

CUMULUS MEDIA INC  
Form DEF 14A  
October 17, 2008

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
SCHEDULE 14A  
PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12

**CUMULUS MEDIA INC.**

(Name of Registrant as Specified In Its Charter)

N/A

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

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1) Amount Previously Paid:

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3) Filing Party:

4) Date Filed:

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**Table of Contents**

**Cumulus Media Inc.**

**Annual Meeting of Stockholders  
November 19, 2008**

**Notice of Meeting and Proxy Statement**

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Table of Contents

**CUMULUS MEDIA INC.  
3280 Peachtree Road, N.W.  
Suite 2300  
Atlanta, Georgia 30305**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS  
To Be Held On November 19, 2008**

To the Stockholders of Cumulus Media Inc.:

The 2008 Annual Meeting of Stockholders of Cumulus Media Inc., a Delaware corporation, sometimes referred to as the Company, we or us, will be held at 3280 Peachtree Road, N.W., Atlanta, Georgia 30305, in the Boardroom located on the 23<sup>rd</sup> floor, on November 19, 2008 at 9:00 a.m., local time, for the following purposes:

- (1) to reelect Lewis W. Dickey, Jr. as the Class III director;
- (2) to amend the Company's Amended and Restated Certificate of Incorporation, as amended, to provide for the annual election of all members of the Board of Directors;
- (3) to approve the Company's 2008 Equity Incentive Plan;
- (4) to ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors for 2008; and
- (5) to transact such other business as may properly come before the annual meeting or any postponement or adjournment thereof.

Only holders of record of shares of our Class A Common Stock or our Class C Common Stock at the close of business on October 10, 2008, are entitled to notice of, and to vote at, the annual meeting or any postponement or adjournment thereof. A list of such stockholders will be open for examination by any stockholder at the time and place of the meeting.

**Holders of a majority of the outstanding shares of our Class A Common Stock and our Class C Common Stock must be present in person or by proxy in order for the meeting to be held. Therefore, we urge you to date, sign and return the accompanying proxy card in the enclosed envelope whether or not you expect to attend the annual meeting in person. If you attend the meeting and wish to vote your shares personally, you may do so by validly revoking your proxy at any time prior to the voting thereof.**

Lewis W. Dickey, Jr.  
*Chairman, President and Chief Executive Officer*

October 17, 2008

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**TABLE OF CONTENTS**

<u>General Matters</u>	1
<u>Proposals You May Vote On</u>	2
<u>1. Election of the Class III Director</u>	2
<u>2. Amendment of the Certificate of Incorporation to Provide for the Annual Election of All Members of the Board of Directors</u>	2
<u>3. Approval of the 2008 Equity Incentive Program</u>	3
<u>4. Ratification of the Appointment of PricewaterhouseCoopers LLP as Independent Auditors</u>	9
<u>Information about the Board of Directors</u>	11
<u>Members of the Board of Directors</u>	13
<u>Stockholder Communication with the Board of Directors</u>	14
<u>Security Ownership of Certain Beneficial Owners and Management</u>	14
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	16
<u>Executive Compensation</u>	17
<u>Audit Committee Report</u>	32
<u>Certain Relationships and Related Transactions</u>	33
<u>Code of Ethics</u>	33
<u>Submission of Stockholder Proposals</u>	34

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**Table of Contents**

**CUMULUS MEDIA INC.  
3280 Peachtree Road, N.W.  
Suite 2300  
Atlanta, Georgia 30305**

**October 17, 2008**

**PROXY STATEMENT**

**GENERAL MATTERS**

**Date, Time and Place for the Annual Meeting**

We are furnishing this proxy statement to the holders of our Class A Common Stock and our Class C Common Stock in connection with the solicitation of proxies by our Board of Directors for the annual meeting of stockholders to be held on Wednesday, November 19, 2008, at 9:00 a.m., local time, at 3280 Peachtree Road, N.W., Atlanta, Georgia 30305, in the Boardroom located on the 23<sup>rd</sup> floor, or any adjournment or postponement of that meeting. This proxy statement and the accompanying proxy card are being sent to our stockholders commencing on or about October 17, 2008.

**Record Date; Quorum; Outstanding Common Stock Entitled to Vote**

All holders of record of our Class A Common Stock and our Class C Common Stock at the close of business on October 10, 2008, referred to as the record date, are entitled to notice of, and to vote at, the annual meeting. The presence, in person or by proxy, of holders of a majority of the voting power represented by outstanding shares of our Class A Common Stock and our Class C Common Stock, voting together as a single class, is required to constitute a quorum for the transaction of business. Abstentions and broker non-votes (*i.e.*, proxies from brokers or nominees indicating that such persons have not received instructions from the beneficial owners or other persons entitled to vote shares as to a matter with respect to which brokers or nominees do not have discretionary power to vote) will be treated as present for purposes of determining a quorum. A list of stockholders of record will be available for examination at the annual meeting. As of the record date, there were 36,035,749 shares of our Class A Common Stock outstanding and 644,871 shares of our Class C Common Stock outstanding.

**Voting Rights; Vote Required for Approval**

Holders of our Class A Common Stock are entitled to one vote for each share of Class A Common Stock held as of the record date. Holders of our Class C Common Stock are entitled to ten votes for each share of Class C Common Stock held as of the record date. Holders of shares of our Class A Common Stock and our Class C Common Stock will vote together as a single class on the matters to be voted upon at the annual meeting. The Class III Director will be selected by a plurality of the votes cast and, as a result, abstentions, withheld votes and broker non-votes will have no effect on the outcome of the election of the Class III Director. The affirmative vote of a majority of the votes cast at the annual meeting is required to approve the amendment of the certificate of incorporation, to approve the 2008 Equity Incentive Plan, and to ratify the appointment of our independent auditors for 2008. Abstentions, which will be counted for purposes of determining shares present and entitled to vote at the meeting, will have the effect of votes against the proposals to approve the amendment of our certificate of incorporation, to approve the 2008 Equity Incentive Plan, and to ratify the appointment of independent auditors.

**Voting and Revocation of Proxies**

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A proxy card for you to use in voting accompanies this proxy statement. Subject to the following sentence, all properly executed proxies that are received prior to, or at, the annual meeting and not revoked will be voted in the manner specified. If you execute and return a proxy card, and do not specify otherwise, the shares represented by your proxy will be voted **FOR** the election of the individual nominated to serve as the Class III Director, **FOR** the amendment of the Amended and Restated Certification of Incorporation, **FOR**

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## **Table of Contents**

approval of the Company's 2008 Equity Incentive Plan, and **FOR** ratification of the appointment of PricewaterhouseCoopers LLP.

If you have given a proxy pursuant to this solicitation, you may nonetheless revoke it by attending the annual meeting and voting in person. In addition, you may revoke any proxy you give at any time before the annual meeting by delivering a written statement revoking the proxy, or by delivering a duly executed proxy bearing a later date, to Richard S. Denning, Corporate Secretary, at our principal executive offices, 3280 Peachtree Road, N.W., Suite 2300, Atlanta, Georgia 30305, so that it is received prior to the annual meeting, or at the annual meeting itself. If you have executed and delivered a proxy to us, your attendance at the annual meeting will not, by itself, constitute a revocation of your proxy.

## **Solicitation of Proxies**

We will bear the cost of the solicitation of proxies. We will solicit proxies initially by mail. Further solicitation may be made by our directors, officers and employees personally, by telephone, facsimile, e-mail or otherwise, but they will not be compensated specifically for these services. Upon request, we will reimburse brokers, dealers, banks or similar entities acting as nominees for their reasonable expenses incurred in forwarding copies of the proxy materials to the beneficial owners of the shares of common stock they hold of record.

## **Other Matters**

Except for the votes on the proposals described in this proxy statement, no other matter is expected to come before the annual meeting. If any other business properly comes before the annual meeting, the persons named in the proxy will vote in their discretion to the extent permitted by law.

## **PROPOSALS YOU MAY VOTE ON**

### **1. Election of the Class III Director**

Our Board of Directors is currently comprised of five members. Pursuant to our certificate of incorporation, the Board is divided into three classes, with the terms of office of the respective classes ending in successive years. One director is currently in the class for which the term of office expires at the annual meeting.

The Class III Director, Lewis W. Dickey, Jr., has been nominated for reelection by our Board, upon the recommendation of a majority of our independent directors. Accordingly, our Board urges you to vote **FOR** the reelection of that nominee for Class III Director. The Class III Director will serve until the 2011 annual meeting of stockholders or until he is succeeded by another qualified director who has been elected. No other class of directors has a term that expires this year.

Detailed information about Mr. L. Dickey is provided in "Members of the Board of Directors" elsewhere in this proxy statement. Our Board has no reason to believe that the nominee will be unable to serve as director. If for any reason the nominee becomes unable to serve, the persons named in the proxy will vote for the election of such other person as our Board may recommend.

