CHORDIANT SOFTWARE INC
Form 10-Q
May 04, 2006
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2006

OR

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

For the transition period from ______ to ______

Commission File Number 000-29357

Chordiant Software, Inc.

(Exact name of Registrant as specified in its Charter)

Delaware	**93-1051328**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

20400 Stevens Creek Boulevard, Suite 400

Cupertino, CA 95014

(Address of Principal Executive Offices including Zip Code)

(408) 517-6100

(Registrant s Telephone Number, Including Area Code)

(Former name, former address and former fiscal year if changed since last report)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer x Non-accelerated filer ¨

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

As of April 30, 2006, there were 79,273,183 shares of the registrant s common stock outstanding.

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CHORDIANT SOFTWARE, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE PERIOD ENDED MARCH 31, 2006

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

CHORDIANT SOFTWARE, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	March 31, 2006 (Unaudited)	September 30, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 43,287	$ 38,546
Restricted cash	461	1,982
Accounts receivable, net, including $483 and $263 due from related parties at March 31, 2006 and September 30, 2005, respectively	16,464	18,979
Prepaid expenses and other current assets	4,788	4,345
Total current assets	65,000	63,852
Restricted cash	394	365
Property and equipment, net	2,446	2,479
Goodwill	31,907	31,907
Intangible assets, net	4,542	5,148
Other assets	3,039	3,499
Total assets	$ 107,328	$ 107,250
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 4,567	$ 4,554
Accrued expenses	10,765	8,902
Deferred revenue, including related party balances of $1,151 and $370 at March 31, 2006 and September 30, 2005, respectively	22,743	26,050
Current portion of capital lease obligations	204	213
Total current liabilities	38,279	39,719
Deferred revenue long-term	2,985	147
Restructuring costs, net of current portion	1,428	1,731
Other long term liabilities	121	96
Total liabilities	42,813	41,693
Commitments and contingencies (Notes 5, 7, 8 and 9)		
Stockholders equity:		
Preferred stock, $0.001 par value; 51,000 shares authorized; none issued and outstanding at March 31, 2006 and September 30, 2005		
Common stock, $0.001 par value; 300,000 shares authorized; 79,043 and 78,488 shares issued and outstanding at March 31, 2006 and September 30, 2005, respectively	79	78
Additional paid-in capital and deferred compensation	274,754	271,884

Accumulated deficit	(212,735)	(208,889)
Accumulated other comprehensive income	2,417	2,484
Total stockholders equity	64,515	65,557
Total liabilities and stockholders equity	$ 107,328	$ 107,250

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CHORDIANT SOFTWARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(In thousands, except per share data)

(Unaudited)

	Three Months Ended March 31, 2006	Three Months Ended March 31, 2005 (restated)	Six Months Ended March 31, 2006	Six Months Ended March 31, 2005 (restated)
Revenues:				
License, including related party items aggregating $0 for the three months ended March 31, 2006 and 2005, and $0 and $5,307 for the six months ended March 31, 2006 and 2005, respectively.	$ 13,206	$ 6,959	$ 22,332	$ 15,801
Service, including related party items aggregating $471 and $484 for the three months ended March 31, 2006 and 2005, respectively, and $1,066 and $1,331 for the six months ended March 31, 2006 and 2005, respectively.	13,067	12,212	26,499	25,047
Total revenues	26,273	19,171	48,831	40,848
Cost of revenues:				
License	518	198	961	364
Service	7,864	7,601	14,248	15,093
Amortization of intangible assets	303	331	606	462
Total cost of revenues	8,685	8,130	15,815	15,919
Gross profit	17,588	11,041	33,016	24,929
Operating expenses:				
Sales and marketing	8,732	7,155	16,836	14,364
Research and development	5,859	5,286	10,373	10,149
General and administrative	5,225	5,184	9,929	9,084
Amortization of intangible assets		93		117
Purchased in-process research and development				1,940
Restructuring expense (reversal)		26		(97)
Total operating expenses	19,816	17,744	37,138	35,557
Loss from operations	(2,228)	(6,703)	(4,122)	(10,628)
Interest income, net	281	182	480	392
Other income (expense), net	(31)	166	87	(231)
Net loss before income taxes	(1,978)	(6,355)	(3,555)	(10,467)
Provision for income taxes	170	75	291	155
Net loss	$ (2,148)	$ (6,430)	$ (3,846)	$ (10,622)
Other comprehensive income:				
Foreign currency translation gain (loss)	226	(564)	(67)	74
Comprehensive loss	$ (1,922)	$ (6,994)	$ (3,913)	$ (10,548)

