

CUMULUS MEDIA INC

Form 10-K

March 17, 2014

[Table of Contents](#)

[Index to Financial Statements](#)

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2013

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 00-24525

Cumulus Media Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State of Incorporation)

3280 Peachtree Road, N.W.

Suite 2300

Atlanta, GA 30305

(404) 949-0700

(Address, including zip code, and telephone number, including area code, of registrant's principal offices)

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

Class A Common Stock, par value \$.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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 (Check one):

Edgar Filing: CUMULUS MEDIA INC - Form 10-K

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Table of Contents

Index to Financial Statements

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

The aggregate market value of the registrant's outstanding voting and non-voting common stock held by non-affiliates of the registrant (assuming, solely for the purposes hereof, that all officers and directors (and their respective affiliates), and 10% or greater stockholders of the registrant are affiliates of the registrant, some of whom may not be deemed to be affiliates upon judicial determination) as of June 28, 2013, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$320.9 million.

As of March 3, 2014, the registrant had outstanding 217,649,593 shares of common stock consisting of (i) 213,689,484 shares of Class A common stock; (ii) 3,315,238 shares of Class B common stock; and (iii) 644,871 shares of Class C common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2014 annual meeting of stockholders (the "2014 Proxy Statement"), to be filed with the Securities and Exchange Commission, are incorporated by reference in Part III, Items 10 to 14 of this Annual Report on Form 10-K as indicated herein.

Table of ContentsIndex to Financial Statements

CUMULUS MEDIA INC.

ANNUAL REPORT ON FORM 10-K

For the Fiscal Year Ended December 31, 2013

Item Number		Page Number
<u>PART I</u>		
1	<u>Business</u>	<u>3</u>
1A.	<u>Risk Factors</u>	<u>24</u>
1B.	<u>Unresolved Staff Comments</u>	<u>33</u>
2	<u>Properties</u>	<u>33</u>
3	<u>Legal Proceedings</u>	<u>33</u>
4	<u>Mine Safety Disclosures</u>	<u>33</u>
<u>PART II</u>		
5	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>34</u>
6	<u>Selected Financial Data</u>	<u>35</u>
7	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>37</u>
7A.	<u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>53</u>
8	<u>Financial Statements and Supplementary Data</u>	<u>54</u>
9	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>54</u>
9A.	<u>Controls and Procedures</u>	<u>54</u>
9B.	<u>Other Information</u>	<u>55</u>
<u>PART III</u>		
10	<u>Directors, Executive Officers and Corporate Governance</u>	<u>56</u>
11	<u>Executive Compensation</u>	<u>56</u>
12	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>56</u>
13	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>57</u>
14	<u>Principal Accountant Fees and Services</u>	<u>57</u>
<u>PART IV</u>		
15	<u>Exhibits, Financial Statement Schedules</u>	<u>58</u>
	<u>Signatures</u>	<u>62</u>

Table of Contents

Index to Financial Statements

PART I

Item 1. Business

Description of Certain Definitions and Data

In this annual report on Form 10-K (this “Form 10-K” or this “Report”) the terms “Company,” “Cumulus,” “we,” “us,” and “our” refer to Cumulus Media Inc. and its consolidated subsidiaries.

We use the term “local marketing agreement” (“LMA”) in this Report. In a typical LMA, the licensee of a radio station makes available, for a fee and reimbursement of its expenses, airtime on its station to a party which supplies programming to be broadcast during that airtime, and collects revenues from advertising aired during such programming. In addition to entering into LMAs, we from time to time enter into management or consulting agreements that provide us with the ability, as contractually specified, to assist current owners in the management of radio station assets, subject to Federal Communications Commission (“FCC”) approval. In such arrangements, we generally receive a contractually specified management fee or consulting fee in exchange for the services provided. Unless otherwise indicated, as disclosed herein we:

- obtained total radio industry listener and revenue levels from the Radio Advertising Bureau;
- derived historical market revenue statistics and market revenue share percentages from data published by Miller Kaplan, Arase & Co., LLP, a public accounting firm that specializes in serving the broadcasting industry and BIA Financial Network, Inc. (“BIA”), a media and telecommunications advisory services firm; and
- derived all audience share data and audience rankings, including ranking by population, except where otherwise stated to the contrary, from surveys of people ages 12 and over, listening Monday through Sunday, 6 a.m. to 12 midnight, and based on the Nielsen Audio Market Report.

Company Overview

We own and operate commercial radio station clusters throughout the United States. We believe we are the largest pure-play radio broadcaster in the United States based on number of stations owned and operated. At December 31, 2013, we owned or operated approximately 450 radio stations (including under LMAs) in 93 United States media markets and operated a fully distributed programming network serving more than 10,000 affiliates nationwide, which contains a portfolio of iconic media, sports and entertainment brands. At December 31, 2013, under LMAs, we provided sales and marketing services for 7 radio stations in the United States.

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

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

Strategic Overview

Our initial historical strategic focus was on mid-sized radio markets in the United States, as we believed that the attractive operating characteristics of mid-sized markets, together with the relaxation of radio station ownership limits under the Telecommunications Act of 1996 (the “Telecom Act”) and FCC rules, created significant opportunities for growth from the formation of groups of radio stations within these markets. We focused on capitalizing on opportunities to acquire groups of stations in attractive markets at favorable purchase prices, taking advantage of the size and fragmented nature of ownership in those markets and the greater attention historically given to larger markets by radio station acquirers.

Table of Contents

Index to Financial Statements

Our strategy has evolved as we recognize that large radio markets can provide an attractive combination of scale, stability and opportunity for future growth, particularly for emerging digital advertising initiatives. According to BIA, these markets typically have per capita and household income, and expected household after-tax effective buying income growth, in excess of the national average, which we believe makes radio broadcasters in these markets attractive to a broad base of advertisers, and allows a radio broadcaster to reduce its dependence on any one economic sector or specific advertiser. Our operating strategy is based upon the following principles that we expect will continue to position us for future growth and increase stockholder value:

Focus on unique brands.