**Your Board recommends a vote FOR the reelection of the nominee for Class III Director.**

### **2. Amendment of the Certificate of Incorporation to Provide for the Annual Election of All Members of the Board of Directors**

Our Board of Directors is seeking your approval to amend our Amended and Restated Certificate of Incorporation, referred to as our certificate of incorporation, to provide for the annual election of all members of the Board of Directors. Our certificate of incorporation currently provides that our Board is divided into three classes, with the terms of office of the respective classes ending in successive years.

## **Table of Contents**

At our 2007 annual meeting of stockholders, our stockholders approved a stockholder proposal requesting that the Board consider eliminating the three classes of directors and replacing the classified board structure with annual elections of all directors. In connection with that proposal being presented to our stockholders for their consideration at the 2007 annual meeting, our Board stated that if the stockholders approved that proposal, then the Board would consider recommending that stockholders approve, at our 2008 annual meeting, an amendment to our certificate of incorporation to eliminate the classified board structure. Accordingly, after consideration of the various arguments for and against a classified board structure, the Board determined to propose eliminating such a structure.

Approval of the proposed amendment would eliminate the classes of directors and the current practice of three-year terms for directors. If our stockholders approve the proposed amendment, directors who have been elected to three-year terms prior to the effectiveness of the amendment (including directors elected at the 2008 annual meeting) will complete those terms. Beginning with the 2009 annual meeting, at that meeting and at the 2010 annual meeting directors whose previous terms expire will be subject to election for a one-year term expiring at the next annual meeting. Thus, beginning with the 2011 annual meeting, the entire Board will be elected annually.

The proposed amendment would delete in their entirety the first four sentences of Article XIII of our current certificate of incorporation, and insert the following in their place:

At the 2009 annual meeting of stockholders, the Directors whose terms expire at that meeting (or such directors successors) shall be elected to hold office for a one-year term expiring at the 2010 annual meeting of stockholders. At the 2010 annual meeting of stockholders, the directors whose terms expire at that meeting (or such directors successors) shall be elected to hold office for a one-year term expiring at the 2011 annual meeting of stockholders. At the 2011 annual meeting of stockholders, and each annual meeting of stockholders thereafter, all directors shall be elected to hold office for a one-year term expiring at the next annual meeting of stockholders. Directors may be re-elected any number of times. Each Director shall hold office until the election and qualification of his or her successor.

Our Board has considered the merits of the classified board structure, taking into account a variety of perspectives. The Board recognizes that a classified structure may offer several advantages, such as promoting continuity and stability, encouraging directors to take a long-term point-of-view, and reducing a company's vulnerability to coercive takeover tactics. The Board also recognizes, however, that a classified structure may appear to reduce directors' accountability to shareholders, since such a structure does not enable stockholders to express a view on each director's performance by means of an annual vote.

If the proposed amendment is adopted, it would become effective upon filing of the amendment with the Secretary of State of the State of Delaware, which we currently anticipate would occur as soon as practicable following the annual meeting.

**Your Board recommends a vote FOR the amendment to our certificate of incorporation to provide for the annual election of all members of the Board of Directors.**

### **3. Approval of the 2008 Equity Incentive Plan**

The Board of Directors approved the 2008 Equity Incentive Plan, referred to as the 2008 Plan, on September 26, 2008, subject to approval by our stockholders, and urges you to vote **FOR** approval of the 2008 Plan. The general purpose of the 2008 Plan is to attract and retain non-employee directors, officers, key employees and consultants for us and our subsidiaries by providing such persons with incentives and rewards for superior performance.

Another fundamental purpose of the 2008 Plan is to provide us with the flexibility to undertake an exchange offer under which we would be able to restructure our existing incentive program by offering eligible employees, officers and directors a one-time opportunity to exchange eligible options issued and outstanding under our existing equity incentive plans for a combination of restricted shares and replacement stock options

## **Table of Contents**

to be issued under the 2008 Plan. We currently envision that such an exchange offer, referred to herein as a One-Time Exchange Offer, would be designed to accomplish a number of important corporate objectives. First, by reintroducing vesting restrictions on restricted shares and replacement stock options, where today the vast majority of outstanding options are fully vested, we would expect to significantly improve the retention effects of our long-term incentives to ensure the continuity of our employees. Second, by providing long-term incentives in the form of both restricted shares and replacement stock options, we would hope to reinforce the ownership culture among our employees and more closely align employees' interests with those of our stockholders. Finally, our intention would be, upon completion of such a One-Time Exchange Offer, to terminate all remaining share availability under our currently existing equity incentive plans, and not make any further awards thereunder. As a result, we would expect that such a One-Time Exchange Offer would significantly reduce overhang and decrease the potential dilution that could result from the exercise of currently outstanding or future awards of equity incentive grants.

Currently, the shares issuable upon exercise of all of our outstanding stock options plus the aggregate number of shares remaining available for awards under our current equity incentive plans represent approximately 23.0% of the total number of shares of Class A, Class B and Class C Common Stock outstanding, on a fully diluted basis. While the specific terms of such a One-Time Exchange Offer have not yet been determined, our objective would be to structure a One-Time Exchange Offer in such a manner that, after its completion and assuming all shares issuable under the 2008 Plan are also awarded, the overall overhang and potential dilution associated with our equity incentive plans would be reduced to approximately 10.0% of the total number of shares of Class A, Class B and Class C Common Stock currently outstanding, on a fully diluted basis. We believe that the ability to reduce the overall potential dilution and overhang in that manner is in the best interests of the Company.

We envision that in undertaking a One-Time Exchange Offer, only holders of outstanding options issued after December 31, 1999 would be eligible to participate. Prior to commencement of such a One-Time Exchange Offer, all eligible options would be valued using a Black-Scholes methodology, and participants who tender their eligible options would receive a package of restricted shares and replacement options such that, assuming full participation, an aggregate of approximately 6,000,000 eligible options would, based on estimated valuations, be exchanged for an aggregate pool of awards comprised of approximately 300,000 restricted shares and 1,000,000 replacement options.

We anticipate that any One-Time Exchange Offer under the 2008 Plan would be open to our named executive officers and non-employee directors, as well as all other employees holding eligible options. As of September 30, 2008, our named executive officers and non-employee directors held options to purchase approximately 4,900,000 shares, or 82% of the shares underlying the options that we anticipate would be eligible for exchange, of which Lewis W. Dickey, Jr., our Chairman, President and Chief Executive Officer, held options to purchase 1,350,000 shares, which represents 22.5% of the shares underlying the projected eligible options. We expect that our named executive officers and directors, including Mr. L. Dickey, would likely participate in a One-Time Exchange Offer and would receive their pro rata share of new equity awards that would be exchanged for outstanding eligible options.

## **The 2008 Plan**

The following summary of the material features of the 2008 Plan is qualified in its entirety by the terms of the 2008 Plan, a copy of which is set forth as *Exhibit A* to this proxy statement.

## ***Plan Highlights***

The 2008 Plan authorizes our Board, or its independent Compensation Committee, to provide equity-based compensation in the form of stock options, SARs, restricted stock, RSUs, performance shares and units, and other stock-based awards for the purpose of providing our directors, officers and employees incentives and rewards for superior performance. Some of the key features of the 2008 Plan that reflect our commitment to effective management

of incentive compensation are set forth below.

**Table of Contents**

*Plan Limits.* Total awards under the 2008 Plan are limited to 4,000,000 shares, of which not more than 3,000,000 may be issued pursuant to incentive stock options and not more than 500,000 may be granted to non-employee directors. The 2008 Plan also limits the aggregate number of stock options and SARs that may be granted to any one participant in a calendar year to 500,000 and the aggregate number of restricted shares, RSUs, or performance shares, that are intended to be qualified performance-based compensation under Section 162(m) of the Internal Revenue Code, or other equity-based awards under Section 10 of the 2008 Plan, that may be granted to any one participant in a calendar year to 400,000. And, under the 2008 Plan, no participant will receive an award of performance units intended to be qualified performance-based compensation under Section 162(m) of the Internal Revenue Code in any calendar year having a value in excess of \$3,000,000.

*No Liberal Recycling Provisions.* The 2008 Plan provides that only shares covering awards that expire or are forfeited or cancelled, or shares that were covered by an award the benefit of which is paid in cash instead of shares, will again be available for issuance under the 2008 Plan. The following shares will not be added back to the aggregate plan limit: (1) shares tendered in payment of the option price; (2) shares withheld by us to satisfy the tax withholding obligation; and (3) shares that are repurchased by us with option right proceeds. Further, all shares covered by a SAR, to the extent that it is exercised and settled in shares, and whether or not shares are actually issued to the participant upon exercise of the right, shall be considered issued or transferred pursuant to the 2008 Plan.

*Minimum Vesting Periods.* The 2008 Plan provides that:

Stock options and SARs may not vest by the passage of time sooner than one-third per year over three years unless they vest sooner by virtue of retirement, death or disability of a participant or a change of control;

Restricted stock and RSUs may not become unrestricted by the passage of time sooner than one-third per year over three years unless restrictions lapse sooner by virtue of retirement, death or disability of a participant or a change of control;

The period of time within which performance objectives relating to performance shares and performance units must be achieved will be a minimum of one year, subject to earlier lapse or modification by virtue of retirement, death or disability of a participant or a change of control; and

Stock options, SARs, restricted stock and RSUs that vest upon the achievement of performance objectives cannot vest sooner than one year from the date of grant, but may be subject to earlier lapse or modification by virtue of retirement, death or disability of a participant or a change of control.