Net loss per share basic and diluted	$	(0.03)	$	(0.09)	$	(0.05)	$	(0.14)
Weighted average shares used in computing basic and diluted loss per share		77,228		74,745		77,026		73,464

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See Notes 2 and 10 to the condensed consolidated financial statements. Net loss for the three and six months ended March 31, 2006 included stock-based compensation expense under SFAS 123(R) of $1.1 million and $2.2 million, which consisted of stock-based compensation expense of $0.5 million and $0.9 million related to employee stock options and $0.6 million and $1.3 million related to restricted stock awards, respectively. Net loss for both the three and six months ended March 31, 2005 included a stock-based compensation expense related to variable stock options and restricted stock awards of $1.0 million. There was no stock-based compensation expense related to fixed employee stock options or employee stock purchases related to the Employee Stock Purchase Plan under SFAS 123 included in the net loss for the three and six months ended March 31, 2005, because the company did not adopt the recognition provisions of SFAS 123. Net loss including pro forma stock-based compensation expense (restated) as previously disclosed in the notes to the condensed consolidated financial statements for the three and six months ended March 31, 2005 was $6.5 million or $0.09 per share and $12.0 million or $0.16 per share, respectively.

The accompanying notes are an integral part of these condensed consolidated financial statements.

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CHORDIANT SOFTWARE, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Six Month 200
	$ (3,8
	5
	1,0
	2,1
	2,3
	(7

1,7
(3
3,0
(5
1,4
9
9
(1
8
(1

Denning Employment Agreement

On November 29, 2011, we entered into an employment agreement with Mr. Denning (as amended, the Denning Employment Agreement). The Denning Employment Agreement, which remained in effect following Emergence, has a term through November 29, 2019, and contains a provision for automatic extensions of one-year periods thereafter, unless terminated in advance by either party in accordance with the terms of the agreement. Pursuant to the agreement, Mr. Denning is entitled to receive an annual base salary of $600,000, subject to further increase.

The Denning Employment Agreement also provides that Mr. Denning is eligible for an annual cash bonus based upon achievement of performance criteria or goals set forth in an executive incentive plan. The annual cash bonus is calculated as a percentage of Mr. Denning s base salary, with a target award opportunity of 40%, or a higher amount as determined by the Chief Executive Officer. If in any given year the Compensation Committee does not approve an executive incentive plan proposed by the Chief Executive Officer, or the Chief Executive Officer elects not to propose an executive incentive plan, the basis for annual cash bonuses to Mr. Denning will be governed by the bonus provisions in his employment agreement that were in effect immediately prior to January 1, 2016, pursuant to which Mr. Denning is entitled to receive an annual cash bonus based upon the achievement of Company and/or individual annual performance goals determined by the Compensation Committee, with a target award opportunity of 40% and a maximum award opportunity of 60% of base salary.

Non-Equity Incentive Plan Compensation

In November 2017, the Board of Directors approved the Company s annual executive incentive plan in which named executive officers could participate, to operate as a quarterly incentive plan for 2018 (the 2018 QIP), and approved performance targets for the supplemental incentive plan for 2018 (the 2018 SIP) in which named executive officers could participate. The 2018 QIP remained in effect following Emergence.

Awards to the named executive officers under the 2018 QIP were based on the Company achieving budgeted adjusted earnings before interest, taxes, depreciation and amortization (EBITDA) levels. The target cash incentive award opportunity available to each named executive officer under the 2018 QIP was calculated as a percentage of each named executive officer s base salary, all in accordance with the terms of each such officer s employment agreement.

Under the 2018 QIP, performance was measured at the end of each quarter, beginning with the quarter ended March 31, 2018, based on year-to-date performance at the end of the respective quarter. If target

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erformance levels for the year-to-date period were met or exceeded, 25% of the total annual target bonus was awarded following he applicable quarter end. If, at the completion of any quarter, target performance levels for the year-to-date period (other than the ull year period) were not met, no payment was made for that period.

