944 shares of Class B common stock; and (iii) 644,871 shares of Class C common stock.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****CUMULUS MEDIA INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollars in thousands, except for per share data)****(Unaudited)**

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 46,976	\$ 30,592
Restricted cash	3,254	3,854
Accounts receivable, less allowance for doubtful accounts of \$4,504 and \$2,765 at September 30, 2012 and December 31, 2011, respectively	222,096	236,804
Trade receivable	7,073	5,967
Compensation held in trust		24,807
Prepaid expenses and other current assets	33,155	22,315
Total current assets	312,554	324,339
Property and equipment, net	261,967	278,070
Broadcast licenses	1,610,128	1,625,415
Other intangible assets, net	287,667	390,509
Goodwill	1,296,348	1,334,512
Other assets	79,554	87,746
Total assets	\$ 3,848,218	\$ 4,040,591
Liabilities, Redeemable Preferred Stock and Stockholders Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 124,805	\$ 160,186
Trade payable	5,623	4,999
Current portion of long-term debt	13,250	13,250
Other current liabilities	12,022	
Total current liabilities	155,700	178,435
Long-term debt, excluding 7.75% senior notes	2,068,705	2,227,287
7.75% senior notes	610,000	610,000
Other liabilities	48,129	63,938
Deferred income taxes	562,811	556,771
Total liabilities	3,445,345	3,636,431
Redeemable preferred stock:		
Series A cumulative redeemable preferred stock, par value \$0.01 per share; stated value of \$1,000 per share; 100,000,000 shares authorized; 75,767 and 125,000 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	70,854	113,447

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Total redeemable preferred stock	70,854	113,447
Stockholders' equity:		
Class A common stock, par value \$0.01 per share; 750,000,000 shares authorized; 182,053,736 and 160,783,484 shares issued and 157,908,633 and 137,085,813 shares outstanding at September 30, 2012 and December 31, 2011, respectively	1,821	1,608
Class B common stock, par value \$0.01 per share; 600,000,000 shares authorized; 15,424,944 and 12,439,667 shares issued and outstanding at September 30, 2012 and December 31, 2011, respectively	154	124
Class C common stock, par value \$0.01 per share; 644,871 shares authorized, issued and outstanding at both September 30, 2012 and December 31, 2011	6	6
Treasury stock, at cost, 24,145,103 and 23,697,671 shares at September 30, 2012 and December 31, 2011, respectively	(251,957)	(251,666)
Additional paid-in-capital	1,515,407	1,526,114
Accumulated deficit	(933,412)	(985,473)
Total stockholders' equity	332,019	290,713
Total liabilities, redeemable preferred stock and stockholders' equity	\$ 3,848,218	\$ 4,040,591

See accompanying notes to the unaudited condensed consolidated financial statements.

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

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Broadcast revenues	\$ 274,160	\$ 124,332	\$ 790,870	\$ 235,989
Management fees	1,190	458	1,516	2,708
Net revenues	275,350	124,790	792,386	238,697
Operating expenses:				
Direct operating expenses (excluding depreciation, amortization and LMA fees)	161,740	73,710	484,106	142,690
Depreciation and amortization	35,239	11,025	106,321	14,702
LMA fees	928	530	2,652	1,670
Corporate general and administrative expenses (including stock-based compensation expense of \$2,764, \$1,601, \$15,671 and \$2,788, respectively)	12,979	44,654	46,473	61,924
Gain on exchange of assets or stations				(15,278)
Realized (gain) loss on derivative instrument	(129)	1,436	624	2,681
Impairment of intangible assets			12,435	
Total operating expenses	210,757	131,355	652,611	208,389
Operating income (loss)	64,593	(6,565)	139,775	30,308
Non-operating (expense) income:				
Interest expense, net	(49,757)	(19,503)	(150,179)	(34,999)
Loss on early extinguishment of debt				(4,366)
Other (expense) income, net	(224)	182	(34)	88
Gain on equity investment in Cumulus Media Partners, LLC		11,636		11,636
Total non-operating expense, net	(49,981)	(7,685)	(150,213)	(27,641)
Income (loss) from continuing operations before income taxes	14,612	(14,250)	(10,438)	2,667
Income tax benefit	12,175	69,206	22,862	65,723
Income from continuing operations	26,787	54,956	12,424	68,390
Income from discontinued operations, net of taxes	29,258	4,582	39,635	8,608
Net income	56,045	59,538	52,059	76,998
Less: dividends declared and accretion of redeemable preferred stock	5,274	382	17,765	382
Income attributable to common shareholders	\$ 50,771	\$ 59,156	\$ 34,294	\$ 76,616
Basic and diluted income (loss) per common share (see Note 12, Earnings Per Share):				
Basic: Income (loss) from continuing operations per share	\$ 0.10	\$ 0.72	\$ (0.03)	\$ 1.26