*No Repricing.* Except for the contemplated One-Time Exchange Offer described above, repricing of options and SARs is prohibited without stockholder approval under the 2008 Plan.

*Other Features.*

The 2008 Plan also provides that no stock options or SARs will be granted with an exercise or base price less than the fair market value of our common stock on the date of grant.

The 2008 Plan is designed to allow awards made under the 2008 Plan to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code.

It is intended that our Board will delegate to the Compensation Committee of the Board (consisting of only independent directors) administration of the 2008 Plan if approved. Pursuant to such delegation, the Compensation Committee will have all of the powers and authority of the Board as described herein.

In addition to providing for these key features, we believe that the 2008 Plan, including a potential One-Time Exchange Offer (which would be contemplated to involve an offer to exchange outstanding options issued under our existing plans for a combination of a lesser number of restricted shares and replacement stock options under the 2008 Plan), illustrates our commitment to appropriately managing equity-based compensation. If the 2008 Plan is approved and such a One-Time Exchange Offer is completed, we expect that the



## **Table of Contents**

potential dilution associated with our equity incentive plans will be reduced from approximately 23.0% to 10.3% of the total number of shares of Class A, Class B and Class C Common Stock currently outstanding.

### ***Shares Available under the 2008 Plan***

The aggregate number of shares of Class A Common Stock subject to awards that may be granted under the 2008 Plan is 4,000,000, of which not more than 3,000,000 may be issued pursuant to incentive stock options and not more than 500,000 may be granted to non-employee directors. The 2008 Plan also limits the aggregate number of stock options and SARs that may be granted to any one participant in a calendar year to 500,000 and the aggregate number of restricted shares, RSUs, or performance shares, that are intended to be qualified performance-based compensation under Section 162(m) of the Internal Revenue Code, or other equity-based awards under Section 10 of the 2008 Plan, that may be granted to any one participant in a calendar year to 400,000. And, under the 2008 Plan, no participant will receive an award of performance units intended to be qualified performance-based compensation under Section 162(m) of the Internal Revenue Code in any calendar year having a value in excess of \$3,000,000.

### ***2008 Plan Participants***

Under the 2008 Plan, current and prospective officers, employees, non-employee directors and consultants of the Company and its subsidiaries are eligible to participate, provided that such persons are selected by the Board to receive benefits under the 2008 Plan.

As of September 22, 2008, approximately 50 corporate-level officers and employees and non-employee directors and approximately 400 market-level officers and employees were eligible to participate in the 2008 Plan. The benefits or amounts that will be received by or allocated to the participants cannot be determined at this time, nor can the benefits or amounts that would have been received by or allocated to the participants if the 2008 Plan had been in effect for the last completed fiscal year. However, pursuant to Mr. L. Dickey's employment agreement, he will receive annual awards of 160,000 time-vested restricted shares and 160,000 performance-based restricted shares for each year during the remainder of the term of his employment agreement. These awards are expected to be awarded from the 2008 Plan.

### ***Type of Awards Under the 2008 Plan***

The 2008 Plan permits the Board to grant nonqualified stock options and ISOs, or combinations thereof. ISOs may only be granted to participants in the 2008 Plan who meet the definition of employees under Federal tax law. No option grant may be exercisable more than ten years from the date of the grant. The exercise price of an option awarded under the 2008 Plan may not be less than the closing price of the Class A Common Stock on the date of grant. Options will be exercisable during the period specified in each award agreement and will be exercisable in installments pursuant to a Board-designated vesting schedule, provided that awards may not vest sooner than one-third per year over three years. The Board may also provide for acceleration of options awarded in the event of retirement, death or disability of the grantee, or a change of control, as defined by the 2008 Plan.

The 2008 Plan also permits the Board to grant stock appreciation rights, or SARs. A SAR is a right, exercisable by surrender of the related option right (if granted in tandem with option rights) or by itself (if granted as a free-standing SAR), to receive from us an amount equal to 100%, or such lesser percentage as the Board may determine, of the spread between the base price (or option price if a tandem SAR) and the value of our Class A Common Stock on the date of exercise. Any grant may specify that the amount payable on exercise of a SAR may be paid by us in cash, in shares, or in any combination thereof, and may either grant to the participant or retain in the Board the right to elect among those alternatives. SARs may not vest by the passage of time sooner than one-third per year over three years, provided that any grant may specify that such SAR may be exercised only in the event of, or earlier in the event of, the

retirement, death or disability of the grantee, or a change of control. Any grant of SARs may specify performance objectives that must be achieved as a condition to exercise such rights. If the SARs provide that performance objectives must be achieved prior

**Table of Contents**

to exercise, such SARs may not become exercisable sooner than one year from the date of grant except in the event of the retirement, death or disability of the grantee, or a change of control.

The Board may also authorize the grant or sale of restricted stock to participants. Each such grant will constitute an immediate transfer of the ownership of the restricted shares to the participant, entitling the participant to voting, dividend and other ownership rights, but subject to substantial risk of forfeiture for a period of not less than two years (to be determined by the Board at the time of the grant) and restrictions on transfer (to be determined by the Board at the time of the grant). Any grant of restricted stock may specify performance objectives that, if achieved, will result in termination or early termination of the restrictions applicable to such shares. If the grant of restricted stock provides that performance objectives must be achieved to result in a lapse of restrictions, the restrictions cannot lapse sooner than one year from the date of grant, but may be subject to earlier lapse or modification by virtue of the retirement, death or disability of the grantee or a change of control. The Board may also provide for the elimination of restrictions in the event of retirement, death or disability of the grantee, or a change of control.

Additionally, the 2008 Plan permits the Board to grant restricted stock units, or RSUs. A grant of RSUs constitutes an agreement by us to deliver shares of Class A Common Stock to the participant in the future in consideration of the performance of services, but subject to the fulfillment of such conditions during the restriction period as the Board may specify. During the restriction period, the participant has no right to transfer any rights under his or her award and no right to vote such RSUs, but the Board may, at the date of grant, authorize the payment of dividend equivalents on such RSUs on either a current, deferred or contingent basis, either in cash or in additional common shares. Awards of RSUs may be made without additional consideration or in consideration of a payment by such participant that is less than the market value per share at the date of grant. RSUs must be subject to a restriction period of at least three years, except that the restriction period may expire ratably during the three-year period, on an annual basis, as determined by the Board at the date of grant. Additionally, the Board may provide for a shorter restriction period in the event of the retirement, death or disability of the grantee, or a change of control. Any grant of RSUs may specify performance objectives that, if achieved, will result in termination or early termination of the restriction period applicable to such shares. If the grant of RSUs provides that performance objectives must be achieved to result in a lapse of the restriction period, the restriction period cannot lapse sooner than one year from the date of grant, but may be subject to earlier lapse or modification by virtue of the retirement, death or disability of the grantee or a change of control.

Finally, the 2008 Plan permits the Board to issue performance shares and performance units. A performance share is the equivalent of one share of Class A Common Stock and a performance unit is the equivalent of \$1.00 or such other value as determined by the Board. A participant may be granted any number of performance shares or performance units, subject to the limitations set forth under *Shares Available Under the 2008 Plan* above. The participant will be given one or more performance objectives to meet within a specified period. The specified period will be a period of time not less than one year, except in the case of the retirement, death or disability of the grantee, or a change of control, if the Board shall so determine. Each grant of performance shares or performance units may specify in respect of the relevant performance objective(s) a level or levels of achievement and will set forth a formula for determining the number of performance shares or performance units that will be earned if performance is at or above the minimum or threshold level or levels, or is at or above the target level or levels, but falls short of maximum achievement of the specified performance objective(s). To the extent earned, the performance shares or performance units will be paid to the participant at the time and in the manner determined by the Board. Any grant may specify that the amount payable with respect thereto may be paid by us in cash, shares or any combination thereof and may either grant to the participant or retain in the Board the right to elect among those alternatives. The grant may provide for the payment of dividend equivalents thereon in cash or in common shares on a current, deferred or contingent basis.

Awards under the 2008 Plan will be evidenced by an evidence of award containing such terms and provisions, consistent with the 2008 Plan, as the Board may approve. No grant (of any type) may be awarded under the 2008 Plan more than ten years after the date the 2008 Plan is first approved by our stockholders.



**Table of Contents*****Administration of the 2008 Plan***

The 2008 Plan will be administered by the Board, which may from time to time delegate all or any part of its authority under the 2008 Plan to the Compensation Committee of the Board. The interpretation and construction by the Board of any provision of the 2008 Plan and any determination of the Board pursuant to any provision of the Plan will be final and conclusive.

The Board may at any time amend the 2008 Plan, provided, however, that any amendment that must be approved by our stockholders in order to comply with applicable law or the listing qualifications of the NASDAQ Global Select Market will not be effective until such approval has been obtained.