Following the end of the year, actual annual performance was compared to the threshold, target and maximum performance goals. f the Company achieved the full-year 2018 threshold EBITDA goal, each named executive officer was entitled under the 2018 QIP o a total payout for the full year equal to 50% of his or her respective 2018 QIP target award opportunity. If the Company met or xceeded the full-year 2018 maximum EBITDA goal, each named executive officer was entitled under the 2018 QIP to a total ayout for the full year equal to 150% of his or her respective 2018 QIP target award opportunity. Actual performance between hreshold and target or target and maximum resulted in payout amounts determined by linear interpolation. The payout amount alculated for performance over the full-year period was reduced by payments previously made for the quarterly periods in 2018. Actual payments to each of the named executive officers under the 2018 QIP were as follows: Ms. Berner ($1,497,287), Mr. Abbot $580,844) and Mr. Denning ($227,175).

The 2018 SIP was approved to provide participants the opportunity to earn cash payments in ratable installments over fiscal quarters of 2018, based on the Company s year-to-date performance at the end of the respective period.

The 2018 SIP provided payouts only in the event the Company s EBITDA performance met or exceeded applicable levels after aking into account the proposed 2018 SIP payouts, making the program self-funding. Specifically, performance under the 2018 SIP was measured, and payments were to be made, as of the end of each applicable period, based on the Company s EBITDA after giving effect to any such proposed payments. If target performance levels for the year-to-date period were met or exceeded, one-fourth of the total annual 2018 SIP target bonus was awarded following each period end. If, after giving effect to such payments target performance levels for the year-to-date period (other than the full year period) had not been met, no payment was o be made following the applicable quarter. Under the 2018 SIP, the full-year target award opportunities for each named executive officer were as follows: Ms. Berner ($1,470,000), Mr. Abbot ($587,500) and Mr. Denning ($480,000).

Upon Emergence, the SIP program was terminated and replaced by the Company s Long-Term Incentive Plan. Following the end of he second quarter, actual EBITDA performance was compared to the threshold, target and maximum performance goals, and payouts, if any, were determined in the same manner as under the 2018 QIP, except that under the 2018 SIP, EBITDA performance was determined after giving effect to such proposed payments and prorated based on a partial period for the second quarter. Actual payments to each of the named executive officers under the 2018 SIP were as follows: Ms. Berner ($624,750), Mr. Abbot $249,688) and Mr. Denning ($204,000).

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Outstanding Equity Awards at 2018 Fiscal Year-End

The following table sets forth the number and value of shares of restricted stock and stock options held by each named executive officer that were outstanding as of December 31, 2018. All awards relate to shares of Class A common stock. The value of restricted stock awards was calculated based on a price of $10.80 per share, the closing price of the Company s Class A common stock on December 31, 2018.

	Options Awards					Stock Awards			
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)	Option Exercise Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (#)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)
Mary G. Berner		169,583(1)		25.70	06/05/2023				
								169,583(2)	1,831,496
John Abbot		84,791(1)		25.70	06/05/2023				
								84,791(2)	915,742
Richard S. Denning		26,568(1)		25.70	06/05/2023				
								26,568(2)	286,934

(1) This option vests on each of the first four anniversaries of June 5, 2019, with 30% of the award vesting on each of the first two anniversaries thereof, and 20% of the award vesting on each of the next two anniversaries thereof.

(2) The award vests as follows: (i) 50% based on the satisfaction of certain performance based criteria at the end of 2019, 2020 and 2021, in equal amounts each year and (ii) 50% on each of the first four anniversaries of June 5, 2019, with 30% of this portion of the award vesting on each of the first two anniversaries thereof, and 20% of this portion of the award vesting on each of the next two anniversaries thereof.

Director Compensation

Prior to June 4, 2018, the date of the Company s reorganization and emergence from bankruptcy, non-employee directors received an annual fee of $60,000 for service on the Board, and each non-employee director received an additional fee of $20,000 annually for service on each committee of which he or she was a member. Additionally, the Chairman of the Audit Committee received a fee of $20,000 annually and the Chairman of the Compensation Committee received a fee of $12,000 annually. Mr. Baker also received $25,000 for his work on an ad-hoc committee of the Board in connection with our filing for bankruptcy protection. In addition, in part to minimize dilution to stockholders in light of the trading prices of the Class A common stock, the Board determined that the annual grant of restricted shares of Class A common stock typically made to directors for Board service would nstead be paid in an equivalent amount of cash of $80,000. All annual fees were pro-rated based on the amount of time each lirector served in the 2018 fiscal year.

