

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2014

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 0-25969

**RADIO ONE, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**52-1166660**

(I.R.S. Employer  
Identification No.)

**1010 Wayne Avenue,  
14th Floor**

**Silver Spring, Maryland 20910**

(Address of principal executive offices)

**Registrant's telephone number, including area code  
(301) 429-3200**

**Securities registered pursuant to Section 12(b) of the Act:  
None**

**Securities registered pursuant to Section 12(g) of the Act:  
Class A Common Stock, \$.001 par value  
Class D Common Stock, \$.001 par value**

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

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

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

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

The number of shares outstanding of each of the issuer's classes of common stock is as follows:

| <b>Class</b>                           | <b>Outstanding at February 6, 2015</b> |
|--|--|
| Class A Common Stock, \$.001 par value | 2,244,551                              |
| Class B Common Stock, \$.001 par value | 2,861,843                              |
| Class C Common Stock, \$.001 par value | 2,928,906                              |
| Class D Common Stock, \$.001 par value | 42,107,610                             |

The aggregate market value of common stock held by non-affiliates of the Registrant, based upon the closing price of the Registrant's Class A and Class D common stock on June 30, 2014, was approximately \$144.2 million.

**RADIO ONE, INC. AND SUBSIDIARIES**

**Form 10-K  
For the Year Ended December 31, 2014**

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## CERTAIN DEFINITIONS

Unless otherwise noted, throughout this report, the terms “Radio One,” “the Company,” “we,” “our,” and “us” refer to Radio One, Inc. together with all of its subsidiaries.

We use the terms “local marketing agreement” (“LMA”) or time brokerage agreement (“TBA”) in various places in this report. An LMA or a TBA is an agreement under which a Federal Communications Commission (“FCC”) licensee of a radio station makes available, for a fee, air time on its station to another party. The other party provides programming to be broadcast during the airtime and collects revenues from advertising it sells for broadcast during that programming. In addition to entering into LMAs or TBAs, we will from, time to time, enter into management or consulting agreements that provide us with the ability, as contractually specified, to assist current owners in the management of radio station assets that we have contracted to purchase, subject to FCC approval. In such arrangements, we generally receive a contractually specified management fee or consulting fee in exchange for the services provided.

The term “station operating income” is also used throughout this report. “Station operating income” consists of net loss or income before depreciation and amortization, corporate expenses, stock-based compensation, equity in income or loss of affiliated company, income taxes, noncontrolling interests in income of subsidiaries, interest expense, impairment of long-lived assets, other income or expense, gain or loss on retirement of debt, and income or loss from discontinued operations, net of tax. Station operating income is not a measure of financial performance under U.S. generally accepted accounting principles (“GAAP”). Nevertheless, we believe station operating income is a useful measure of a broadcasting company’s operating performance and is a significant basis used by our management to measure the operating performance of our radio stations within the various markets because station operating income provides helpful information about our results of operations apart from expenses associated with our physical plant, income taxes, investments, debt financings, gain or loss on retirement of debt, corporate overhead, stock-based compensation, impairment of long-lived assets and income or losses from asset sales. Station operating income is frequently used as one of the bases for comparing businesses in our industry, although our measure of station operating income may not be comparable to similarly titled measures of other radio broadcasting companies as it includes results from all four of our reportable segments (radio broadcasting, Reach Media, internet and cable television). Station operating income does not purport to represent operating income or cash flow from operating activities, as those terms are defined under generally accepted accounting principles, and should not be considered as an alternative to those measurements as an indicator of our performance.

The term “station operating income margin” is also used throughout this report. “Station operating income margin” consists of station operating income as a percentage of net revenue. Station operating income margin is not a measure of financial performance under GAAP. Nevertheless, we believe that station operating income margin is a useful measure of our performance because it provides helpful information about our profitability as a percentage of our net revenue. As with station operating income, station operating income margin also includes results from all four of our reportable segments (radio broadcasting, Reach Media, internet and cable television) and may not be comparable to similarly titled measures of other companies.

Unless otherwise indicated:

- we obtained total radio industry revenue levels from the Radio Advertising Bureau (the “RAB”);
- we obtained audience share and ranking information from Nielsen Audio, Inc. (“Nielsen”) formerly Arbitron Inc.); and
- we derived historical market statistics and market revenue share percentages from data published by Miller, Kaplan, Arase & Co., LLP (“Miller Kaplan”), a public accounting firm that specializes in serving the broadcasting industry and BIA/Kelsey (“BIA”), a media and telecommunications advisory services firm.