**Equity Compensation Plan Information**

The following table sets forth, as of December 31, 2007, the number of securities outstanding under our existing equity compensation plans, the weighted average exercise price of such securities and the number of securities available for grant under these plans:

<b>Plan Category</b>	<b>Number of Shares to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)</b>	<b>Number of Shares</b>
			<b>Remaining Available for Future Issuance Under Equity Compensation Plans (excluding column(a)) (c)</b>
Equity Compensation Plans Approved by Stockholders	7,262,812	\$ 15.14	3,494,437
Equity Compensation Plans Not Approved by Stockholders	1,415,848	\$ 15.21	556,401
<b>Total</b>	<b>8,678,660</b>		<b>4,050,838</b>

The only existing equity compensation plan not approved by our stockholders is the 2002 Stock Incentive Plan. The Board adopted the 2002 Stock Incentive Plan on March 1, 2002. The purpose of the 2002 Stock Incentive Plan is to attract and retain certain selected officers, key employees, non-employee directors and consultants whose skills and talents are important to the Company's operations and reward them for making major contributions to the success of the Company. There is an aggregate of 2,000,000 shares of Class A Common Stock subject to the 2002 Stock Incentive Plan, all of which may be granted as incentive stock options. In addition, no one person may receive options for more than 500,000 shares of Class A Common Stock in any one calendar year.

The 2002 Stock Incentive Plan permits the Company to grant nonqualified stock options and ISOs. No options may be granted under the 2002 Stock Incentive Plan after May 3, 2012.

The Compensation Committee administers the 2002 Stock Incentive Plan. The Compensation Committee has full and exclusive power to interpret the 2002 Stock Incentive Plan and to adopt rules, regulations and guidelines for carrying out the 2002 Stock Incentive Plan as it may deem necessary or proper.

Under the 2002 Stock Incentive Plan, current and prospective employees, non-employee directors, consultants or other persons who provide services to the Company are eligible to participate. As of December 31, 2007, there were outstanding options to purchase a total of 1,415,848 shares of Class A Common Stock at exercise prices ranging from \$14.03 to \$19.38 per share under the 2002 Stock Incentive Plan. These options generally vest quarterly over four years, with the possible acceleration of vesting for some options if certain performance criteria are met. In addition, all options vest upon a change of control as more fully described in the 2002 Stock Incentive Plan.

**Your Board recommends a vote FOR approval of the 2008 Plan.**

**Table of Contents**

**4. Ratification of the Appointment of PricewaterhouseCoopers LLP as Independent Auditors**

The Audit Committee of the Board of Directors is required by law and applicable listing standards of the NASDAQ Global Select Market to be directly responsible for the appointment, compensation, and retention of our independent auditors.

On June 17, 2008, following an extensive review and request-for-proposal process, the Audit Committee determined not to renew its engagement of KPMG LLP as the Company's independent auditors and dismissed them as the Company's independent auditors. The Company appointed PricewaterhouseCoopers LLP as the Company's independent auditors for the fiscal year ending December 31, 2008, commencing June 17, 2008.

KPMG LLP's audit reports on the Company's consolidated financial statements as of and for the years ended December 31, 2007 and 2006 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles, except as follows:

KPMG LLP's report on the Company's consolidated financial statements as of and for the year ended December 31, 2006 contained a separate paragraph stating that "As discussed in Note 1 to the consolidated financial statements effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, *Share Based Payment*." KPMG LLP's report on the Company's consolidated financial statements as of and for the year ended December 31, 2007 contained separate paragraphs stating that "As discussed in Note 1 to the consolidated financial statements, effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123R, *Share Based Payment*." and "As discussed in Note 1 to the consolidated financial statements, effective January 1, 2007, the Company adopted the Financial Accounting Standards Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109*."

KPMG LLP's reports on management's assessment of the effectiveness of internal control over financial reporting and the effectiveness of internal control over financial reporting as of December 31, 2007 and 2006 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles, except that KPMG LLP's 2006 report indicates that the Company did not maintain effective internal control over financial reporting as of December 31, 2006 because of the effect of a material weakness, as further described below.

During the two most recent fiscal years ended December 31, 2007, and through June 23, 2008, there were no: (1) disagreements with KPMG LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to KPMG LLP's satisfaction, would have caused KPMG LLP to make reference to the subject matter of the disagreement(s) in connection with its reports, or (2) reportable events as defined in Regulation S-K, Item 304(a)(1)(v); except that in the Company's annual report on Form 10-K for the year ended December 31, 2006, management concluded in its report, and KPMG LLP concurred, that the Company's internal control over financial reporting as of December 31, 2006 was not effective as a result of a material weakness (at that time, management concluded that the Company did not maintain sufficient, adequately trained personnel in its corporate accounting function). The Company has authorized KPMG LLP to respond fully to any inquiries from PricewaterhouseCoopers LLP regarding this matter.

KPMG LLP was provided with a copy of the above disclosures and was requested to furnish a letter addressed to the Securities and Exchange Commission stating whether it agrees with the above statements. A letter from KPMG LLP confirming such agreement was attached as Exhibit 16.1 to our current report on Form 8-K filed with the Securities

and Exchange Commission on June 23, 2008.

During the Company's two most recent fiscal years ended December 31, 2007 and through June 23, 2008, the Company did not consult with PricewaterhouseCoopers LLP regarding any of the matters or events set forth in Item 304(a)(2)(i) and (ii) of Regulation S-K.

The Audit Committee has selected PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2008, and urges you to vote **FOR** ratification of the appointment. PricewaterhouseCoopers LLP has served as our independent auditors since June 17, 2008. While stockholder ratification of



**Table of Contents**

the selection of PricewaterhouseCoopers LLP as our independent auditors is not required by our bylaws or otherwise, our Board is submitting the selection of PricewaterhouseCoopers LLP to our stockholders for ratification. If our stockholders fail to ratify the selection, the Audit Committee may, but is not required to, reconsider whether to retain that firm. Even if the selection is ratified, the Audit Committee in its discretion may direct the appointment of a different independent auditing firm at any time during the year if it determines that such a change would be in the best interests of us and our stockholders.

Representatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting to make any statement they may desire and to respond to appropriate questions from stockholders. Representatives of KPMG LLP will not be present at the annual meeting.

**Auditor Fees and Services**

***Audit Fees***

PricewaterhouseCoopers LLP did not render professional services for the audit of our annual financial statements for the fiscal years ended December 31, 2007, or December 31, 2006.

KPMG LLP has billed us \$800,000, in the aggregate, for professional services rendered to audit our annual financial statements for the fiscal year ended December 31, 2007, and to review the interim financial statements included in our quarterly reports on Form 10-Q filed during the fiscal year ended December 31, 2007. In 2007, KPMG LLP's audit fees also included fees for professional services rendered for the audits of (1) management's assessment of the effectiveness of our internal control over financial reporting and (2) the effectiveness of our internal control over financial reporting. For similar services rendered during the fiscal year ended December 31, 2006, KPMG LLP billed us \$552,042.

***Audit Related Fees***

PricewaterhouseCoopers LLP did not render audit-related services for the fiscal years ended December 31, 2007, or December 31, 2006.

KPMG LLP has billed us \$29,908 for acquisition-advisory services and tender offer-advisory services in 2007. For similar services during 2006, KPMG LLP billed us \$25,550.

***Tax Fees***

PricewaterhouseCoopers LLP did not render tax consulting or return preparation services for the fiscal years ended December 31, 2007, or December 31, 2006.

KPMG LLP has billed us \$187,667, in the aggregate, for tax consulting and tax return preparation services during 2007. For similar services during 2006, KPMG LLP billed us \$135,225.

***All Other Fees***

PricewaterhouseCoopers LLP did not render other services for the fiscal years ended December 31, 2007, or December 31, 2006.

KPMG LLP has billed us \$51,500 for due diligence services related to the merger and for access to its on-line research library during 2007, and \$1,500 for access to its on-line research library during 2006.

***Policy on Pre-Approval of Services Performed by Independent Auditors***

The policy of the Audit Committee is to pre-approve all audit and permissible non-audit services to be performed by the independent auditors during the fiscal year. The Audit Committee regularly considers all non-audit fees when reviewing the independence of our independent auditors.

**Your Board recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as independent auditors.**

**Table of Contents**

**INFORMATION ABOUT THE BOARD OF DIRECTORS**

The Board of Directors held four regularly-scheduled meetings and one special meeting during 2007. Each director attended at least 75% of the meetings of the Board and the committees on which he served.

Our Board has reviewed the independence of each of its members and has determined that all directors (except for our Chairman, Mr. L. Dickey, who also is our President and Chief Executive Officer) are independent, as such term is defined under the current listing standards of the NASDAQ Global Select Market (the NASDAQ Rules ).

It is primarily our Board's responsibility to oversee the management of our business. To assist in carrying out this responsibility, our Board has established the two standing committees described below.