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Income from discontinued operations per share	\$ 0.14	\$ 0.06	\$ 0.25	\$ 0.16
Income per share	\$ 0.24	\$ 0.78	\$ 0.22	\$ 1.42
Diluted: Income (loss) from continuing operations per share	\$ 0.10	\$ 0.66	\$ (0.03)	\$ 1.20
Income from discontinued operations per share	\$ 0.14	\$ 0.06	\$ 0.25	\$ 0.15
Income per share	\$ 0.24	\$ 0.72	\$ 0.22	\$ 1.35
Weighted average basic common shares outstanding	169,510,007	60,295,163	158,902,196	47,282,132
Weighted average diluted common shares outstanding	176,352,267	66,740,660	158,902,196	50,016,375

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,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 52,059	\$ 76,998
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	107,481	15,231
Amortization of debt issuance costs/discounts	7,581	1,699
Provision for doubtful accounts	2,892	920
(Gain) loss on sale of assets or stations	(163)	33
Gain on exchange of assets or stations	(63,228)	(15,278)
Impairment of intangible assets	12,435	
Fair value adjustment of derivative instruments	935	(1,002)
Deferred income taxes	6,043	(68,443)
Stock-based compensation expense	15,671	2,788
Loss on early extinguishment of debt		4,366
Other		(1,318)
Gain on equity investment in Cumulus Media Partners, LLC		(11,636)
Changes in assets and liabilities:		
Accounts receivable	15,174	(1,259)
Trade receivable	(1,106)	(555)
Prepaid expenses and other current assets	(8,130)	2,118
Other assets	1,451	(1,087)
Accounts payable and accrued expenses	(4,421)	24,860
Trade payable	624	345
Other liabilities	(16,598)	3,571
Net cash provided by operating activities	128,700	32,351
Cash flows from investing activities:		
Restricted cash	600	(17)
Proceeds from sale of assets or stations	426	
Capital expenditures	(4,655)	(2,885)
Proceeds from exchange of assets or stations	114,918	
Acquisition less cash acquired		(2,024,153)
Net cash provided by (used in) investing activities	111,289	(2,027,055)
Cash flows from financing activities:		
Repayment of borrowings under term loans and revolving credit facilities	(161,000)	(1,214,676)
Tax withholding payments on behalf of employees	(1,909)	(666)
Preferred stock dividends	(11,599)	
Proceeds from exercise of warrants	136	
Redemption of preferred stock	(49,233)	
Proceeds from borrowings under term loans and revolving credit facilities, net of \$25.1 million debt discount		2,289,900
Proceeds from issuance of senior notes		610,000
Proceeds from sale of equity securities		444,513
Redemption of CMP preferred stock		(41,565)

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Deferred financing costs		(58,540)
Net cash (used in) provided by financing activities	(223,605)	2,028,966
Increase in cash and cash equivalents	16,384	34,262
Cash and cash equivalents at beginning of period	30,592	12,814
Cash and cash equivalents at end of period	\$ 46,976	\$ 47,076
Supplemental disclosures of cash flow information:		
Interest paid	\$ 133,975	\$ 16,365
Income taxes paid	3,956	5,141
Supplemental disclosures of non-cash flow information:		
Compensation held in trust	24,807	
Trade revenue	20,396	12,752
Trade expense	19,114	12,184

See accompanying notes to the unaudited condensed consolidated financial statements.