### Cautionary Note Regarding Forward-Looking Statements

This document, and the documents incorporated by reference into this Annual Report on Form 10-K, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements do not relay historical facts, but rather reflect our current expectations concerning future operations, results, and events. All statements other than statements of historical fact are “forward-looking” statements including any projections of earnings, revenues or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing. You can identify some of these forward-looking statements by our use of words such as “anticipates,” “expects,” “intends,” “plans,” “believes,” “seeks,” “likely,” “may,” “estimates” and similar expressions. You can also identify a forward-looking statement in that such statements discuss matters in a way that anticipates operations, results, or events that have not already occurred but rather will or may occur in future periods. We cannot guarantee that we will achieve any forward-looking plans, intentions, results, operations, or expectations. Because these statements apply to future events, they are subject to risks and uncertainties, some of which are beyond our control that could cause actual results to differ materially from those forecasted or anticipated in the forward-looking statements. These risks, uncertainties, and factors include (in no particular order), but are not limited to:

- economic sluggishness and volatility, credit and equity market unpredictability, employment outlook uncertainties and continued fluctuations in the United States and other world economies that may affect our business and financial condition, and the business and financial conditions of our advertisers;
- our high degree of leverage and potential inability to refinance certain portions of our debt at favorable interest rates or upon other favorable terms or finance other strategic transactions given fluctuations in market conditions;
- fluctuations in the local economies of the markets in which we operate (particularly our largest markets, Washington, DC; Baltimore; Houston; and Atlanta) that could negatively impact our ability to meet our cash needs and our ability to maintain compliance with our debt covenants;
- fluctuations in the demand for advertising across our various media given fluctuations in the economic environment;
- risks associated with the implementation and execution of our business diversification strategy;
- increased competition in our markets and in the radio broadcasting and media industries;
- changes in media audience ratings, and measurement technologies and methodologies;
- regulation by the Federal Communications Commission (“FCC”) relative to maintaining our broadcasting licenses, enacting media ownership rules, and enforcing of indecency rules;
- changes in our key personnel and on-air talent;
- increases in the costs of our programming, including on-air talent and content acquisitions costs;
- financial losses that may be incurred due to impairment charges against our broadcasting licenses, goodwill, and other intangible assets, particularly in light of the current economic environment;
- increased competition from new media and new content distribution platforms and technologies;
- the impact of our acquisitions, dispositions, and similar transactions, as well as consolidation in industries in which we and our advertisers operate; and
- other factors mentioned in our filings with the Securities and Exchange Commission (“SEC”) including the factors discussed in detail in Item 1A, “Risk Factors,” contained in this report.

You should not place undue reliance on these forward-looking statements, which reflect our views as of the date of this report. We undertake no obligation to publicly update or revise any forward-looking statements because of new information, future events, or otherwise.

## PART I

### ITEM 1. BUSINESS

#### Overview

Radio One, Inc., a Delaware corporation, and its subsidiaries (collectively, “Radio One,” “the Company,” “we,” “our” and/or “us”) is an urban-oriented, multi-media company that primarily targets African-American and urban consumers. Our core business is our radio broadcasting franchise that is the largest radio broadcasting operation that primarily targets African-American and urban listeners. As of December 31, 2014, we owned and/or operated 54 broadcast stations located in 16 of the top 33 urban markets in the United States, with approximately 13.8 million weekly national listeners. While our primary source of revenue is the sale of local and national advertising for broadcast on our radio stations, our strategy is to operate the premier multi-media entertainment and information content provider targeting African-American and urban consumers. Thus, we have diversified our revenue streams by making acquisitions and investments in other complementary media properties. Our other media interests include our approximately 52.1% controlling ownership interest in TV One, an African-American targeted cable television network that we own together with an affiliate of Comcast; our 80.0% controlling ownership interest in Reach Media, which operates the Tom Joyner Morning Show and our other syndicated programming assets, including the Rickey Smiley Morning Show, the Yolanda Adams Morning Show, the Russ Parr Morning Show and the DL Hughley Show. In December 2014, we acquired certain assets of GG Digital, Inc., including the website and brand Global Grind (“Global Grind”). The Global Grind website and brand will be integrated into Interactive One, our wholly owned online platform serving the African-American community through social content, news, information, and entertainment websites, including News One, TheUrbanDaily and HelloBeautiful, and online social networking websites, including BlackPlanet and MiGente. In May 2014, the Company agreed to invest in MGM’s development of a world-class casino property, MGM National Harbor, located in Prince George’s County, Maryland. Upon completion of the project, currently anticipated to be in the second half of 2016, this investment will further diversify our platform in the entertainment industry while still focusing on our core demographic. Through our national multi-media presence, we provide advertisers with a unique and powerful delivery mechanism to the African-American and urban audiences.