**Committees of the Board**

*The Audit Committee.* The purposes of the Audit Committee are to assist our Board in fulfilling its oversight responsibilities with respect to: our accounting, reporting and oversight practices; our compliance with legal and regulatory requirements; our independent auditors' qualifications and independence; and the performance of our independent auditors and our own internal audit function. The Audit Committee is responsible for overseeing our accounting and financial reporting processes and the audits of our financial statements on behalf of our Board. The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of our independent auditors (including resolution of any disagreements between our management and independent auditors regarding financial reporting), and our independent auditors report directly to the Audit Committee.

The Audit Committee met four times in 2007. The current members of the Audit Committee are Robert H. Sheridan, III (Chairman), Ralph B. Everett, and Holcombe T. Green, Jr., none of whom is an employee. Our Board has determined that each Audit Committee member is independent, as such term is defined under the rules of the SEC and the NASDAQ Rules applicable to audit committee members, and meets the NASDAQ Rules' financial literacy requirements. None of the current members has participated in the preparation of the financial statements of Cumulus or its subsidiaries at any time during the past three years. Our Board has determined that Mr. Sheridan (1) is an audit committee financial expert, as such term is defined under the rules of the SEC, and (2) meets the NASDAQ Rules' professional experience requirements.

The Audit Committee operates pursuant to a written charter, which complies with the applicable provisions of the Sarbanes-Oxley Act of 2002 and the related rules of the SEC, and the NASDAQ Rules. A copy of our Audit Committee charter was filed as Exhibit B to our proxy statement for the 2007 annual meeting of stockholders, filed with the SEC on April 13, 2007.

*The Compensation Committee.* The Compensation Committee oversees the determination of all matters relating to employee compensation and benefits and specifically reviews and approves salaries, bonuses and equity-based compensation for our executive officers. The Compensation Committee did not meet in 2007. The current members of the Compensation Committee are Eric P. Robison (Chairman) and Messrs. Sheridan and Green, each of whom is independent, as such term is defined under the NASDAQ Rules.

The Compensation Committee does not have a formal charter. Our Board has delegated to the Compensation Committee the following areas of responsibilities:

performance evaluation, compensation and development of our executive officers;

establishment of performance objectives under the Company's short- and long-term incentive compensation plans and determination of the attainment of such performance objectives; and

oversight and administration of benefit plans.

The Compensation Committee generally consults with management in addressing executive compensation matters. The compensation of our Chief Executive Officer is largely established by his employment agreement, and the compensation of the other executive officers is determined after taking into account compensation recommendations made by the Chief Executive Officer. Our Chief Executive Officer, based on the performance

## **Table of Contents**

evaluations of the other executive officers, recommends to the Compensation Committee compensation for those executive officers. The executive officers, including our Chief Financial Officer, also provide recommendations to the Compensation Committee from time to time regarding key business drivers included in compensation program designs, especially incentive programs, which may include defining related measures and explaining the mutual influence on or by other business drivers and the accounting and tax treatment relating to certain awards. Our Chief Financial Officer also provides regular updates to the Compensation Committee regarding current and anticipated performance outcomes and their impact on executive compensation.

The Compensation Committee has the authority to retain a compensation consultant. Accordingly, Mercer Human Resources Consulting was retained directly by the Compensation Committee to assist it in 2006. Mercer's role was to provide expertise and data as needed by the Compensation Committee pertaining to the compensation of our Chief Executive Officer in connection with the negotiation of his amended and restated employment agreement, entered into on December 20, 2006.

## **Nomination Process**

Our Board does not have a standing nominating committee. Due to the small size of our Board and the historically small turnover of its members, we do not currently foresee the need to establish a separate nominating committee or adopt a charter to govern the nomination process. Similarly, we do not have a formal process for identifying and evaluating nominees for director. Generally, director candidates have been first identified by evaluating the current members of our Board whose term will be expiring at the next annual meeting and who are willing to continue in service. If a member whose term is expiring no longer wishes to continue in service, or if our Board decides not to re-nominate such member, our Board would then commence a search for qualified individuals meeting the criteria discussed below. Research may also be performed to identify qualified individuals. To date, we have not engaged third parties to identify or evaluate, or assist in identifying or evaluating, potential director nominees.

In accordance with Company policy and the NASDAQ Rules, nominees for director (other than one of the Class II directors, who is nominated pursuant to certain contractual rights held by one of our stockholders) must either be (1) recommended by a majority of the independent directors for selection by our Board or (2) discussed by the full Board and approved for nomination by the affirmative vote of a majority of our Board, including the affirmative vote of a majority of the independent directors.

Historically, we have not had a formal policy with regard to the consideration of director candidates recommended by our stockholders. To date, our Board has not received any recommendations from stockholders requesting that it consider a candidate for inclusion among our Board's slate of nominees in our proxy statement, other than pursuant to the exercise of the aforementioned contractual rights. The absence of such a policy does not mean, however, that a recommendation would not have been considered had one been received, or will not be considered, if one is received in the future. Our Board will give consideration to the circumstances in which the adoption of a formal policy would be appropriate.

Our Board evaluates all candidates based upon, among other factors, a candidate's financial literacy, knowledge of our industry or other background relevant to our needs, status as a stakeholder, independence (for purposes of compliance with the rules of the SEC and the NASDAQ Rules), and willingness, ability and availability for service. Other than the foregoing, there are no stated minimum criteria for director nominees, although our Board may also consider such other factors as it may deem are in the best interests of us and our stockholders.

Our bylaws provide for stockholder nominations to our Board, subject to certain procedural requirements. To nominate a director to our Board, you must give timely notice of your nomination in writing to our Corporate Secretary, not later than 90 days prior to the anniversary date of the annual meeting of stockholders in the preceding

year. All such notices must include (1) your name and address, (2) a representation that you are one of our stockholders, and will remain so through the record date for the upcoming annual meeting, (3) the class and number of shares of our common stock that you hold (beneficially and of record), and (4) a representation that you intend to appear in person or by proxy at the upcoming annual meeting to make the nomination. You must also provide information on your prospective nominee, including such person's name,

**Table of Contents**

address and principal occupation or employment, a description of all arrangements or understandings between you, your prospective nominee and any other persons (to be named), the written consent of the prospective nominee, and such other information as would be required to be included in a proxy statement soliciting proxies for the election of your prospective nominee.

**MEMBERS OF THE BOARD OF DIRECTORS**

**Class III Director Nominated for Reelection to Serve until the 2011 Annual Meeting**

*Lewis W. Dickey, Jr.*, age 46, has served as our Chairman, President and Chief Executive Officer since December 2000, and as a Director since March 1998. Mr. L. Dickey was one of our founders and initial investors, and served as our Executive Vice Chairman from March 1998 to December 2000. Mr. L. Dickey is a nationally-regarded consultant on radio strategy and the author of *The Franchise-Building Radio Brands*, published by the National Association of Broadcasters (the NAB), one of the industry's leading texts on competition and strategy. Mr. L. Dickey also serves as a member of the NAB's Radio Board of Directors. He holds Bachelor of Arts and Master of Arts degrees from Stanford University and a Master of Business Administration degree from Harvard University. Mr. L. Dickey is the brother of John W. Dickey, our Executive Vice President and Co-Chief Operating Officer.

**Class II Directors with a Term Expiring at the 2010 Annual Meeting**

*Eric P. Robison*, age 49, has served as one of our directors since August 1999. Mr. Robison is currently the President and CEO of Lynda.com, an Internet-based software and education training company, which he joined in February 2008, and President of IdeaTrek, a company that provides business consulting services, which he started in 2000. From 1994 to 2002, Mr. Robison worked for Vulcan Inc., the holding company that manages all personal and business interests for investor Paul G. Allen, as Vice President, Business Development, managing various projects and investigating investment opportunities. Mr. Robison currently serves as a Director of Lynda.com, Inc.

*Robert H. Sheridan, III*, age 45, has served as one of our directors since July 1998. Mr. Sheridan has served as a Senior Vice President and Managing Director of Banc of America Capital Investors, or BACI, the principal investment group within Bank of America Corporation since January 1998, and is a Senior Vice President and Managing Director of BA Capital, which was formerly known as NationsBanc Capital Corp. He has an economic interest in the entities comprising the general partners of BACI and BA Capital. He was a Director of NationsBank Capital Investors, the predecessor of BACI, from January 1996 to January 1998.

Pursuant to our certificate of incorporation and a voting agreement entered into by Cumulus, BA Capital (through its predecessor entity) and the holders of our Class C Common Stock, such stockholders have the right, voting as a single class, to elect one director to our Board, referred to as the Class C Director, and such stockholders are obligated to elect a person designated by BA Capital to serve as such director. The rights and obligations under the voting agreement shall continue until such time that BA Capital, together with its affiliates, no longer own at least 50% of the number of shares of our common stock as BA Capital held on June 30, 1998. At such time, the term of the Class C Director, and the right of the holders of our Class C Common Stock to elect the Class C Director, shall terminate. Mr. Sheridan has served as BA Capital's designee for such position since July 1998.