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CUMULUS MEDIA INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

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, the Company) is a Delaware corporation, organized in 2002, and successor by merger to an Illinois corporation with the same name that had been organized in 1997.

Nature of Business

Cumulus Media believes it is the largest pure-play radio broadcaster in the United States based on number of stations. At September 30, 2012, Cumulus Media owned or operated more than 525 radio stations (including under local marketing agreements, or LMAs) in 110 United States media markets and a nationwide radio network serving over 4,000 stations.

Interim Financial Data

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of the Company and the notes related thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The accompanying unaudited interim condensed consolidated financial statements include the condensed consolidated accounts of Cumulus and its wholly-owned subsidiaries, with all significant intercompany balances and transactions eliminated in consolidation. These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting only of normal, recurring adjustments) necessary for a fair presentation of results of operations for, and financial condition as of the end of, the interim periods have been made. The results of operations for the three and nine months ended September 30, 2012, the cash flows for the nine months ended September 30, 2012 and the Company's financial condition as of September 30, 2012, are not necessarily indicative of the results of operations or cash flows that can be expected for, or the Company's financial condition as of, any other interim period or for the fiscal year ending December 31, 2012.

The preparation of financial statements in conformity with GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, the Company evaluates its estimates, including those related to bad debts, intangible assets, derivative financial instruments, income taxes, stock-based compensation, contingencies, litigation and purchase price allocations. The Company bases its estimates on historical experience and on various assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual amounts and results may differ materially from these estimates under different assumptions or conditions.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year presentation. Certain assets were sold on July 31, 2012 (see Note 2, Acquisitions and Dispositions). The results of operations associated with these assets were separately reported, net of the related tax impact, for all periods presented in the accompanying unaudited condensed consolidated statements of operations because the operations and cash flows generated by these assets have been eliminated from the Company's consolidated results of operations as a result of the sale and the Company no longer has continuing involvement in the operations of the stations after their disposal (see Note 3, Discontinued Operations).

Recent Accounting Pronouncements

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ASU 2011-04. In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04, which amends Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, to achieve common fair value measurement and disclosure requirements under GAAP and International Financial Reporting Standards (IFRS). This standard gives clarification for the highest and best use valuation concepts. The ASU also provides guidance on fair value measurements relating to instruments classified in stockholders' equity and instruments managed within a portfolio. Further, ASU 2011-04 clarifies disclosures for financial instruments categorized within level 3 of the fair value hierarchy that require companies to provide quantitative information about unobservable inputs used, the sensitivity of the measurement to changes in those inputs, and the valuation processes used by the reporting entity. The Company adopted the prescribed disclosures which became effective January 1, 2012, for its condensed consolidated financial statements as of such date. See Note 8, Fair Value Measurements.

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ASU 2011-05. In June 2011, the FASB issued ASU 2011-05, which amends the guidance in ASC Topic 220, Comprehensive Income, by eliminating the option to present components of other comprehensive income (OCI) in the statement of stockholders' equity. This ASU requires entities to present all non-owner changes in stockholders' equity either as a single continuous statement of comprehensive income or as two separate but consecutive statements of income and comprehensive income. The components of OCI have not changed nor has the guidance on when OCI items are reclassified to net income. Similarly, ASU 2011-05 does not change the guidance to disclose OCI components gross or net of the effect of income taxes, provided that the tax effects are presented on the face of the statement in which OCI is presented, or disclosed in the notes to the financial statements. The Company adopted this guidance effective January 1, 2012. Since the Company has no transactions classified as OCI, the adoption of this guidance did not have an impact on the Company's condensed consolidated financial statements.

ASU 2011-08. In September 2011, the FASB issued ASU 2011-8, which amends ASC Topic 350, *Intangibles-Goodwill and Other*. The amendments in this ASU give companies the option to first perform a qualitative assessment to determine whether it is more likely than not (a likelihood of more than 50.0%) that the fair value of a reporting unit is less than its carrying amount. If a company concludes that this is the case, it must perform the two-step goodwill impairment test. Otherwise, a company is not required to perform this two-step test. Under the amendments in this ASU, an entity has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. The Company adopted this guidance effective January 1, 2012. The adoption of this guidance did not have an impact on the Company's unaudited condensed consolidated financial statements.