Beginning November 1, 2012, our Columbus, Ohio radio station, WJKR-FM (The Jack, 98.9 FM) was made the subject of an LMA, and, on February 15, 2013, the Company sold that station’s assets. The results from operations of this station for the years ended December 31, 2013 and 2012, have been classified as discontinued operations in the accompanying consolidated financial statements.

As of June 2011, our remaining Boston radio station was made the subject of a TBA whereby, similar in operation to an LMA, we have made available, for a fee, air time on this station to another party. In December 2013, we renegotiated the terms of the TBA, which now expires December 1, 2016, at which time the station will be conveyed. As a result, that station’s radio broadcasting license was classified as a long-term other asset as of December 31, 2014 and 2013, and is being amortized through the anticipated conveyance date.

As part of our consolidated financial statements, consistent with our financial reporting structure and how the Company currently manages its businesses, we have provided selected financial information on the Company’s four reportable segments: (i) radio broadcasting; (ii) Reach Media; (iii) internet; and (iv) cable television.

## Our Stations and Markets

The table below provides information about our radio stations and the markets in which we owned or operated as of December 31, 2014.

| Market         | Radio One             |    | Market Data  |  |   |      |
|----------------|-----------------------|----|--|--|---|------|
|                | Number of Stations(1) |    | Entire Audience<br>Four Book<br>Average Audience<br>Share(2) | Ranking by Size of<br>African-American<br>Population Persons<br>12+(3) | Estimated Fall 2014<br>Metro<br>Population Persons<br>12+ |      |
|                | FM                    | AM |  | Total<br>(millions)  | African-<br>American<br>%                                 |      |
| Atlanta        | 4                     | —  | 13.1   | 2  | 4.5   | 33.1 |
| Washington, DC | 3                     | 2  | 12.0   | 4  | 4.8   | 26.5 |
| Philadelphia   | 3                     | —  | 8.0  | 5  | 4.6   | 20.5 |
| Houston(4)     | 3                     | —  | 13.0   | 6  | 5.4   | 17.3 |
| Dallas         | 2                     | —  | 5.9  | 7  | 5.6   | 15.7 |
| Detroit        | 3                     | 1  | 10.7   | 8  | 3.8   | 22.1 |
| Baltimore      | 2                     | 2  | 14.7   | 11   | 2.4   | 28.6 |
| Charlotte      | 3                     | —  | 10.7   | 13   | 2.2   | 22.3 |
| St. Louis      | 2                     | —  | 9.2  | 16   | 2.3   | 18.6 |
| Cleveland      | 2                     | 2  | 12.3   | 18   | 1.8   | 19.9 |
| Raleigh-Durham | 4                     | —  | 17.5   | 19   | 1.5   | 22.7 |
| Richmond(5)    | 4                     | 1  | 20.3   | 21   | 1.0   | 30.2 |
| Boston(6)      | —                     | 1  | N/A  | 20   | 4.2   | 7.4  |
| Columbus       | 2                     | —  | 9.3  | 26   | 1.6   | 15.8 |
| Indianapolis   | 3                     | 1  | 17.8   | 28   | 1.5   | 15.9 |
| Cincinnati     | 2                     | 1  | 8.4  | 33   | 1.8   | 12.5 |
| Total          | 42                    | 11 |  |  |   |      |

- (1) WDNI-CD (formerly WDNI-LP), the low power television station that we operate in Indianapolis is not included in this table and constitutes the 54<sup>th</sup> broadcast station.
- (2) Audience share data are for the 12+ demographic and derived from the Nielsen Survey ending with the Fall 2014 Nielsen Survey.
- (3) Population estimates are from the Nielsen Radio Market Survey Population, Rankings and Information, Fall 2014.
- (4) In addition, in Houston, we operate a digital channel KMJQ-HD2.
- (5) Richmond is the only market in which we operate using the diary methodology of audience measurement.
- (6) We retain ownership of a station in Boston; however, that station is the subject of a TBA and is not operated by us. Therefore, we do not subscribe to Nielsen for our Boston market.