**Class I Directors with a Term Expiring at the 2009 Annual Meeting**

*Ralph B. Everett*, age 56, has served as one of our directors since July 1998. Since January 2007, Mr. Everett has served as the President and Chief Executive Officer of the Joint Center for Political and Economic Studies, a national, nonprofit research and public policy institution located in Washington, D.C. Prior to 2007, Mr. Everett had been a partner with the Washington, D.C. office of the law firm of Paul, Hastings, Janofsky & Walker LLP, where he headed

the firm's Federal Legislative Practice Group. In 1998, Mr. Everett was appointed by President Clinton as United States Ambassador to the 1998 International Telecommunication Union Plenipotentiary Conference. He is a director and a member of the Investment



**Table of Contents**

Committee of Shenandoah Life Insurance Company. He is also a member of the Board of Visitors of Duke University Law School.

*Holcombe T. Green, Jr.*, age 68, has served as one of our directors since May 2001. Mr. Green is currently a private investor. He served as the Chairman and Chief Executive Officer of WestPoint Stevens, Inc. from 1992 to 2003. Mr. Green is also the founder and principal of Green Capital Investors, L.P., a private investment partnership, and certain other affiliated partnerships.

**STOCKHOLDER COMMUNICATION WITH THE BOARD OF DIRECTORS**

Any matter intended for our Board, or for any individual member or members of our Board, should be directed to Richard S. Denning, Corporate Secretary, at our principal executive offices, with a request to forward the same to the intended recipient. In the alternative, stockholders may direct correspondence to our Board to the attention of the chairman of the Audit Committee of the Board, in care of Richard S. Denning, Corporate Secretary, at our principal executive offices. All such communications will be forwarded unopened.

We do not have a formal policy regarding attendance by directors at our annual meetings, but we encourage all incumbent directors, as well as all nominees for election as director, to attend the annual meeting. All incumbent directors and nominees attended last year's annual meeting of stockholders.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

*The following table lists information concerning the beneficial ownership of our common stock as of September 22, 2008 (unless otherwise noted) by (1) each of our directors and each of our other executive officers who were employed as of December 31, 2007, (2) all of our directors and executive officers as a group, and (3) each person known to us to own beneficially more than 5% of any class of our common stock.*

Name of Stockholder	Class A Common Stock(1)		Class B Common Stock(1)		Class C Common Stock(1)(2)		Percentage of Voting Control
	Number of Shares	Percentage	Number of Shares	Percentage	Number of Shares	Percentage	
Banc of America Capital Investors SBIC, L.P.(3)	821,568	2.3%	4,959,916	85.4%			1.9%
BA Capital Company, L.P.(3)	945,250	2.6%	849,275	14.6%			2.2%
Lewis W. Dickey, Sr.(4)	5,624,807	15.6%					13.2%
Reed Conner & Birdwell, LLC(5)	4,205,275	11.7%					9.9%
Dimensional Fund Advisors LP(6)	3,366,318	9.3%					7.9%
Cyrus Capital Partners, L.P.(7)	2,726,463	7.6%					6.4%
Maverick Capital, Ltd.(8)	2,520,170	7.0%					5.9%
Hawkeye Capital Master(9)	2,449,153	6.8%					5.8%
Wallace R. Weitz & Company(10)	2,177,218	6.0%					5.1%

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Lewis W. Dickey, Jr.(11)	3,721,052	9.9%	1,144,871	100%	31.0%
John W. Dickey(12)	3,020,635	8.1%			6.9%
Martin R. Gausvik(13)	1,140,515	3.1%			2.6%
Jon G. Pinch(14)	523,502	1.4%			1.2%
Robert H. Sheridan, III(15)	183,500	*			*
Ralph B. Everett(16)	227,812	*			*
Eric P. Robison(16)	270,905	*			*
Holcombe T. Green, Jr.(16)	186,312	*			*
All directors and executive officers as a group (8 persons)	9,274,233	22.7%	1,144,871	100%	39.6%

\* Indicates less than one percent.

**Table of Contents**

- (1) Except upon the occurrence of certain events, holders of Class B Common Stock are not entitled to vote, whereas each share of Class A Common Stock entitles its holder to one vote and, subject to certain exceptions, each share of Class C Common Stock entitles its holders to ten votes. The Class B Common Stock is convertible at any time, or from time to time, at the option of the holder of the Class B Common Stock (provided that the prior consent of any governmental authority required to make the conversion lawful has been obtained) without cost to such holder (except any transfer taxes that may be payable if certificates are to be issued in a name other than that in which the certificate surrendered is registered), into Class A Common Stock or Class C Common Stock on a share-for-share basis; provided that our Board has determined that the holder of Class A Common Stock at the time of conversion would not disqualify us under, or violate, any rules and regulations of the FCC.
- (2) Subject to certain exceptions, each share of Class C Common Stock entitles its holders to ten votes. The Class C Common Stock is convertible at any time, or from time to time, at the option of the holder of the Class C Common Stock (provided that the prior consent of any governmental authority required to make such conversion lawful has been obtained) without cost to such holder (except any transfer taxes that may be payable if certificates are to be issued in a name other than that in which the certificate surrendered is registered), into Class A Common Stock on a share-for-share basis; provided that our Board has determined that the holder of Class A Common Stock at the time of conversion would not disqualify us under, or violate, any rules and regulations of the FCC. In the event of the death of Mr. L. Dickey or in the event he becomes disabled and, as a result, terminates his employment with us, each share of Class C Common Stock held by him, or any party related to or affiliated with him, will be automatically be converted into one share of Class A Common Stock.
- (3) The address of BA Capital Company, L.P. and Banc of America Capital Investors, SBIC, L.P. is 100 North Tryon Street, Floor 25, Bank of America Corporate Center, Charlotte, North Carolina 28255. Includes options to purchase 105,000 shares of Class A Common Stock granted to BA Capital Company, L.P. in connection with its designation of a member to serve on our Board and exercisable within 60 days. This information is based in part on a Schedule 13 D/A filed on July 23, 2007 and in part on a Form 4 filed on May 28, 2008.
- (4) Represents (i) direct ownership of 884,000 shares of Class A Common Stock; and (ii) indirect beneficial ownership of 4,470,807 shares of Class A Common Stock registered in the name of the Lewis W. Dickey, Sr. Revocable Trust, by virtue of his position as trustee. Does not include 3,721,052 shares of Class A Common Stock and 1,144,871 shares of Class C Common Stock that are owned by his son, Lewis W. Dickey, Jr. (see footnote 11) and that are reported on a Schedule 13D jointly filed by Mr. L. Dickey, Sr. and Mr. L. Dickey, Jr. Mr. L. Dickey, Sr. disclaims beneficial ownership of all of the shares owned or controlled by Mr. L. Dickey, Jr. The address of Lewis W. Dickey Sr. and the Lewis W. Dickey, Sr. Revocable Trust is 11304 Old Harbor Road, North Palm Beach, Florida 33408. The information for Mr. L. Dickey, Sr. and the Lewis W. Dickey, Sr. Revocable Trust is based on a Form 4/A filed on September 11, 2008.
- (5) The address of Reed Conner & Birdwell, LLC is 11111 Santa Monica Blvd., Suite 1700, Los Angeles, California 90025. This information is based on a Schedule 13G/A filed on August 6, 2007.
- (6) The address of Dimensional Fund Advisors LP is 1299 Ocean Avenue, 11th Floor, Santa Monica, California 90401. Dimension Fund Advisors LP was formerly Dimension Fund Advisors Inc. This information is based on a Schedule 13G/A filed on February 6, 2008.
- (7) The address of Cyrus Capital Partners, L.P. is 390 Park Avenue, 21st Floor, New York, New York 10022. This information is based on a Schedule 13G filed on January 28, 2008.
- (8)

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The address of Maverick Capital is 300 Crescent Court, 18th Floor, Dallas, Texas 75201. This information is based on a Schedule 13G filed on February 14, 2008.

- (9) The address of Hawkeye Capital Master is One Capital Place, P.O. Box 897GT, Georgetown, Grand Cayman E9 475. This information is based on a Schedule 13G filed on February 14, 2008.
- (10) The address of Wallace R. Weitz & Company is 1125 South 103<sup>rd</sup> Street, Suite 600, Omaha, Nebraska 68124. This information is based on a Schedule 13G filed on January 11, 2008.