We view each of our radio stations and network content assets as a unique brand that serves a local and distinct community of listeners. Our business model is designed to offer local businesses access to each of our stations' communities of listeners through the sale of advertising time. To drive sales growth, we structure and incentivize our sales organization to create demand through increased coverage and access to sophisticated productivity tools, such as our proprietary customer relationship management system, market research and listener databases, as well as continuously updated training and presentation materials and extensive client-focused marketing support. As we grow, organically and through acquisitions, we believe this focused model will continue to be scalable, allowing us to continue to provide a high level of customer service and further expand our advertiser base.

Further leverage our operating efficiencies.

We utilize a scalable, enterprise-wide, proprietary management system and technology platform to run our business, which we believe is a competitive advantage. As a result of our experienced management team and the benefits derived from our technology platform, we intend to continue to maximize this structural competitive advantage across our business. As we continue to grow both organically and through acquisitions, we expect process management and operating efficiency to remain at the core of our culture, leading to continued improvement in, among other things, our expense management and our ability to realize meaningful synergies from such growth.

Leverage experience in the application of uniform systems and practices.

Our management team has significant experience in acquisition integration, and the consistent application of our proprietary systems in such integration. Our success is partly based on adhering to a set of time-proven fundamentals and processes to run and manage our business, which we have standardized throughout our portfolio of stations. We believe that as we grow, organically and through acquisitions, we will continue to implement our systems and technology platform across our business, and obtain additional benefits from increased purchasing power, scale and supplier relationships. We believe our culture promotes the identification and recognition of best practices in all functional areas, which are then evaluated, tested and, upon acceptance, rolled out across our portfolio of stations.

Enhance operating performance across our portfolio of radio stations to drive efficiencies through scale.

Our business is designed to drive local sales growth and reduce costs at each radio station. We believe that in doing so, we are able to provide a higher level of service to the existing customer base at those stations in addition to expanding the advertiser base, which we believe enables us to continue to grow in those markets.

Maintain our financial discipline.

We seek to maintain a strong balance sheet and have focused on enhancing our free cash flow to de-leverage. In addition, from time to time, we use derivative financial instruments to mitigate fluctuations in interest rates. We also continually seek to identify and implement cost savings at each of our stations and the stations to which we provide services. To that end, we believe our overall size benefits each station with respect to negotiating favorable terms with programming suppliers and other vendors.

Pursue opportunistic acquisitions.

We believe the familiarity of our management team with the industry enables us to identify attractive acquisition opportunities. We selectively pursue opportunities where we believe we can enhance value and performance. We view these acquisitions as an important component of our business strategy and intend to selectively pursue future acquisitions on attractive terms that complement our strategy and help us achieve further economies of scale. We believe there are enormous benefits to achieving scale in order to compete in the radio industry, where advertisers have choices and are looking for integrated solutions with ease of execution.

Table of Contents

Index to Financial Statements

Pursue opportunities to expand and diversify our business.

As part of our overall strategy, we selectively evaluate opportunities that have synergies with our core business and add incremental growth opportunities that help to diversify our platform. These opportunities exist in a variety of content verticals both in and out of traditional broadcast radio. We also are focused on creating a comprehensive experience for our listening audience, as well as offering our advertisers greater flexibility and reach. These growth initiatives may arise out of strategic partnerships, joint ventures or targeted investments, and we believe our scale and management expertise will allow us to intelligently develop and execute on expansion opportunities.

We leveraged these strategies to complete a number of significant transactions in 2013. These included: the December 2013 acquisition of WestwoodOne, Inc. (formerly known as Dial Global, Inc. “WestwoodOne”), an independent, full-service radio network company, offering news, sports, formats, prep, talk and music programming, jingles and imaging, and special events, as well as national advertising sales representation (the “WestwoodOne Acquisition”). In connection therewith, all of the issued and outstanding shares of capital stock of WestwoodOne were automatically canceled and converted into the right to receive an aggregate of approximately \$45.0 million in cash, and WestwoodOne repaid all of its outstanding indebtedness. The payment of the purchase price to complete the WestwoodOne Acquisition (including the cash used to repay approximately \$215.0 million of WestwoodOne’s outstanding indebtedness) was funded from cash on hand, which included \$235.0 million in cash proceeds from the Townsquare Transaction (defined below). As a result of the WestwoodOne Acquisition, WestwoodOne became a wholly owned subsidiary of the Company. Pursuant to an agreement entered into at the closing of the WestwoodOne Acquisition, \$22.5 million of the purchase price was placed in escrow (the “Escrow Fund”) pending the completion of an ongoing investigation by the Antitrust Division of the Department of Justice (the “DOJ”) relating to the WestwoodOne Acquisition. The Escrow Fund will be available to compensate us for expenses in defending the investigation and to the extent we incur any loss as a result of any final remedial action taken by the DOJ with respect to its investigation;

the November 2013 sale to Townsquare Media, LLC (“Townsquare”) of 53 radio stations in 12 small and mid-sized markets for \$235.0 million in cash, and the swap with Townsquare of 15 radio stations in two small and mid-sized markets in exchange for five radio stations in Fresno, California (together, the “Townsquare Transaction”);

the October 2013 issuance and sale of 18,860,000 shares of our Class A common stock in an underwritten public offering, at a price of \$5.00 per share, which included the full exercise of the underwriter’s over allotment option to purchase 2,460,000 shares. We received net proceeds of approximately \$89.8 million from the offering, after deducting underwriting discounts and commissions and estimated offering expenses, and used approximately \$78.0 million of the net proceeds from the offering to redeem all then-outstanding shares of our Series B preferred stock, including accrued and unpaid dividends, which shares were issued in August 2013 in connection with the redemption of all outstanding shares of our Series A preferred stock. The remaining net proceeds from this public offering were placed in our corporate treasury for general corporate purposes, and may be used from time to time for, among other things, repayment of debt, capital expenditures, the financing of possible business expansions and acquisitions, increasing our working capital and the financing of ongoing operating expenses and overhead; and