## The African-American Market Opportunity

We believe that urban-oriented media primarily targeting African-Americans continues as an attractive opportunity for the following reasons:

*African Americans Remain Heavy Consumers of Media.* While radio is a maturing industry, radio consumption among African-Americans remains high. A recent survey indicates that 92 percent of all African-Americans tune in to radio each week and listen for an average of more than 12 hours, 5 percent longer than the average number of hours for the general market. Peak listening hours occur between 10:00AM and 3:00PM, with 61 percent of listening occurring outside of the home. Top ranked radio formats for African-Americans, with audiences that are more than 70 percent African-American, are urban contemporary, adult urban contemporary, and rhythmic contemporary. Other significant formats like gospel and urban oldies maintain 90 percent African-American audiences. African-Americans are also heavily engaged viewers of television – watching an average of nearly 45 hours per week, about 14 more hours on a weekly basis than the average for any other racial group. Indeed, networks focused specifically on reaching the African-American audience, such as TV One, produce programming that accounts for 76 percent of the top 25 indexing programs for African-American adults. (Source: “Powerful, Growing, Influential. The African-American Consumer, 2014 Report,” Nielsen and Essence, 2014.)

*Steady African-American Population Growth.* From 2000 to 2013, the nation’s African-American population grew by 16.3 percent compared to 7.7 percent for the white population and 12.3 percent for the total population. From 2013 to 2018, the nation’s African-American population is projected to grow by 5.9 percent, which exceeds the 4.5 percent growth estimated for the total U.S. population. (Source: “The Multicultural Economy 2013,” Selig Center for Economic Growth, Terry College of Business, The University of Georgia, August 2013.) African-Americans are expected to make up 12.9 percent of total population growth during the period from 2010 through 2015. According to current Census estimates, there are 44 million African-Americans living in the United States, representing approximately 14.2 percent of the population, with 53 percent under the age of 35. (Source: U.S. Census Bureau, 2014.)

*High African-American Geographic Concentration.* An analysis of the African-American population shows a high degree of geographic concentration. A recent study shows that while the five most populous U.S. markets in aggregate are home to 21 percent of the overall U.S. population, 27 percent of the total African-American population resides in those same markets. Expanding the analysis to the 20 most populous U.S. markets, 45 percent of the overall U.S. population resides within these markets, with 57 percent of the total African-American population residing within those same 20 markets. (Source: “Markets Within Markets,” Cable Advertising Bureau (“CAB”) Race, Relevance and Revenue, June 2007.) The practical implication of these findings is that a multi-media strategy within these pockets of geographic concentration can have a proportionately much more meaningful reach towards the African-American population than towards non-African-American U.S. populations. Indeed, the markets in which we operate radio stations are home to 27 percent of the total African-American population. (Source: U.S. Census Bureau, 2008 and 2009, “Projections of the Population by Sex, Race, and Hispanic Origin for the United States: 2010 to 2050”.)