**Table of Contents**

- (11) Represents (i) direct ownership by Mr. L. Dickey, Jr. of 2,331,052 shares of Class A Common Stock and 644,871 shares of Class C Common Stock; (ii) indirect beneficial ownership of 10,000 shares of Class A Common Stock registered in the name of DBBC, LLC, by virtue and his controlling interest in that entity; and (iii) options to purchase 1,380,000 shares of Class A Common Stock and 500,000 shares of Class C Common Stock exercisable within 60 days. Does not include 5,624,807 shares of Class A Common Stock beneficially owned by his father, Lewis W. Dickey, Sr. (see footnote 4) and that are reported on a Schedule 13D jointly filed by Mr. L. Dickey, Sr. and Mr. L. Dickey, Jr. Mr. L. Dickey, Jr. disclaims beneficial ownership of all of the shares held by DBBC, LLC except to the extent of his pecuniary interest therein, and disclaims beneficial ownership of all of the shares owned or controlled by Mr. L. Dickey, Sr. As of September 22, 2008, Mr. L. Dickey, Jr. has pledged all of his directly held shares of our common stock to secure certain loans made to him.
- (12) Represents beneficial ownership attributable to Mr. J. Dickey as a result of his direct ownership of 1,794,281 shares of Class A Common Stock and options to purchase 1,226,354 shares of Class A Common Stock exercisable within 60 days. As of September 22, 2008, Mr. J. Dickey has pledged all of his directly held shares of our common stock to secure certain loans made to him.
- (13) Represents beneficial ownership attributable to Mr. Gausvik as a result of his direct ownership of 90,071 shares of Class A Common Stock and options to purchase 1,050,000 shares of Class A Common Stock exercisable within 60 days, as well as 444 shares owned by his daughter, an employee of the Company.
- (14) Represents beneficial ownership attributable to Mr. Pinch as a result of his direct ownership of 125,125 shares of Class A Common Stock and options to purchase 398,377 shares of Class A Common Stock exercisable within 60 days.
- (15) Represents options to purchase 177,500 shares of Class A Common Stock exercisable within 60 days granted to Mr. Sheridan. Does not reflect any shares owned by BACI or by BA Capital. Mr. Sheridan is a Senior Vice President and Managing Director of each of BACI and BA Capital and a Managing Director of Bank of America Capital Investors, one of the principal investment groups within Bank of America Corporation. He has an economic interest in the entities comprising the general partners of BACI and BA Capital. As BA Capital's designee to our Board, Mr. Sheridan disclaims beneficial ownership of the options except to the extent of his pecuniary interest therein.
- (16) Includes options to purchase 220,312 shares of Class A Common Stock exercisable within 60 days granted to Mr. Everett, 262,405 shares of Class A Common Stock exercisable within 60 days granted to Mr. Robison and 180,312 shares of Class A Common Stock exercisable within 60 days granted to Mr. Green.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Pursuant to Section 16(a) of the Securities Exchange Act of 1934, as amended, our directors and executive officers, and any persons who beneficially own more than 10% of our common stock, are required to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission ( SEC ). Based upon our review of copies of such reports for our 2007 fiscal year and written representations from our directors and executive officers, we believe that our directors and executive officers, and beneficial owners of more than 10% of our common stock, have complied with all applicable filing requirements for our 2007 fiscal year, except as follows: Mr. L. Dickey filed a late report regarding shares withheld for tax purposes in connection with his deferred share award on December 20, 2007, and Messrs. Gausvik, Pinch and J. Dickey each filed a late report regarding shares withheld for tax purposes in connection with the vesting, on three dates during 2007, of portions of prior awards of restricted shares.



**Table of Contents**

**EXECUTIVE COMPENSATION**

**Compensation Discussion and Analysis**

This compensation discussion and analysis provides an overview of our compensation objectives and policies, the elements of compensation that we provide to our top executive officers, and the material factors that we considered in making the decisions to pay such compensation. Following this analysis, we have provided a series of tables containing specific information about the compensation earned or paid in 2007 to the following individuals, whom we refer to as our named executive officers:

Lewis W. Dickey, Jr., our Chairman, President and Chief Executive Officer;

Martin R. Gausvik, our Executive Vice President, Treasurer and Chief Financial Officer;

Jon G. Pinch, our Executive Vice President and Co-Chief Operating Officer; and

John W. Dickey, our Executive Vice President and Co-Chief Operating Officer.

The discussion below is intended to help you understand the information provided in those tables and put that information in context within our overall compensation program.

***Executive Compensation Program Objectives***

Our executive compensation program has three primary and related objectives:

to provide a total compensation package that allows us to compete effectively in attracting, rewarding and retaining executive leadership talent,

to reward executives for meaningful performance that contributes to enhanced long-term stockholder value and our general long-term financial health, and

to align the interests of our executives with those of our stockholders.

In accordance with these goals, we provide a significant portion of each executive's compensation in the form of at-risk incentive awards that measure individual performance and our success as a company in achieving our business strategy and objectives. With respect to our performance, we focus primarily on the performance and results of our stations, as measured by station operating income, which is a financial measure that isolates the amount of income generated solely by our stations and assists our management in evaluating the earnings potential of our station portfolio, and the cash flow generated by our business.

Our compensation program is implemented by the Compensation Committee of our Board. Information about the Compensation Committee and its composition, responsibilities and operations can be found in [Committees of the Board](#) The Compensation Committee.

***Compensation Program Elements and their Purpose***

Our executive compensation program consists primarily of the following integrated components: base salary, annual incentive awards, and long-term incentive opportunities. The program also contains elements relating to retirement, severance, and other employee benefits.

*Base salary.* Base salary is the fixed portion of an executive's annual compensation and is intended to recognize fundamental market value for the skills and experience of the individual relative to the responsibilities of his position with us. Changes to base salary are intended to reflect, among other things, the executive's performance as indicated through functional progress, career and skill development, and mastery of position competency requirements. Base salary is the foundational element of the total compensation package to which most other elements relate.

*Annual incentive.* Unlike base salary, which is fixed, annual incentive compensation is intended to vary as a direct reflection of company and individual performance over a twelve-month period. The incentive opportunity is expressed as a percent of base salary and is paid in the form of a cash bonus.



## **Table of Contents**

*Long-term incentives.* Long-term incentives, which have been made in the form of grants of options exercisable for our common stock or awards of restricted shares of our common stock, are granted with the intent to reward performance over a multi-year period with clear links to performance criteria and long-term stockholder value. For Mr. L. Dickey, the incentive opportunity through May 2013 has been set pursuant to the terms of his current employment agreement, which took effect on December 20, 2006, and was designed to maintain a desired balance between short- and long-term compensation over the term of the agreement, as discussed further below. The incentive opportunity for our other named executive officers, determined on an annual basis by the Compensation Committee, is designed to maintain a similar balance. The realized compensation from these incentives will vary as a reflection of stock price or other financial performance over time. For 2007, we used awards of restricted stock exclusively to deliver long-term incentive opportunity to our named executive officers.

*Employee retirement/health and welfare benefit plans.* These benefits are intended to provide competitive levels of medical, retirement and income protection, such as life and disability insurance coverage, for the executives and their families. Our executives generally participate in the same programs pertaining to medical coverage (active employee and retiree), life insurance, disability, and retirement offered to all of our eligible employees. In addition, our executives participate in an executive life insurance program. We believe that our benefits and retirement programs are comparable to those offered by the companies in our industry and, as a result, are needed to ensure that our executive compensation remains competitive.

*Severance and other termination payments.* Each named executive officer is party to an employment agreement under which he may receive severance benefits upon his termination of employment in various circumstances, including following a change of control. The severance-related agreements available to the named executive officers are described in more detail under Potential Payments upon Termination or Change of Control. We believe that our severance arrangements, including the amount of the severance benefit, are comparable to those offered by the companies in our peer groups and, as a result, are needed to ensure that our executive compensation remains competitive.

*Executive perquisites.* We provide a car allowance to each of our named executive officers. We do not provide perquisites such as financial planning or country club memberships.

### ***Determining the Amount of Each Element***

*Base salary.* We are party to employment agreements with each of our named executive officers. Each of these agreements provides for a contractual level of base salary. The agreements with Messrs. Gausvik, Pinch and J. Dickey provide for discretionary annual increases within certain parameters, and the Compensation Committee seeks to set base salaries at levels that we and the executive deem fair, given the executive's responsibilities and individual performance.

*Annual incentive.* Like base salary, the parameters of the cash bonus also are set forth in the employment agreements with each of the named executive officers, and are based on achievement of annual performance goals established by the Compensation Committee. Within those parameters, however, the Compensation Committee maintains a level of discretion and flexibility. The decision to increase or decrease cash bonuses from year to year is generally based on a variety of factors the Compensation Committee deems appropriate, including our overall performance, the executive's individual performance, the business environment over the course of the prior year, and any extraordinary accomplishments during the prior year. These factors are discussed more thoroughly under *Long-term incentives*, immediately below. We believe this flexibility, coupled with a history of appropriately rewarding performance, provide an effective incentive for the continued superior performance of our executives.

*Long-term incentives.* In connection with determining the equity incentive compensation for each of our named executive officers in 2007, the Compensation Committee considered a number of factors, including:

*Year-over-year performance.* Our 2007 same-station station operating income decreased 2.1% from that in 2006. The Compensation Committee feels that station operating income is an appropriate measure of our performance, as it isolates the amount of income generated solely by our stations and

**Table of Contents**

assists our management in evaluating the earnings potential of our station portfolio. Our management has observed that station operating income is commonly employed by firms that provide appraisal services to the broadcasting industry in valuing radio stations. Further, in each of the more than 140 radio station acquisitions we have completed since our inception, we have used station operating income as the primary metric to evaluate and negotiate the purchase price to be paid. Given its relevance to the estimated value of a radio station, we believe, and our experience indicates, that investors consider the measure to be extremely useful in order to determine the value of our portfolio of stations. We believe that station operating income is the most commonly used financial measure employed by the investment community to compare the performance of radio station operators.