the September 2013 entry into a five year strategic promotional partnership and sales arrangement (the “Rdio Agreement”) with Pulser Media, the parent company of Rdio (“Pulser”). The Rdio Agreement provides that we will act as the exclusive promotional agent for Rdio ad products, including display, mobile, in-line audio, synced banners and other digital inventory that may become available from time to time. In exchange for \$75 million of promotional commitments over five years, we will receive 15% of the fully-diluted equity of Pulser, with the opportunity to earn additional equity in the form of warrants based on the achievement of certain performance milestones over the term of the Rdio Agreement.

Competitive Strengths

We believe our prior success is, and our future performance will be, directly related to the following combination of strengths that will enable us to implement our strategies:

Large pure-play radio broadcasting company in the United States with a broad national reach.

Currently, we offer advertisers access to a broad portfolio of approximately 450 stations, comprised of 17 large market and 76 small and mid-sized market stations in 93 United States media markets. Our stations cover a wide variety of programming formats, geographic regions, audience demographics and advertising clients. We believe this scale and diversity allows us to offer advertisers the ability to customize advertising campaigns on a national, regional and local basis through broadcast, digital and mobile mediums. We believe this capability enables us to compete effectively with other media to reach our broad and diverse listener and customer base.

Table of Contents

Index to Financial Statements

We are one of the largest radio advertising and content providers in the United States. With approximately 15,000 station affiliates and 10,000 program affiliations, our radio station platform reaches approximately 65 million listeners a week, and provides a national platform to more effectively and efficiently compete for national advertising dollars. In addition, this national network platform provides access to targeted and more diverse demographics and age groups to better meet our customers' needs and allow for more focused marketing. Our sales team has the ability to consolidate advertising time across our affiliate network, create an aggregated inventory and divide it into packages focused on specific demographics that can be sold to national advertisers looking to reach specific national or regional audiences across all of the radio network affiliates.

Diversified customer base and geographic mix.

We generate substantially all of our revenue from the sale of advertising time to a broad and diverse customer base. We sell our advertising time both nationally and locally through an integrated sales approach that ranges from traditional radio spots to non-traditional sales programs, including on-line couponing and various on-air and Internet-related integrated marketing programs.

Our advertising exposure is highly diversified across a broad range of industries, which lessens the impact of the economic conditions applicable to any one specific industry or customer group. Our top industry segments by advertising volume include automotive, restaurants, entertainment, financial, and communications. Due to the localized nature of our business, we have a broad distribution of advertisers across all of our stations. Our geographic reach extends to 93 markets nationwide.

Industry-leading margins.

We operate as an integrated business and benefit from leveraging costs and relationships across our markets, all of which allow us to generate strong margins. We have developed a proprietary management system and technology platform that creates operating efficiencies through centralized management functions such as strategic planning, finance, corporate development, financial reporting, expense management, information systems and quality control. This management system consists of web-based applications that were designed to create maximum efficiency while increasing our management's level and span of control.

Leveraging network to create content.

We believe there are growth opportunities in news/talk, sports and traffic content offerings with shared risk and revenue relationships. The content we create is distributed domestically to broadcast and digital platforms, with potential for expansion into other mediums such as television and print, as well as internationally.

Strong technology platform.

Our recent acquisitions and partnerships strategically complement our core terrestrial radio business to help exploit our best-in-class technology platform and operating systems across a much larger platform. Additionally, our in-house technology solutions help to manage costs across our whole network.

Strong and experienced management team.

We have an experienced management team with an average of 27 years of experience in the radio industry. Lew Dickey, our co-founder, Chairman, President and Chief Executive Officer, John Dickey and John Pinch, our co-Chief Operating Officers, Richard Denning, our Senior Vice President, Secretary and General Counsel and J.P. Hannan, our Chief Financial Officer, have been with us for 17, 16, 13, 12 and 6 years, respectively. Additionally, other members of our senior management team held leadership positions at various media companies, including ABC, Jefferson-Pilot and Clear Channel.

Industry Overview

The primary source of revenues for radio broadcasting companies is the sale of advertising time to local, regional and national spot advertisers, and national network advertisers. National network advertisers place advertisements on a national network show and such advertisements air in each market where the network has an affiliate. Over the past ten years, radio advertising revenue has represented 11% of the overall United States advertising market, and typically follows macroeconomic growth trends. In 2013, radio advertising revenues reached \$17.6 billion.

Generally, radio is considered an efficient, cost-effective means of reaching specifically identified demographic groups. Stations are typically classified by their on-air format, such as country, rock, adult contemporary, oldies and

news/talk. A station's format and style of presentation enables it to target specific segments of listeners sharing certain demographic features. By capturing a specific share of a market's radio listening audience with particular concentration in a targeted demographic, a

6

Table of Contents

Index to Financial Statements

station is able to market its broadcasting time to advertisers seeking to reach a specific audience. Advertisers and stations use data published by audience measuring services, such as Nielsen Audio, to estimate how many people within particular geographical markets and demographics listen to specific stations.

The number of advertisements that can be broadcast by a station without jeopardizing listening levels and the resulting ratings is limited in part by the format of a particular station and the local competitive environment. Although the number of advertisements broadcast during a given time period may vary, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year.

A station's local sales staff generates the majority of its local and regional advertising sales through direct solicitations of local advertising agencies and businesses. To generate national advertising sales, a station usually will engage a firm that specializes in soliciting radio-advertising sales on a national level. Stations also may engage directly with an internal national sales team that supports the efforts of third-party representatives. National sales representatives obtain advertising principally from advertising agencies located outside the station's market and receive commissions based on the revenue from the advertising they obtain.