*Higher African-American Income Growth.* The economic status of African-Americans has improved at an above-average rate over the past two decades. African-American buying power was estimated at \$1.0 trillion in 2013, up from \$601 billion and \$951 billion in 2000 and 2010, respectively. African-American buying power is expected to increase to over \$1.3 trillion by 2017. The 78 percent increase between 2000 and 2013 outstrips the 63 percent rise in white buying power and the 70 percent increase in total buying power (all races combined). In 2013, the nation’s share of total buying power that was African-American was 8.6 percent, up from 8.2 percent in 2000 and from 7.5 percent in 1990. African-American consumers’ share of the nation’s total buying power will rise to 8.8 percent in 2018, accounting for almost nine cents out of every dollar that is spent. (Source: “The Multicultural Economy 2013,” Selig Center for Economic Growth, Terry College of Business, The University of Georgia, August 2013.) In addition, African-American consumers tend to have a different consumption profile than non-African-Americans. A report published by the CAB notes those products and services for which African-American households spent a higher proportion of their money than non-African-Americans. These products and services included housing, groceries, phone services, furniture, clothing, car insurance, and gasoline and motor oil. Such findings imply that energy utilities, telecom firms, car insurers, gas stations, grocers, clothing stores, and shoe stores would greatly benefit from marketing directly to African-American consumers. This is particularly true in those states (including the District of Columbia) where the percentage that African-American buying power represents of total buying power in that state is the largest, such as the District of Columbia (26.3%), Maryland (23.1%), Georgia (22.1%), North Carolina (14.8%) and Virginia (13.0%). Indeed, in 2013, the African-American markets in Georgia, Maryland, North Carolina and Virginia were \$76 billion, \$64 billion, \$50 billion and \$46 billion, respectively. The gains in African-American buying power reflect much more than just population growth and inflation. Of the many diverse supporting forces, one of the most important and enduring is the increasing number of African-Americans who are starting and expanding their own businesses. The 2007 Survey of Business Owners (released by the U.S. Census bureau in June 2011 (2012 Survey of Business Owners data to be released in 2015)) shows that the number of African-American owned firms was 61 percent higher in 2007 than in 2002, an increase more than three times the 18 percent gain in the number of all U.S. firms over this period. Also, compared to the 1997-2002 period, the overall rate of growth in the number of African-American owned firms accelerated — as did the rate of growth in the number of all U.S. firms. Between 2002 and 2007, the receipts of African-American owned firms grew by 55 percent compared to the 28 percent increase in the receipts of all U.S. firms. (Source: “The Multicultural Economy 2013,” Selig Center for Economic Growth, Terry College of Business, The University of Georgia, August 2013.)

*Growing Influence of African-American Culture.* The African-American population, on average, is three years younger than the average for the total U.S. population, with an average age of 35, compared to 38. More than half of the population, 53 percent, is under the age of 35, compared to 47 percent of the total market population. Known as early adopters of new technologies and communication tools, young African-Americans go beyond merely providing a strong base for brands – they are also key influencers. Other demographic segments have identified Blacks as a driving force for popular culture; with 73 percent of whites and 67 percent of Hispanics believe African-American influence mainstream American culture. (Source: “Resilient, Receptive and Relevant: The African-American Consumer,” Nielsen, 2013.) Further, we believe that there continues to be an ongoing “urbanization” of many facets of American society as evidenced by the influence of African-American culture in the areas of politics, music, film, fashion, sports and urban-oriented television shows and networks. We believe that many companies from a broad range of industries have embraced this urbanization trend in their products as well as in their advertising messages.

*Growth in Advertising Targeting the African-American Market.* We continue to believe that large corporate advertisers are becoming more focused on reaching minority consumers in the United States. The African-American community is considered an emerging growth market within a mature domestic market. African-American consumers have unique behaviors from the total market. For example, they are, relative to the total population, more aggressive consumers of media and they shop more frequently. (Source: “Resilient, Receptive and Relevant: The African-American Consumer,” Nielsen, 2013.) We believe many large corporations are expanding their commitment to ethnic advertising. The companies that successfully market to the African-American audience have focused on building brand relationships. Advertisers are making an effort to fully understand African-American consumers, and to relate to them with messages that are relevant to their community. These advertisers are accomplishing this by visibly and consistently engaging the African-American consumer, involving themselves with the interests of the African-American consumer and increasing African-American brand loyalty. Using multiple platforms to reach African-American consumers is an effective marketing strategy as 62 percent of Blacks are likely to feel advertising content accessed via mobile phones and devices is useful. Fifty-three percent agreed that TV ads provided useful information about new products and services, while the percentage of Blacks that feel advertising accessed via other media is useful (newspapers (47%), magazines (46%), radio (39%), and internet (38%) showed similar sentiment among Blacks as among the general population. (Source: “Powerful, Growing, Influential. The African-American Consumer, 2014 Report,” Nielsen and Essence, 2014.) In 2013, \$2.6 billion was spent with media focused on African-American audiences, on cable television, national magazines, network television, spot radio, and syndicated television. This represents a 7 percent growth over 2012, compared to a 2 percent increase in overall advertising spending. While this growth in spending is a positive sign, it should be noted that this amount is only 2.6 percent of the total \$69.3 billion companies spent advertising on these media platforms in 2013. (Source: “Powerful, Growing, Influential. The African-American Consumer, 2014 Report,” Nielsen and Essence, 2014.)