After the Company s reorganization and emergence from bankruptcy, non-employee directors received an annual fee of $100,000. Additionally, the Chairman of the Board received an annual fee of $40,000, the Chairman of the Audit Committee and the Chairman of the Compensation Committee each received an annual fee of $25,000 and the Chairman of the Nominating Committee eceived an annual fee of $15,000. All annual fees were pro-rated based on the amount of time each director served in the 2018 iscal year.

Each non-employee director is also reimbursed for expenses actually incurred in attending in-person meetings of the Board of Directors and any committees.

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The following table sets forth amounts paid to our non-employee directors subsequent to the Company s reorganization and Emergence on June 4, 2018 through December 31, 2018. Directors who were also employees of the Company (Ms. Berner) received no additional compensation for their service as directors.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
David M. Baum	71,747	81,030	23,094				175,870
Matthew C. Blank	57,397	81,030	23,094				161,521
Thomas H. Castro	57,397	81,030	23,094				161,521
Joan Hogan Gillman	66,007	81,030	23,094				170,130
Andrew W. Hobson	80,356	162,060	46,187				288,603
Brian G. Kushner	71,747	81,030	23,094				175,870

The following table sets forth amounts paid to our non-employee directors prior to the Company s reorganization and emergence from bankruptcy on June 4, 2018, for the fiscal year ended December 31, 2018.

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation ($)	Total ($)
D.J. (Jan) Baker	93,000						93,000
Jill Bright	76,500						76,500
John W. Dickey	59,500						59,500
Ralph B. Everett	76,500						76,500
Ross A. Oliver	85,000						85,000
Jeff Marcus	91,800						91,800

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AUDIT COMMITTEE REPORT

The Audit Committee of the Board of Directors offers this report regarding the Company s financial statements, and regarding certain matters with respect to PricewaterhouseCoopers LLP, the Company s independent registered public accounting firm for the fiscal year ended December 31, 2018. This report shall not be deemed to be incorporated by reference by any general statement incorporating by reference this proxy statement into any filing with the SEC by the Company, except to the extent that the Company specifically incorporates this information by reference, and shall not otherwise be deemed to be filed with the SEC.

The Audit Committee currently consists of Messrs. Kushner (Chairman), Castro and Hobson.

The Audit Committee reviewed and discussed with the Company s management and with PricewaterhouseCoopers LLP, its independent registered public accounting firm for the fiscal year ended December 31, 2018, the Company s audited financial statements contained in its Annual Report on Form 10-K for the fiscal year ended December 31, 2018. The Audit Committee also discussed with PricewaterhouseCoopers LLP the matters required to be discussed by the statement on Auditing Standards No. 16, *Communication with Audit Committees,* as amended, issued by the Public Company Accounting Oversight Board.

The Audit Committee received the written disclosures and the letter from PricewaterhouseCoopers LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding PricewaterhouseCoopers LLP s communications with the Audit Committee concerning independence, and has discussed with PricewaterhouseCoopers LLP its independence. The Audit Committee also considered whether the provision of certain non-audit services to the Company by PricewaterhouseCoopers LLP is compatible with maintaining its independence.

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors of the Company that the audited financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2018, filed with the SEC.

The Audit Committee of the Board of Directors:

Brian G. Kushner (Chairman)

Thomas H. Castro

Andrew W. Hobson

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Our Board of Directors recognizes that related person transactions present a heightened risk of conflicts of interest. The Audit Committee has been delegated the authority to review and approve all related person transactions involving directors or executive officers of the Company. Generally, a related person transaction is a transaction in which we are a participant and the amount involved exceeds $120,000, and in which any related person had or will have a direct or indirect material interest. Related persons include our executive officers, directors and holders of more than 5% of our common stock, and any of their immediate family members. Under our related person transaction policy, when management becomes aware of a related person transaction, management reports the transaction to the Audit Committee and requests approval or ratification of the transaction. Generally, the Audit Committee will approve only related party transactions that are on terms comparable to those that could be obtained in arm s length dealings with an unrelated third party. The Audit Committee will report to the full Board of Directors all related person transactions presented to it. During the fiscal 2018 year, there were no reportable related party transactions.