Our stations compete for advertising revenue with other broadcast radio stations in their particular market as well as other media, including newspapers, broadcast television, cable television, magazines, direct mail, coupons, and outdoor advertising. In addition, the radio broadcasting industry is subject to competition from services that use new media technologies that are being developed or have already been introduced, such as the Internet and satellite-based digital radio and music services. Such services may reach regional and nationwide audiences with multi-channel, multi-format, digital radio and music services.

We cannot predict how existing, new or any future generated sources of competition will affect our performance and results of operations. The radio broadcasting industry historically has grown over the long term despite the introduction of new technologies for the delivery of entertainment and information, such as television broadcasting, cable television, audio tapes, compact discs and iPods and other similar devices. We believe population growth and greater availability of radios, particularly car and portable radios when combined with increased travel and commuting time, have contributed to this growth. There can be no assurance, however, that the development or introduction in the future of any new media technology will not have a material adverse effect on the radio broadcasting industry in general or our stations in particular.

Advertising Sales

The primary source of our revenue is generated from the sale of local, regional, and national advertising for broadcast on our radio stations. We also generate revenue from the sale of our network programming and services. In exchange for our network programs and services, and through our advertising sales representation, we primarily receive commercial air time from radio stations and aggregate the air time to sell to national advertisers; to a lesser extent, we receive cash. A majority of our net broadcasting revenue is typically generated from the sale of local and regional advertising. Additional broadcasting revenue is generated from the sale of national advertising. The major categories of our advertisers consist of:

Amusement and recreation	Banking and mortgage	Furniture and home furnishings
Arts and entertainment	Food and beverage services	Healthcare services
Automotive dealers	Food and beverage stores	Telecommunications

Each station's local sales staff solicits advertising either directly from a local advertiser or indirectly through an advertising agency. We use a tiered commission structure to focus our sales staffs on new business development. Consistent with our operating strategy of dedicated sales forces for each of our stations, we have increased the number of salespeople per station. We believe that we can outperform the traditional growth rates of our markets by (1) expanding our base of advertisers, (2) training newly hired sales people and (3) providing a higher level of service to our existing customer base. We further believe that we will accomplish this goal with a larger sales staff than most of our newly-acquired stations employed at the time we acquired them.

Our national sales are made by a firm specializing in radio advertising sales on the national level, in exchange for a commission that is based on the gross revenue from the advertising generated. Regional sales, which we define as sales in regions surrounding our markets to buyers that advertise in our markets, are generally made by our local sales

staff and market managers. Whereas we seek to grow our local sales through larger and more customer-focused sales staffs, we seek to grow our national and regional sales by offering key national and regional advertisers access to groups of stations within specific markets and regions that make us a more attractive platform. Many of these advertisers have previously been reluctant to advertise in

7

Table of Contents

Index to Financial Statements

certain smaller markets because of the logistics involved in buying advertising from individual stations. Certain of our stations had no national representation before we acquired them.

Each of our stations has a general target level of on-air inventory available for advertising. This target level of inventory for sale may vary at different times of the day but tends to remain stable over time. Our stations strive to maximize revenue by managing their on-air advertising inventory and adjusting prices up or down based on supply and demand. We seek to broaden our advertiser base in each market by providing a wide array of audience demographic segments across our cluster of stations, thereby providing potential advertisers with an effective means to reach a targeted demographic group. Our selling and pricing activity is based on demand for our radio stations' on-air inventory and, in general, we respond to this demand by varying prices rather than by varying our target inventory level for a particular station. Most changes in revenue are explained by a combination of demand-driven pricing changes and changes in inventory utilization rather than by changes in available inventory. Advertising rates charged by radio stations, which are generally highest during morning and afternoon commuting hours, are based primarily on:

- a station's share of audiences and the demographic groups targeted by advertisers (as measured by ratings surveys);
- the supply and demand for radio advertising time and for time targeted at particular demographic groups; and
- certain additional qualitative factors.

A station's listenership is reflected in ratings surveys that estimate the number of listeners tuned in to the station, and the time they spend listening. Each station's ratings are used by its advertisers and advertising representatives to consider advertising with the station and are used by Cumulus to chart audience growth, set advertising rates and adjust programming.

Competition

The radio broadcasting industry is very competitive. Our stations compete for listeners and advertising revenues directly with other radio stations within their respective markets, as well as with other advertising media. Additionally, new online music and other entertainment services have begun selling advertising locally, creating additional competition for both listeners and advertisers.

Radio stations compete for listeners primarily on the basis of program content that appeals to a particular demographic group. Factors that affect a radio station's competitive position include station brand identity and loyalty, management experience, the station's local audience rank in its market, transmitter power and location, assigned frequency, audience characteristics, local program acceptance and the number and characteristics of other radio stations and other advertising media in the market area. We attempt to improve our competitive position in each market by extensively researching and seeking to improve our stations' programming, by implementing targeted advertising campaigns aimed at the demographic groups for which our stations program and by managing our sales efforts to attract a larger share of advertising dollars for each station individually. We also seek to improve our competitive position by focusing on building a strong brand identity with a targeted listener base consisting of specific demographic groups in each of our markets, which we believe will allow us to better attract advertisers seeking to reach those listeners.