*Performance relative to our peers in the industry.* Although our 2007 results were generally lower than our results for 2006, the Compensation Committee also examined our results as compared to similarly situated competitors in our industry, noting that on a relative basis, our operating performance was stronger than several of our competitors.

*Cumulus Media Partners.* When setting compensation levels for 2007, the Compensation Committee gave considerable weight to the additional responsibilities assumed by our named executive officers in managing Cumulus Media Partners, LLC ( CMP ), a private partnership created by Cumulus and affiliates of Bain Capital Partners LLC, The Blackstone Group and Thomas H. Lee Partners, L.P. The Compensation Committee recognizes, and in making compensation decisions took into account, the fact that our named executive officers now manage an enterprise that has nearly doubled in size as a result of the CMP partnership, based on station operating income. We expect that future compensation determinations, especially over the next several years, will continue to reflect the increased responsibilities of our named executive officers relating to CMP.

As noted earlier, for 2007 we used awards of restricted stock to deliver long-term incentives. These awards generally are designed to vest over four years (half of Mr. L. Dickey's awards are contingent on meeting a performance goal as well, described below). The purpose of these awards is to focus the executives on total stockholder return, with a substantial risk of forfeiture in the first four years, and to provide retention value during the service period. In addition, because the per share grant date value of restricted shares is effectively greater than the per share grant date value of stock options, fewer shares are awarded compared to stock options. The Compensation Committee believes that these awards provide significant performance incentive and retention value while aligning the applicable compensation with stockholder interests.

The realized compensation value from long-term incentives is ultimately determined by our stock price performance over the term of the awards and the executive's decision as to when to sell shares.

The decision to rely solely on awards of restricted stock (as opposed to stock options, other forms of equity, or cash) as long-term incentive compensation was determined based upon industry trends in equity compensation, by balancing factors that included the cost of equity awards and projected impact on stockholder dilution, and as a result of our adoption of SFAS No. 123R, *Share Based Compensation*, which requires the measurement and recognition of compensation expense for all share-based awards to employees and directors based on estimated fair values.

*Compensation of the Chief Executive Officer.* Mr. L. Dickey is compensated per the terms of his Employment Agreement, which was entered into on December 20, 2006. See Employment Agreements.

***Allocating Between Long-term and Annual Compensation***

We seek to maintain an executive compensation program that is balanced in terms of each element of pay relative to competitive practices, with the incentive emphasis placed on long-term results. The overall program is intended to

balance business objectives for executive pay for performance, retention, competitive market practices and stockholder interests. Based on the fair value of equity awards granted to named executive officers in 2007 (other than the one-time grant of deferred shares awarded to Mr. L. Dickey as inducement to enter into his employment agreement) and the 2007 base salary of the named executive officers, approximately 67.2% of the annual total direct compensation target opportunity was subject to performance risk for named

## **Table of Contents**

executive officers through the annual and long-term incentive plans. Annual cash-incentive awards, which constitute short-term incentives, accounted for approximately 14.3% of annual target compensation for the named executive officers. Long-term incentive awards made up approximately 52.9% of the annual target compensation mix for the named executive officers. The Compensation Committee developed target total direct compensation and these relative divisions between short- and long-term incentives for 2007 based upon its own analysis of general compensation practices at similar companies.

### ***When Long-term Grants are Made***

The Compensation Committee typically grants long-term incentive awards annually at a regularly-scheduled meeting of our Board, usually in the first or second quarter of the fiscal year. The meeting date is scheduled well in advance and without regard to potential stock price movement. On February 8, 2008, the Compensation Committee awarded Mr. L. Dickey a grant of restricted shares, pursuant to the terms of his employment agreement. On May 23, 2008, the Compensation Committee awarded J. Dickey, M. Gausvik and J. Pinch grants of restricted shares.

### ***The Role of Executive Officers in Determining Executive Compensation***

Our Chief Executive Officer develops recommendations regarding executive compensation, including proposals relative to compensation for individual executive officers, using internal and external resources. These resources include such things as compensation surveys, external data and reports from consultants and data, reports and recommendations from internal staff. Recommendations from our Chief Executive Officer include and consider all aspects of the compensation program philosophy, design, compliance and competitive strategy as well as specific actions regarding individual executive officer compensation. The Compensation Committee reviews these recommendations, and decides whether to accept, reject, or revise the proposals.

Our Chief Executive Officer and our Chief Financial Officer assist the Compensation Committee in understanding key business drivers included in program designs, especially incentive programs. This may include defining related measures and explaining the mutual influence on or by other business drivers and the accounting and tax treatment relating to certain awards. Our Chief Executive Officer also provides regular updates to the Compensation Committee regarding current and anticipated performance outcomes and their impact on executive compensation.

Our general counsel, with the assistance of our outside counsel, ensures that appropriate plan documentation and approvals are received in order to keep executive pay programs in compliance with applicable laws and stock exchange listing requirements. Our general counsel and outside counsel also advise the Compensation Committee and our Board regarding compliance with appropriate governance standards and requirements.

### ***Discretion to Modify Awards***

As previously noted, annual incentive awards are based on our performance and that of each individual executive officer over the most recently completed fiscal year. The Compensation Committee reserves the right to adjust individual goals during the course of the year in order to reflect changes in our business.

Under our equity incentive plans, the Compensation Committee has limited discretion to extend an award that would otherwise be forfeited, but not beyond the original term of the award. The Compensation Committee generally does not have the authority to unilaterally rescind an award. Each award defines the terms under which it would be forfeited according to the terms of the applicable equity incentive plan.

### ***Impact of Restated Earnings on Previously Paid or Awarded Compensation***

We have not had to restate earnings in a manner that would impact incentive award payments. If future restatements are necessary, the Compensation Committee and the Board will consider the facts and circumstances relating to the cause of the restatement, as well as the requirements under Section 304 of the

**Table of Contents**

Sarbanes-Oxley Act of 2002, in determining whether any payments based upon the financial results were made unjustly and the materiality and methods for recovering such payments.

***Accounting and Tax Treatment of Direct Compensation***

For executives, all compensation is subject to federal, state and local taxes as ordinary income or capital gains as various tax jurisdictions provide. Section 162(m) of the U.S. tax code places a limit of \$1,000,000 on the amount of compensation that we may deduct in any one year with respect to any one of our named executive officers. However, qualifying performance-based compensation will not be subject to the deduction limit if certain requirements are met. The Compensation Committee anticipates that awards under our long-term incentive programs will continue to qualify as performance-based compensation. To maintain flexibility in compensating our executives, however, the Compensation Committee reserves the right to use its judgment to authorize compensation payments that may be subject to the limit when the Compensation Committee believes that such payments are appropriate. Accordingly, certain components of our executive compensation program are designed to be qualifying performance-based compensation under Section 162(m) while others are not.

With the adoption of FAS 123R, we do not expect accounting treatment of differing forms of equity awards to vary significantly and, therefore, accounting treatment is not expected to have a material effect on the selection of forms of compensation.

***Compensation Committee Report***

The Compensation Committee of the Company has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on this review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in this proxy statement.

The Compensation Committee of the Board of Directors:

Eric P. Robison, Chairman  
Holcombe T. Green, Jr.  
Robert H. Sheridan, III

**Table of Contents****Summary Compensation Table**

We have employment agreements with each of our executive officers, as described under Employment Agreements below. The following table summarizes the total compensation paid or earned by each of the named executive officers for the fiscal years ended December 31, 2007, and December 31, 2006.

Based on the fair value of equity awards granted to named executive officers in 2007 (other than the one-time grant of deferred shares awarded to Mr. L. Dickey as inducement to enter into his employment agreement) and the 2007 base salary of the named executive officers, approximately 32.0% of the annual total direct compensation was base salary. Cash-incentive awards, which constitute short-term incentives, accounted for approximately 14.3% of annual target compensation and restricted share grants, which constitute long-term incentives, made up approximately 52.9% of the annual compensation mix for the named executive officers.

	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
							Change in Pension Value and Non- Equity Incentive Plan Compensation	All Other Compensation	Total
Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)(1)	Option Awards (\$)	Non- Equity Incentive Plan Compensation (\$)(2)	Earnings (\$)	(\$)	(\$)
L. Dickey, Jr., Chairman, President and Chief Executive Officer	2007	\$ 901,250	n/a	\$ 8,560,300(3)	\$ 0	\$ 700,000	n/a	\$ 12,976(4)	\$ 10,174,276
	2006	825,000	n/a	3,395,000(5)	0	800,000	n/a	13,476(6)	5,033,476
G. Gausvik, Executive Vice President, Treasurer and Chief Financial Officer	2007	495,000		147,600		100,000		17,519(7)	760,119
	2006	485,100	n/a	174,300	0	175,000	n/a	18,645(8)	853,045
G. Pinch, Executive Vice President and Co-Chief Operating Officer	2007	505,000		196,800		120,000		13,687(9)	835,487
	2006	486,675	n/a	232,400	0	200,000	n/a	14,556(10)	933,631