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PROPOSAL NO. 2: ADVISORY VOTE ON EXECUTIVE COMPENSATION

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the Dodd-Frank Act) provides stockholders with the right to vote to approve, on an advisory, non-binding, basis, the compensation of our named executive officers as disclosed pursuant to the compensation disclosure rules of the SEC. This stockholder advisory vote is commonly referred to as the say-on-pay vote. At the Company s 2017 annual meeting of stockholders, the Company s stockholders took action with respect to the say-on-pay vote and an advisory vote on the frequency of say-on-pay votes. A majority of votes cast on the advisory vote on the frequency of say-on-pay votes were for such vote to occur every year, supporting the Board of Director s recommendation. Based upon such result, the Board determined that an advisory say-on-pay vote would be held every year until the next advisory vote on the frequency of future say-on-pay votes.

Our philosophy with respect to executive compensation is to implement certain core compensation principles, namely, alignment of management s interests with our stockholders interests and encouraging and rewarding performance that contributes to enhanced long-term stockholder value and our general long-term financial health. Our compensation programs are designed in a consistent manner, and seek to ensure we can effectively attract and retain executive leadership, reward performance that enhances stockholder value and our financial strength, and align the interests of executive officers with other stockholders. We believe that our executive compensation philosophy and programs are appropriate to ensure management s interests are aligned with our stockholders interests in furtherance of long-term value creation. In the course of designing and implementing our compensation programs for 2018, the Compensation Committee, with input from management, determined what it considered appropriate levels and types of quantifiable financial-based incentives to motivate our named executive officers to achieve short-term and long-term business goals, after reviewing historical compensation levels, data and analyses regarding the compensation at our peer companies and the Company s business expectations for 2018. Please review the Summary Compensation Table and related narrative disclosure in this proxy statement which describes the compensation paid to our named executive officers in fiscal 2018.

The say-on-pay vote gives you as a stockholder the opportunity to express your views on the compensation of our named executive officers in 2018. This vote is not intended to address any specific item of compensation, but rather the overall compensation of our named executive officers in 2018 and our executive compensation philosophy, objectives, policies and practices. The Compensation Committee, which administers our executive compensation program, values the opinions expressed by stockholders and will consider the outcome of these votes in making its decisions on executive compensation in the future. Accordingly, the Board of Directors recommends that stockholders approve the following advisory resolution:

RESOLVED, that the stockholders of Cumulus approve, on an advisory basis, the compensation of the Company s named executive officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the compensation tables and accompanying footnotes and narratives disclosed in this proxy statement.

Because this vote is advisory, it will not be binding on the Compensation Committee, the Board of Directors or the Company. However, it will provide information to our management and Compensation Committee regarding investor sentiment about our executive compensation philosophy, objectives, policies and practices, which management and the Compensation Committee will be able to consider when determining executive compensation for the remainder of fiscal 2019 and beyond.

Recommendation of the Board of Directors

Your Board of Directors recommends a vote FOR the advisory approval of the compensation of the Company s named executive officers as disclosed in this proxy statement.

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PROPOSAL NO. 3: RATIFICATION OF THE APPOINTMENT OF PRICEWATERHOUSECOOPERS LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

he Audit Committee of the Board of Directors is responsible for the appointment, compensation and retention of our independent egistered public accounting firm.

he Audit Committee has appointed PricewaterhouseCoopers LLP to serve as our independent registered public accounting firm or the fiscal year ending December 31, 2019, and urges you to vote FOR ratification of the appointment. PricewaterhouseCoopers LLP has served as our independent registered public accounting firm since 2008. While stockholder ratification of the selection of ricewaterhouseCoopers LLP as our independent registered public accounting firm is not required by our By-laws or otherwise, ur Board of Directors is submitting the selection of PricewaterhouseCoopers LLP to our stockholders for ratification as a matter of ood corporate governance. If our stockholders fail to ratify the selection, the Audit Committee may, but is not required to, econsider whether to retain that firm. Even if the selection is ratified, the Audit Committee, in its discretion, may direct the ppointment of a different independent registered public accounting firm at any time during the year if it determines that such a hange would be in the best interests of us and our stockholders.