The success of each of our stations depends largely upon rates it can charge for its advertising, which in turn is affected by the number of local advertising competitors, and the overall demand for advertising within individual markets. These conditions may fluctuate and are highly susceptible to changes in both local markets and more general macroeconomic conditions. Specifically, a radio station's competitive position can be enhanced or negatively impacted by a variety of factors, including the changing of, or another station changing, its format to compete directly for a different demographic of listeners and advertisers or an upgrade of the station's authorized power through the relocation or upgrade of transmission equipment. Another station's decision to convert to a format similar to that of one of our radio stations in the same geographic area, to improve its signal reach through equipment changes or upgrades, or to launch an aggressive promotional campaign may result in lower ratings and advertising revenue for that station. Any adverse change affecting advertising expenditures in a particular market or in the relative market share of our stations located in a particular market could have a material adverse effect on the results of the radio stations located in that market or, possibly, the Company as a whole. There can be no assurance that any one or all of

our stations will be able to maintain or increase advertising revenue market share.

8

Table of Contents

Index to Financial Statements

There are also regulations that impact competition within the radio industry. Under federal laws and FCC rules, a single party can own and operate multiple stations in a local market, subject to certain limitations described below. We believe that companies that form groups of commonly owned stations or joint arrangements, such as LMAs, in a particular market may, in certain circumstances, have lower operating costs and may be able to offer advertisers in those markets more attractive rates and services. Although we currently operate multiple stations in most of our markets and intend to pursue the creation of additional multiple station groups in particular markets, our competitors in certain markets include other parties that own and operate as many or more stations than we do. However, the competitive position of existing radio stations is protected to some extent by certain regulatory barriers to new entrants. The operation of a radio broadcast station requires an FCC license, and the number of radio stations that an entity can operate in a given market is limited under certain FCC rules. The number of radio stations that a party can own in a particular market is dictated largely by whether the station is in a defined "Nielsen Audio Metro" (a designation designed by a private party for use in advertising matters), and, if so, the number of stations included in that Nielsen Audio Metro. In those markets that are not in a Nielsen Audio Metro, the number of stations a party can own in the particular market is dictated by the number of AM and FM signals that together comprise that FCC-defined radio market. These FCC ownership rules may, in some instances, limit the number of stations one or more of our existing competitors can own or operate, or may limit potential new market entrants. However, FCC ownership rules may change in the future to limit any protections they currently provide. We also cannot predict what other matters might be considered in the future by the FCC or Congress, nor can we assess in advance what impact, if any, the implementation of any of these proposals or changes might have on our business. For a discussion of FCC regulation (including recent changes), see "— Federal Regulation of Radio Broadcasting."

Employees

At December 31, 2013, we employed 6,002 people, 4,058 of whom are employed full time. Of these employees, approximately, 235 employees were covered by collective bargaining agreements. We have not experienced any material work stoppages by our employees covered by collective bargaining agreements, and overall, we consider our relations with our employees to be satisfactory.

On occasion, we enter into contracts with various on-air personalities with large loyal audiences in their respective markets to protect our interests in those relationships that we believe to be valuable. The loss of one or more of these personalities could result in a short-term loss of audience share, but we do not believe that any such loss would have a material adverse effect on our financial condition or results of operations, taken as a whole.

Seasonality and Cyclicity

Our operations and revenues tend to be seasonal in nature, with generally lower revenue generated in the first quarter of the year and generally higher revenue generated in the second and fourth quarters of the year. The seasonality of our business reflects the adult orientation of our formats and relationship between advertising purchases on these formats with the retail cycle. This seasonality causes and will likely continue to cause a variation in our quarterly operating results. Such variations could have a material effect on the timing of our cash flows.

In addition, our revenues tend to fluctuate between years, consistent with, among other things, increased advertising expenditures in even-numbered years by political candidates, political parties and special interest groups. This political spending typically is heaviest during the fourth quarter.

Federal Regulation of Radio Broadcasting

General

The ownership, operation and sale of radio broadcast stations, including those licensed to us, is subject to the jurisdiction of the FCC, which acts under authority of the Communications Act of 1934, as amended (the "Communications Act"). The Telecommunications Act of 1996 (the "Telecom Act") amended the Communications Act and directed the FCC to change certain of its broadcast rules. Among its other regulatory responsibilities, the FCC issues permits and licenses to construct and operate radio stations; assigns broadcast frequencies; determines whether to approve changes in ownership or control of station licenses; regulates transmission equipment, operating power, and other technical parameters of stations; adopts and implements regulations and policies that directly or indirectly

affect the ownership, operation and employment practices of stations; regulates the content of some forms of radio broadcast programming; and has the authority under the Communications Act to impose penalties for violations of its rules.

9

Table of Contents

Index to Financial Statements

The following is a brief summary of certain provisions of the Communications Act, the Telecom Act, and related FCC rules and policies (collectively, the “Communications Laws”). This description does not purport to be comprehensive, and reference should be made to the Communications Laws, public notices, and decisions issued by the FCC for further information concerning the nature and extent of federal regulation of radio broadcast stations. Failure to observe the provisions of the Communications Laws can result in the imposition of various sanctions, including monetary forfeitures and the grant of a “short-term” (less than the maximum term) license renewal. For particularly egregious violations, the FCC may deny a station’s license renewal application, revoke a station’s license, or deny applications in which an applicant seeks to acquire additional broadcast properties.

License Grant and Renewal

Radio broadcast licenses are generally granted and renewed for terms of up to eight years at a time. Licenses are renewed by filing an application with the FCC, which is subject to review and approval. The Communications Act expressly provides that a radio station is authorized to continue to operate after the expiration date of its existing license until the FCC acts on a pending renewal application. Petitions to deny license renewal applications may be filed by interested parties, including members of the public. While we are not currently aware of any facts that would prevent the renewal of our licenses to operate our radio stations, there can be no assurance that all of our licenses will be renewed in the future for a full term, or at all.

Service Areas

The area served by AM stations is determined by a combination of frequency, transmitter power, antenna orientation, and soil conductivity. To determine the effective service area of an AM station, the station’s power, operating frequency, antenna patterns and its day/night operating modes are evaluated. The area served by an FM station is determined by a combination of effective radiated power (“ERP”), antenna height and terrain, with stations divided into eight classes according to these technical parameters.