ASU 2011-11. In December 2011, the FASB issued ASU 2011-11. The amendments in this ASU require companies to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The ASU is required to be applied retrospectively for all prior periods presented and is effective for annual periods for fiscal years beginning on or after January 1, 2013, and interim periods within those annual fiscal years. The adoption of this guidance is not expected to have an impact on the Company's consolidated financial statements.

ASU 2012-02. In July 2012, the FASB issued ASU 2012-02. The amendments in this ASU give companies the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired rather than calculating the fair value of the indefinite-lived intangible asset. It is effective prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The adoption of this guidance is not expected to have an impact on the Company's consolidated financial statements.

2. Acquisitions and Dispositions**2012 Acquisitions**

On July 31, 2012, the Company completed its sale of 55 stations in eleven non-strategic markets to Townsquare Media, LLC (Townsquare Asset Exchange) in exchange for ten of Townsquare's radio stations in Bloomington, IL and Peoria, IL, plus approximately \$114.9 million in cash. The transaction was part of the Company's ongoing efforts to focus on radio stations in larger markets and geographically strategic regional clusters. The stations sold by the Company operated in the following markets: Augusta, ME; Bangor, ME; Binghamton, NY; Bismarck, ND; Grand Junction, CO; Killeen-Temple, TX; New Bedford, MA; Odessa-Midland, TX; Presque Isle, ME; Sioux Falls, SD and Tuscaloosa, AL. Additional information regarding discontinued operations is provided in Note 3, Discontinued Operations in the accompanying consolidated financial statements.

In conjunction with this Asset Exchange, the Company recorded a gain of \$63.2 million, which is included within discontinued operations in the accompanying unaudited condensed consolidated statements of operations for the three and nine months ended September 30, 2012.

Acquisition related costs attributable to the Townsquare Asset Exchange included in corporate, general and administrative expenses totaled \$1.6 million.

The table below summarizes the preliminary purchase price allocation for the Townsquare Asset Exchange based on management's estimates of the fair values of the assets acquired and liabilities assumed as of the date of the Townsquare Asset Exchange (dollars in thousands):

Allocation	Amount
Current assets	\$ 149
Property and equipment	4,690
Broadcast licenses	11,900

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Goodwill	3,014
Other intangibles	200
Current liabilities	(207)
Total purchase price	19,746
Less: Carrying value of stations transferred	(71,436)
Add: Cash received	114,918
Gain on asset exchange	\$ 63,228

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

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The indefinite-lived intangible assets acquired in the Townsquare Asset Exchange consist of broadcast licenses and goodwill. The definite-lived intangible assets acquired in the Townsquare Asset Exchange are being amortized in relation to the expected economic benefits of such assets over their estimated useful lives and consist of the following (dollars in thousands):

Description	Estimated Useful Life in Years	Fair Value
Advertising relationships	6	\$ 200

The use of different assumptions could result in materially different amounts. In addition, the above allocation is preliminary only and based on information available to management to date. Management of the Company is in the process of finalizing the purchase price allocation, and such final allocation may be materially different from the related preliminary allocation.

For additional information regarding the discontinued operations associated with this transaction, see Note 3, Discontinued Operations.

2011 Acquisitions**Ann Arbor, Battle Creek and Canton Asset Exchange**

On February 18, 2011, the Company completed an asset exchange with Clear Channel Communications, Inc. (Clear Channel). As part of this asset exchange, Cumulus acquired eight of Clear Channel's radio stations located in Ann Arbor and Battle Creek, Michigan in exchange for its radio station in Canton, Ohio. The Company disposed of two of the Battle Creek stations simultaneously with the closing of the transaction to comply with Federal Communications Commission (FCC) broadcast ownership limits. This asset exchange was accounted for as a business combination in accordance with FASB's guidance. The fair value of the assets acquired in this asset exchange was \$17.4 million. The Company incurred approximately \$0.3 million in acquisition costs related to this transaction and expensed them as incurred through earnings within corporate, general and administrative expenses. The \$4.3 million allocated to goodwill is deductible for tax purposes. The results of operations for the Ann Arbor and Battle Creek stations acquired, which were not material, have been included in our statements of operations since 2007 when the Company entered into a LMA with Clear Channel to manage these stations. Prior to this asset exchange, the Company did not have any relationship with Clear Channel with regard to the Canton, Ohio market.