epresentatives of PricewaterhouseCoopers LLP are expected to be present at the annual meeting and, if present, will have the pportunity to make a statement on behalf of the firm if they desire to do so, and to respond to appropriate questions from tockholders.

uditor Fees and Services

udit Fees

ricewaterhouseCoopers LLP billed us $3,867,000 in the aggregate, for professional services rendered to audit our annual financial tatements for the fiscal year ended December 31, 2018, to evaluate the effectiveness of our internal control over financial reporting s of December 31, 2018 and to review the interim financial statements included in our quarterly reports on Form 10-Q filed in 018. Audit fees in 2018 included $1,925,000 for services related to auditing bankruptcy-related accounting matters, including the pplication of fresh-start accounting.

ricewaterhouseCoopers LLP billed us $2,408,000, in the aggregate, for professional services rendered to audit our annual inancial statements for the fiscal year ended December 31, 2017, to evaluate the effectiveness of our internal control over financial eporting as of December 31, 2017 and to review the interim financial statements included in our quarterly reports on Form 10-Q iled in 2017.

udit Related Fees

ricewaterhouseCoopers LLP did not provide or bill us for any audit related services in 2018 or 2017.

ax Fees

ricewaterhouseCoopers LLP did not provide or bill us for any tax consulting services in 2018 or 2017.

ll Other Fees

ricewaterhouseCoopers LLP billed us $3,000 for the use of certain software in 2018 and $2,700 for the use of certain software in 017.

Policy on Pre-Approval of Services Performed by Independent Registered Public Accounting Firm

The policy of the Audit Committee is to require pre-approval of all audit and permissible non-audit services to be performed by the independent registered public accounting firm during the fiscal year. The Audit Committee regularly considers all non-audit fees when reviewing the independence of our independent registered public accounting firm.

Recommendation of the Board of Directors

Your Board of Directors recommends a vote FOR the ratification of the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for 2019.

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CODE OF ETHICS

We have adopted a Code of Business Conduct and Ethics, referred to as our Code of Ethics, that applies to all of our employees, executive officers and directors and meets the requirements of the rules of the SEC and the NASDAQ Marketplace Rules. The Code of Ethics is available on our website, www.cumulusmedia.com, and can be obtained without charge by written request to Richard S. Denning, Corporate Secretary, at our principal executive offices, 3280 Peachtree Road, N.W., Suite 2200, Atlanta, Georgia 30305. If we make any substantive amendments to this Code of Ethics, or if our Board of Directors grants any waiver, including any implicit waiver, from a provision thereof to our executive officers or directors, we will disclose the nature of such amendment or waiver, the name of the person to whom the waiver was granted and the date of the waiver in a Current Report on Form 8-K.

SUBMISSION OF STOCKHOLDER PROPOSALS FOR THE 2020 ANNUAL MEETING

In accordance with the rules of the SEC, if you wish to submit a proposal to be brought before the 2020 annual meeting of stockholders, we must receive your proposal by not later than December 1, 2019, in order for it to be included in our proxy materials relating to that meeting. Stockholder proposals must be accompanied by certain information concerning the proposal and the stockholder submitting it as more fully described in our By-laws. Proposals should be directed to Richard S. Denning, Corporate Secretary, at our principal executive offices, 3280 Peachtree Road, N.W., Suite 2200, Atlanta, Georgia 30305. To avoid disputes as to the date of receipt, it is suggested that any stockholder proposal be submitted by certified mail, return receipt requested.

In addition, in accordance with our By-laws, for any proposal to be submitted by a stockholder for a vote at the 2020 annual meeting of stockholders, whether or not submitted for inclusion in our proxy statement, we must receive advance notice of such proposal not later than January 31, 2020. The proxy to be solicited on behalf of our Board of Directors for the 2020 annual meeting of stockholders may confer discretionary authority to vote on any such proposal received after that date.

ANNUAL REPORT

A copy of the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 as required to be filed with the SEC has been provided concurrently with this proxy statement to all stockholders entitled to notice of, and to vote at, the annual meeting. Stockholders may also obtain a copy of the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 without charge upon written request to: Corporate Secretary, Cumulus Media, Inc., 3280 Peachtree Road, N.W., Suite 2200, Atlanta, Georgia 30305. The proxy statement and the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 are available www.cumulusmedia.com.

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