Each class of FM radio station has the right to broadcast with a certain amount of ERP from an antenna located at a certain height above average terrain. The most powerful FM radio stations, which are generally those with the largest geographic reach, are Class C FM stations, which operate with up to the equivalent of 100 kilowatts (“kW”) of ERP at an antenna height of 1,968 feet above average terrain. These stations typically provide service to a large area that covers one or more counties (which may or may not be in the same state). There are also Class C0, C1, C2 and C3 FM radio stations which operate with progressively less power and/or antenna height above average terrain and, thus, less geographic reach. In addition, Class B FM stations operate with the equivalent of up to 50 kW ERP at an antenna height of 492 feet above average terrain. Class B stations can serve large metropolitan areas and their outer suburban areas. Class B1 stations can operate with up to the equivalent of 25 kW ERP at an antenna height of 328 feet above average terrain. Class A FM stations operate with up to the equivalent of 6 kW ERP at an antenna height of 328 feet above average terrain, and often (but not always) serve smaller cities or suburbs of larger cities.

Table of ContentsIndex to Financial Statements

The following table sets forth, as of March 10, 2014, the market, call letters, city of license, frequency and FCC license expiration date of all our owned and/or operated stations, including pending station acquisitions operated under an LMA, and all other announced pending station acquisitions. Stations with a license expiration date prior to March 10, 2014 represent stations for which a renewal application has been timely filed with the FCC and is currently pending before the FCC. The Communications Act expressly provides that a radio station is authorized to continue to operate after the expiration date of its existing license until the FCC acts on a pending renewal application.

Market	Stations	City of License	Frequency	Expiration Date of License	
Abilene, TX	KBCY FM	Tye, TX	99.7	August 1, 2021	
	KCDD FM	Hamlin, TX	103.7	August 1, 2021	
	KHXS FM	Merkel, TX	102.7	August 1, 2021	
	KTLT FM	Anson, TX	98.1	August 1, 2021	
Albany, GA	WALG AM	Albany, GA	1590	April 1, 2020	
	WEGC FM	Sasser, GA	107.7	April 1, 2020	
	WGPC AM	Albany, GA	1450	April 1, 2020	
	WJAD FM	Leesburg, GA	103.5	April 1, 2020	
	WKAK FM	Albany, GA	104.5	April 1, 2020	
	WNUQ FM	Sylvester, GA	102.1	April 1, 2020	
	WQVE FM	Albany, GA	101.7	April 1, 2020	
	Albuquerque, NM	KKOB AM	Albuquerque, NM	770	October 1, 2021
KKOB FM		Albuquerque, NM	93.3	October 1, 2021	
KMGA FM		Albuquerque, NM	99.5	October 1, 2021	
KNML AM		Albuquerque, NM	610	October 1, 2021	
KRST FM		Albuquerque, NM	92.3	October 1, 2021	
KTBL AM		Los Ranchos, NM	1050	October 1, 2021	
KDRF FM		Albuquerque, NM	103.3	October 1, 2021	
KBZU FM		Albuquerque, NM	96.3	October 1, 2012	
Allentown, PA		WCTO FM	Easton, PA	96.1	August 1, 2014
		WLEV FM	Allentown, PA	100.7	August 1, 2014
Amarillo, TX	KARX FM	Claude, TX	95.7	August 1, 2021	
	KPUR AM	Amarillo, TX	1440	August 1, 2021	
	KPUR FM	Canyon, TX	107.1	August 1, 2021	
	KQIZ FM	Amarillo, TX	93.1	August 1, 2021	
	KZRK AM	Canyon, TX	1550	August 1, 2021	
	KNSH FM	Canyon, TX	107.9	August 1, 2021	
Ann Arbor, MI	WLBY AM	Saline, MI	1290	October 1, 2020	
	WQKL FM	Ann Arbor, MI	107.1	October 1, 2020	
	WTKA AM	Ann Arbor, MI	1050	October 1, 2020	
	WWWW FM	Ann Arbor, MI	102.9	October 1, 2020	
Appleton, WI	WNAM AM	Neenah Menasha, WI	1280	December 1, 2020	
	WOSH AM	Oshkosh, WI	1490	December 1, 2020	
	WPKR FM	Omro, WI	99.5	December 1, 2020	
	WVBO FM	Winneconne, WI	103.9	December 1, 2020	
Atlanta, GA	WKHX FM	Marietta, GA	101.5	April 1, 2020	
	WYAY FM	Gainesville, GA	106.7	April 1, 2020	
	WWWQ FM	Atlanta, GA	99.7	April 1, 2020	
	WNNX FM	College Park, GA	100.5	April 1, 2020	
Baton Rouge, LA	KQXL FM	New Roads, LA	106.5	June 1, 2012	

Edgar Filing: CUMULUS MEDIA INC - Form 10-K

WRQQ FM	Hammond, LA	103.3	June 1, 2020
WEMX FM	Kentwood, LA	94.1	June 1, 2020
WIBR AM	Baton Rouge, LA	1300	June 1, 2012
WXOK AM	Port Allen, LA	1460	June 1, 2020