In conjunction with this asset exchange, the Company recorded a net gain of \$15.3 million, which is included in gain on exchange of assets or stations in the accompanying unaudited condensed consolidated statements of operations for the nine months ended September 30, 2011.

The table below summarizes the final purchase price allocation from this asset exchange (dollars in thousands):

Allocation	Amount
Property and equipment	\$ 1,790
Broadcast licenses	11,190
Goodwill	4,342
Other intangibles	72
Total purchase price	17,394
Less: Carrying value of Canton station	(2,116)
Gain on asset exchange	\$ 15,278

CMP Acquisition

On August 1, 2011, the Company completed its previously announced acquisition of the remaining 75.0% of the equity interests of Cumulus Media Partners LLC (CMP) that it did not already own (the CMP Acquisition). The Company had owned 25.0% of CMP's equity interests since it, together with Bain Capital Partners, LLC (Bain), The Blackstone Group L.P. (Blackstone) and Thomas H. Lee Partners, L.P. (THL, and together with Bain and Blackstone, the CMP Sellers), formed CMP in 2005. Pursuant to a management agreement, the Company had been operating CMP's business since 2006. This management agreement was terminated in connection with the completion of the CMP Acquisition.

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In connection with the CMP Acquisition, the Company issued 9.9 million shares of its common stock to affiliates of the CMP Sellers. Blackstone received 3.3 million shares of the Company's Class A common stock and, in accordance with FCC broadcast ownership rules, Bain and THL each received 3.3 million shares of a newly authorized Class D non-voting common stock, par value \$0.01 per share (the Class D common stock). This Class D common stock was subsequently converted into an equivalent number of shares of the Company's Class B common stock, par value \$0.01 per share (the Class B common stock), with substantially identical terms, pursuant to the terms of the Company's third amended and restated certificate of incorporation (the Third Amended and Restated Charter) which became effective upon the effectiveness of the Citadel Acquisition (defined below). Also in connection with the CMP Acquisition, outstanding warrants to purchase 3.7 million shares of common stock of CMP Susquehanna Radio Holdings Corp., an indirect wholly owned subsidiary of CMP (Radio Holdings), were amended to instead become exercisable for up to 8.3 million shares of the Company's common stock. CMP's operating results have been included in Cumulus consolidated financial statements since the date of the completion of the CMP Acquisition.

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As a component of the CMP Acquisition, the Company acquired an interest in the San Francisco Baseball Associates L.P., the owner of the San Francisco Giants Major League Baseball Franchise. The fair value of this interest as of the date of the CMP Acquisition was \$9.8 million. This interest is included in other long-term assets on the Company's accompanying unaudited condensed consolidated balance sheet and is carried under the cost method.

Under the acquisition method of accounting for business combinations, the purchase price paid in the CMP Acquisition has been allocated among the tangible and intangible assets acquired and liabilities assumed based on their fair values as of the acquisition date. Goodwill as of the acquisition date was measured as the excess of the consideration paid over the net acquisition date fair values of the assets acquired and the liabilities assumed. The Company fair valued its historical 25.0% equity interest in CMP and recorded a gain of \$11.6 million, the difference between the fair value at the date of completion of the CMP Acquisition and the carrying value, which was zero, given CMP's historical losses. With respect to certain outstanding preferred stock of CMP, the Company recorded \$0.5 million in dividends for the period from August 1, 2011, the acquisition date, to September 16, 2011. This preferred stock was redeemed on September 16, 2011 for approximately \$41.6 million.

The table below summarizes the fair value of consideration transferred in the CMP Acquisition (dollars in thousands):

Fair Value of Consideration Transferred	Amount
Fair value of equity consideration to CMP Sellers (1)	\$ 34,909
Fair value of equity consideration to holders of CMP Restated Warrants (2)	29,021
Preferred stock of CMP (3)	41,069
Fair value of assumed debt	619,234
Total purchase price	724,233
Existing equity interest in CMP (4)	11,636
Total fair value for allocation	\$ 735,869

- (1) Fair value, equal to the closing price of the Company's Class A common stock on the NASDAQ Global Select Market (NASDAQ) on August 1, 2011, of the 9.9 million shares of our common stock issued to affiliates of the CMP Sellers.
- (2) Fair value, equal to the closing price of the Company's Class A common stock on the NASDAQ on August 1, 2011, of the CMP Restated Warrants, which, prior to their expiration on July 31, 2012, were exercisable for 8.3 million shares of our common stock.
- (3) Fair value of preferred stock is the par value of \$32.8 million plus cumulative undeclared dividends of \$8.3 million.
- (4) Equal to the closing price of our Class A common stock on the NASDAQ on August 1, 2011, multiplied by the estimated 3.3 million shares of common stock that we would have received in exchange for the equity interests in CMP that the Company owned immediately prior to the CMP Acquisition.

Acquisition related costs attributable to the CMP Acquisition included in income, general and administrative expenses totaled \$1.9 million.

The table below summarizes the final purchase price allocation among the tangible and intangible assets acquired and liabilities assumed in the CMP Acquisition (dollars in thousands):

Allocation	Amount
Current assets	\$ 61,598
Property and equipment	29,092
Broadcast licenses	317,917
Other intangibles	94,422
Goodwill	403,130
Other assets	11,014
Current liabilities	(12,869)
Other long-term liabilities	(5,730)
Deferred income taxes	(162,705)

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Total purchase price \$ 735,869

The material assumptions utilized in the valuation of intangible assets included overall future market revenue growth rates for the residual year of approximately 2.0% and a weighted average cost of capital of 10.5%. Goodwill is equal to the difference between the purchase price and the value assigned to tangible and intangible assets and liabilities. \$402.6 million of the acquired goodwill balance is non-deductible for tax purposes. Among the factors considered by management that contributed to the purchase price allocation resulting in the recognition of goodwill were CMP's high operating margins, strong sales force and employee base, and its overall market presence.

The indefinite-lived intangible assets acquired in the CMP Acquisition consist of broadcast licenses and goodwill. The definite-lived intangible assets acquired in the CMP 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
Advertising relationships	6	\$ 94,422

Table of Contents**Citadel Acquisition**

The Company completed the Citadel Acquisition on September 16, 2011 for an aggregate purchase price of approximately \$2.3 billion, consisting of approximately \$1.4 billion in cash, the issuance of 23.6 million shares of the Company's Class A common stock, including 0.9 million restricted shares, warrants to purchase 47.6 million shares of Class A common stock, 2.4 million warrants held in reserve for potential future issuance related to the pending final settlement of certain outstanding unsecured claims arising from Citadel's emergence from bankruptcy, and the consideration to repay the outstanding debt of Citadel. As a result of the Citadel Acquisition, Citadel became an indirect wholly owned subsidiary of the Company. Citadel's operating results have been included in Cumulus' consolidated financial statements since the date of the completion of the Citadel Acquisition.

Also on September 16, 2011 and in connection with the Citadel Acquisition, the Company issued and sold 51.8 million shares of Class A common stock and warrants to purchase 7.8 million shares of Class A common stock to an affiliate of Crestview Partners II, L.P. (Crestview), 125,000 shares of Series A Preferred Stock to an affiliate of Macquarie Capital (USA) Inc. (Macquarie), and 4.7 million shares of Class A common stock and immediately exercisable warrants to purchase 24.1 million shares of Class A common stock to UBS Securities LLC (UBS) and certain other entities.

In connection with the closing of the Citadel Acquisition and the completion of the Company's previously announced related refinancing (the Refinancing), on September 16, 2011, the Company repaid approximately \$1.4 billion in outstanding senior or subordinated indebtedness and other obligations of (a) the Company, (b) certain of the Company's wholly-owned subsidiaries, and (c) Citadel. This Refinancing, and the cash portion of the purchase price paid in the Citadel Acquisition, were funded with (i) \$1.325 billion in borrowings under a new first lien term loan, \$200.0 million in borrowings under a new first lien revolving credit facility and \$790.0 million in borrowings under a new second lien term loan, all as described in more detail in Note 7, Long-Term Debt, and (ii) proceeds from the sale of \$475.0 million of the Company's common stock, preferred stock and warrants to purchase common stock to certain investors (see Note 10, Stockholders' Equity). The \$610.0 million of 7.75% Senior Notes due 2019 (the 7.75% Senior Notes) issued by the Company in May 2011 remained outstanding.