Table of ContentsIndex to Financial Statements

Market	Stations	City of License	Frequency	Expiration Date of License
Beaumont, TX	KAYD FM	Silsbee, TX	101.7	August 1, 2021
	KBED AM	Nederland, TX	1510	August 1, 2021
	KIKR AM	Beaumont, TX	1450	August 1, 2021
	KQXY FM	Beaumont, TX	94.1	August 1, 2021
	KSTB FM	Crystal Beach, TX	101.5	August 1, 2013
	KTCX FM	Beaumont, TX	102.5	August 1, 2021
	Birmingham, AL	WAPI AM	Birmingham, AL	1070
WJOX AM		Birmingham, AL	690	April 1, 2020
WJQX-FM		Helena, AL	100.5	April 1, 2020
WUHT FM		Birmingham, AL	107.7	April 1, 2020
WJOX FM		Birmingham, AL	94.5	April 1, 2020
WZRR FM		Birmingham, AL	99.5	April 1, 2020
Blacksburg, VA		WBRW FM	Blacksburg, VA	105.3
	WFNR AM	Blacksburg, VA	710	October 1, 2019
	WNMX FM	Christiansburg, VA	100.7	October 1, 2019
	WPSK FM	Pulaski, VA	107.1	October 1, 2019
	WRAD AM	Radford, VA	1460	October 1, 2019
	WWBU FM	Radford, VA	101.7	October 1, 2019
	Bloomington, IN	WBNQ FM	Bloomington, IN	101.5
WBWN FM		Le Roy, IN	104.1	December 1, 2020
WJBC AM		Bloomington, IN	1230	December 1, 2020
WJBC FM		Pontiac, IL	93.7	December 1, 2020
Boise, ID	KBOI AM	Boise, ID	670	October 1, 2013
	KIZN FM	Boise, ID	92.3	October 1, 2021
	KKGL FM	Nampa, ID	96.9	October 1, 2021
	KQFC FM	Boise, ID	97.9	October 1, 2021
	KTIK FM	New Plymouth, ID	93.1	October 1, 2021
	KTIK AM	Nampa, ID	1350	October 1, 2021
	Bridgeport, CT	WEBE FM	Westport, CT	107.9
WICC AM		Bridgeport, CT	600	April 1, 2014
Buffalo, NY	WEDG FM	Buffalo, NY	103.3	June 1, 2014
	WGRF FM	Buffalo, NY	96.9	June 1, 2014
	WHLD AM	Niagara Falls, NY	1270	June 1, 2014
	WHTT FM	Buffalo, NY	104.1	June 1, 2014
	WBBF AM	Buffalo, NY	1120	June 1, 2014
	Charleston, SC	WSSX FM	Charleston, SC	95.1
WIWF FM		Charleston, SC	96.9	December 1, 2019
WTMA AM		Charleston, SC	1250	December 1, 2019
WWWZ FM		Summerville, SC	93.3	December 1, 2019
WMGL FM		Ravenel, SC	107.3	December 1, 2019
Chattanooga, TN		WGOW AM	Chattanooga, TN	1150
	WGOW FM	Soddy-Daisy, TN	102.3	August 1, 2020
	WOGT FM	East Ridge, TN	107.9	August 1, 2020
	WSKZ FM	Chattanooga, TN	106.5	August 1, 2020
Chicago, IL	WLS AM	Chicago, IL	890	December 1, 2020
	WLS FM	Chicago, IL	94.7	December 1, 2020

Edgar Filing: CUMULUS MEDIA INC - Form 10-K

Cincinnati, OH	WJEZ FM	Dwight, IL	98.9	December 1, 2020
	WNNF FM	Cincinnati, OH	94.1	October 1, 2020
	WOFX FM	Cincinnati, OH	92.5	October 1, 2020
	WRRM FM	Cincinnati, OH	98.5	October 1, 2020
	WGRR FM	Hamilton, OH	103.5	October 1, 2020
	WFTK FM	Lebanon, OH	96.5	October 1, 2020

12

Table of ContentsIndex to Financial Statements

Market	Stations	City of License	Frequency	Expiration Date of License
Colorado Springs, CO	KKFM FM	Colorado Springs, CO	98.1	April 1, 2021
	KKMG FM	Pueblo, CO	98.9	April 1, 2021
	KKPK FM	Colorado Springs, CO	92.9	April 1, 2021
	KCSF AM	Colorado Springs, CO	1300	April 1, 2021
	KVOR AM	Colorado Springs, CO	740	April 1, 2021
	KATC FM	Colorado Springs, CO	95.1	April 1, 2021
Columbia, MO	KBBM FM	Jefferson City, MO	100.1	February 1, 2021
	KBXR FM	Columbia, MO	102.3	February 1, 2021
	KFRU AM	Columbia, MO	1400	February 1, 2021
	KJMO FM	Linn, Mo	97.5	February 1, 2021
	KLIK AM	Jefferson City, MO	1240	February 1, 2021
	KOQL FM	Ashland, MO	106.1	February 1, 2021
	KPLA FM	Columbia, MO	101.5	February 1, 2021
	KZJF FM	Jefferson City, MO	104.1	February 1, 2021
	KRWP FM	Stockton, MO	107.7	February 1, 2021
	Columbia, SC	WISW AM	Columbia, SC	1320
WLXC FM		Columbia, SC	103.1	December 1, 2019
WNKT FM		Eastover, SC	107.5	December 1, 2019
WOMG FM		Lexington, SC	98.5	December 1, 2019
WTCB FM		Orangeburg, SC	106.7	December 1, 2019
Columbus-Starkville, MS	WJWF AM	Columbus, MS	1400	June 1, 2020
	WKOR FM	Columbus, MS	94.9	June 1, 2020
	WMXU FM	Starkville, MS	106.1	June 1, 2020
	WNMQ FM	Columbus, MS	103.1	June 1, 2020
	WSMS FM	Artesia, MS	99.9	June 1, 2020
	WSSO AM	Starkville, MS	1230	June 1, 2020
Dallas, TX	WBAP AM	Fort Worth, TX	820	August 1, 2013
	KTCK FM	Flower Mound, TX	96.7	August 1, 2021
	KSCS FM	Fort Worth, TX	96.3	August 1, 2013
	KLIF AM	Dallas, TX	570	August 1, 2013
	KPLX FM	Fort Worth, TX	99.5	August 1, 2021
	KLIF FM	Haltom, TX	93.3	August 1, 2013
	KTCK AM	Dallas, TX	1310	August 1, 2013
	KESN FM	Allen, TX	103	August 1, 2021
Des Moines, IA	KBGG AM	Des Moines, IA	1700	February 1, 2021
	KHKI FM	Des Moines, IA	97.3	February 1, 2021
	KGGO FM	Des Moines, IA	94.9	February 1, 2013
	KJJY FM	West Des Moines, IA	92.5	February 1, 2021
	KWQW FM	Boone, IA	98.3	February 1, 2021
Detroit, MI	WJR AM	Detroit, MI	760	October 1, 2020
	WDVD FM	Detroit, MI	96.3	October 1, 2020
	WDRQ FM	Detroit, MI	93.1	October 1, 2020
Erie, PA	WXKC FM	Erie, PA	99.9	August 1, 2014
	WXTA FM	Edinboro, PA	97.9	August 1, 2014
	WRIE AM	Erie, PA	1260	August 1, 2014
	WQHZ FM	Erie, PA	102.3	August 1, 2014