In connection with the Citadel Acquisition, the Company completed its previously announced internal restructuring into a holding company structure, which included transferring the remaining assets and operations held directly or indirectly by the Company, other than the equity interests of its direct wholly-owned subsidiary Cumulus Media Holdings Inc. (Cumulus Holdings), to Cumulus Holdings (the Internal Restructuring).

Also, in connection with the Citadel Acquisition, the Company agreed that it would divest certain stations to comply with FCC ownership limits. These stations were assigned to a trustee under divestiture trusts that comply with FCC rules. The trust agreements stipulate that the Company must fund any operating shortfalls of the activities of the stations in the trusts, and any excess cash flow generated by such stations will be distributed to the Company. The Company has determined that it is the primary beneficiary of the trusts and, accordingly, consolidates the trusts.

Under the acquisition method of accounting for business combinations, the purchase price in the Citadel Acquisition has been allocated among the tangible and intangible assets acquired and liabilities assumed based on their fair values as of the acquisition date. Goodwill as of the acquisition date was measured as the excess of the consideration paid over the net acquisition date fair values of the assets acquired and the liabilities assumed.

The table below summarizes the fair value of consideration transferred in the Citadel Acquisition (dollars in thousands):

Fair Value of Consideration Transferred	Amount
Cash consideration to Citadel stockholders	\$ 1,405,471
Common stock issued to Citadel stockholders (1)	178,122
Stock-based compensation value	576
Cash consideration to Citadel to settle Citadel obligations	736,072
Total fair value for allocation	\$ 2,320,241

(1)

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Fair value of the 22.7 million shares of the Company's common stock and warrants to purchase 47.6 million shares of the Company's common stock issued in the Citadel Acquisition and 2.4 million warrants held in reserve for potential future issuance related to the pending final settlement of certain outstanding unsecured claims arising from Citadel's emergence from bankruptcy, based on the closing price of the Company's Class A common stock on the NASDAQ on September 15, 2011.

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Acquisition related costs attributable to the Citadel Acquisition included in corporate, general and administrative expenses totaled \$57.7 million.

Certain termination-related compensation amounts resulting from the Citadel Acquisition were funded prior to closing and were classified as compensation held in trust on the condensed consolidated balance sheet as of December 31, 2011. These amounts were settled during the first quarter of 2012.

The table below summarizes the final purchase price allocation among the tangible and intangible assets acquired and liabilities assumed in the Citadel Acquisition (dollars in thousands):

Allocation	Amount
Current assets	\$ 328,306
Property and equipment	221,697
Broadcast licenses	1,135,669
Other intangibles	333,480
Goodwill	861,305
Other assets	18,794
Current liabilities	(106,799)
Other long-term liabilities	(38,660)
Deferred income taxes	(433,551)
 Total purchase price	 \$ 2,320,241

The material assumptions utilized in the valuation of intangible assets included expected overall future market revenue growth rates for the residual year of approximately 2.0% and a weighted average cost of capital of 10.0%. Goodwill is equal to the difference between the purchase price and the value assigned to tangible and intangible assets and liabilities. \$756.6 million of the acquired goodwill balance is non-deductible for income tax purposes. Among the factors considered by management that contributed to the purchase price allocation resulting in the recognition of goodwill were Citadel's station platform throughout prominent national markets and its overall employee base, including its experienced sales force. During the nine months ended September 30, 2012, the Company recorded goodwill purchase accounting adjustments primarily related to fair value adjustments of assets and liabilities totaling approximately \$9.1 million and \$8.3 million, respectively. These adjustments are reflected in the table above.

The indefinite-lived intangible assets acquired in the Citadel Acquisition consist of broadcast licenses and goodwill.

The definite-lived intangible assets acquired in the Citadel 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
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