Edgar Filing: CUMULUS MEDIA INC - Form 10-K

Eugene, OR	KEHK FM	Brownsville, OR	102.3	February 1, 2022
	KNRQ FM	Harrisburg, OR	103.7	February 1, 2022
	KSCR AM	Eugene, OR	1320	February 1, 2022
	KUGN AM	Eugene, OR	590	February 1, 2022
	KUJZ FM	Creswell, OR	95.3	February 1, 2022
	KZEL FM	Eugene, OR	96.1	February 1, 2022

13

Table of ContentsIndex to Financial Statements

Market	Stations	City of License	Frequency	Expiration Date of License
Fayetteville, AR	KAMO FM	Rogers, AR	94.3	June 1, 2020
	KFAY AM	Farmington, AR	1030	June 1, 2020
	KQSM FM	Fayetteville, AR	92.1	June 1, 2020
	KMCK FM	Prairie Grove, AR	105.7	June 1, 2020
	KKEG FM	Bentonville, AR	98.3	June 1, 2020
	KYNG AM	Springdale, AR	1590	June 1, 2020
	KRMW FM	Cedarville, AR	94.9	June 1, 2020
Fayetteville, NC	WFNC AM	Fayetteville, NC	640	December 1, 2019
	WMGU FM	Southern Pines, NC	106.9	December 1, 2019
	WQSM FM	Fayetteville, NC	98.1	December 1, 2019
	WRCQ FM	Dunn, NC	103.5	December 1, 2019
Flint, MI	WDZZ FM	Flint, MI	92.7	October 1, 2020
	WWCK AM	Flint, MI	1570	October 1, 2020
	WWCK FM	Flint, MI	105.5	October 1, 2020
	WFBE FM	Flint, MI	95.1	October 1, 2020
	WTRX AM	Flint, MI	1330	October 1, 2020
	WBZF FM	Hartsville, SC	98.5	December 1, 2019
Florence, SC	WCMG FM	Latta, SC	94.3	December 1, 2019
	WHLZ FM	Marion, SC	100.5	December 1, 2019
	WMXT FM	Pamplico, SC	102.1	December 1, 2019
	WWFN FM	Lake City, SC	100.1	December 1, 2019
	WYMB AM	Manning, SC	920	December 1, 2019
	WYNN AM	Florence, SC	540	December 1, 2019
	WYNN FM	Florence, SC	106.3	December 1, 2019
	Fort Smith, AR	KBBQ FM	Van Buren, AR	102.7
	KLSZ FM	Fort Smith, AR	100.7	June 1, 2020
	KRUZ AM	Van Buren, AR	1060	June 1, 2012
	KOMS FM	Poteau, OK	107.3	June 1, 2021
Fort Walton Beach, FL	WFTW AM	Ft Walton Beach, FL	1260	February 1, 2020
	WKSM FM	Ft Walton Beach, FL	99.5	February 1, 2020
	WNCV FM	Shalimar, FL	93.3	February 1, 2020
	WYZB FM	Mary Esther, FL	105.5	February 1, 2020
	WZNS FM	Ft Walton Beach, FL	96.5	February 1, 2020
Fresno, CA	KSKS AM	Fresno, CA	93.7	December 1, 2021
	KMJ FM	Fresno, CA	105.9	December 1, 2021
	KMJ AM	Fresno, CA	580.0	December 1, 2021
	KMGV FM	Fresno, CA	97.9	December 1, 2021
	KWYE FM	Fresno, CA	101.1	December 1, 2021
	Grand Rapids, MI	WJRW AM	Grand Rapids, MI	1340
WTNR FM		Holland, MI	94.5	October 1, 2020
WLAV FM		Grand Rapids, MI	96.9	October 1, 2020
WBBL FM		Greenville, MI	107.3	October 1, 2020
WHTS FM		Coopersville, MI	105.3	October 1, 2020
Green Bay, WI	WDUZ AM	Green Bay, WI	1400	December 1, 2020
	WDUZ FM	Brillion, WI	107.5	December 1, 2020
	WKRU FM	Allouez, WI	106.7	December 1, 2020

Edgar Filing: CUMULUS MEDIA INC - Form 10-K

	WOGB FM	Reedsville, WI	103.1	December 1, 2020
	WPCK FM	Denmark, WI	104.9	December 1, 2020
	WQLH FM	Green Bay, WI	98.5	December 1, 2020
Harrisburg, PA	WHGB AM	Harrisburg, PA	1400	August 1, 2014
	WNNK FM	Harrisburg, PA	104.1	August 1, 2014
	WWKL FM	Mechanicsburg, PA	93.5	August 1, 2014
	WZCY FM	Hershey, PA	106.7	August 1, 2014
	WQXA FM	York, PA	105.7	August 1, 2014
Houston, TX	KRBE FM	Houston, TX	104.1	August 1, 2013

Table of Contents

Index to Financial Statements

Market	Stations	City of License	Frequency	Expiration Date of License
--------	----------	-----------------	-----------	-------------------------------