*Significant and Growing Internet Usage among African-Americans with Limited Targeted Online Content Offerings.* African-Americans outnumber all ethnic (non-white) households that reported using the internet. (Source: U.S. Census Bureau, May 2013, “Computer and Internet Use in the United States.”) The same factors driving increases in African-American buying power, such as improvements in education, income, and employment, are also increasing African-American internet usage. Further, African-Americans are heavy smartphone owners and users. Smartphone penetration is 78% among Black consumers with mobile video viewing at an increase of 24 percent year-over-year. (Source: “Powerful, Growing, Influential. The African-American Consumer, 2014 Report,” Nielsen and Essence, 2014.)



## **Business Strategy**

*Radio Station Portfolio Optimization.* Within our core radio business, our portfolio management strategy is to make select acquisitions of radio stations, primarily in markets where we already have a presence, and to divest stations which are no longer strategic in nature. Depending on market conditions, we may divest stations that do not have an urban format or stations located in smaller markets or markets where the African-American population is smaller, on a relative basis, than other markets in which we operate. Recently, given market conditions, changes in ratings methodologies and economic and demographic shifts, we have reprogrammed some of our stations in underperforming segments of certain markets. However, our core franchise remains targeted toward the African-American and/or urban listener and consumer. Through our portfolio management strategy, we are continually looking for opportunities to upgrade the performance of existing radio stations through reprogramming or by strengthening their signals to reach a larger number of potential listeners.

*Investment in Complementary Businesses.* We continue to invest in complementary businesses in the media and entertainment industry. The primary focus of these investments will be on businesses that provide entertainment and information content to African-American and urban consumers. On December 31, 2012, we increased our ownership interests in Reach Media which operates the Tom Joyner Morning Show and, historically, has administered our syndicated programming operations. After we increased our ownership in Reach Media, we consolidated our syndicated programming line-up within Reach Media to create the leading syndicated radio network targeted to the African-American audience. In April 2011, we increased our ownership interest in TV One, a cable television network targeting African-Americans, to 50.9% giving us a controlling interest in the network. Since April 2011, our ownership in TV One increased to approximately 52.1% after redemptions of certain management interests. In December 2014, we acquired certain assets of GG Digital, Inc., including the website and brand Global Grind. The Global Grind website and brand will be integrated into our online operations, as part of Interactive One, which includes the largest social networking site by members primarily targeted at African-Americans. Further, in May 2014, the Company agreed to invest in MGM's development of a world-class casino property, MGM National Harbor, located in Prince George's County, Maryland. Upon completion of the project, currently anticipated to be in the second half of 2016, this investment will further diversify our platform in the entertainment industry while still focusing on our core demographic. The consolidation of Reach Media, TV One and Global Grind into our operations and our investment in MGM National Harbor are consistent with our operating strategy of becoming a multi-media entertainment and information content provider to African-American consumers. We believe that our unique position as a diversified media company focused on the African-American consumer provides us with a competitive advantage in these new businesses.

### **Top 50 African-American Radio Markets in the United States**

The table below notes the top 50 African-American radio markets in the United States. The bold text indicates markets where we own and/or operate radio stations. Population estimates are for 2014 and are based upon data provided by Nielsen.

| Rank | Market                              | African-American<br>Population<br>(Persons 12+)<br>(In thousands) | Percentage of<br>the Overall<br>Population<br>(Persons 12+) |
|------|-------------------------------------|---|---|
| 1    | New York                            | 2,740   | 17.0%   |
| 2    | <b>Atlanta</b>                      | 1,507   | 33.1%   |
| 3    | Chicago                             | 1,358   | 17.1%   |
| 4    | <b>Washington, DC</b>               | 1,273   | 26.5%   |
| 5    | <b>Philadelphia</b>                 | 933   | 20.5%   |
| 6    | <b>Houston-Galveston</b>            | 928   | 17.3%   |
| 7    | <b>Dallas-Ft. Worth</b>             | 886   | 15.7%   |
| 8    | <b>Detroit</b>                      | 842   | 22.1%   |
| 9    | Los Angeles                         | 810   | 7.2%  |
| 10   | Miami-Ft. Lauderdale-Hollywood      | 800   | 20.5%   |
| 11   | <b>Baltimore</b>                    | 683   | 28.6%   |
| 12   | Memphis                             | 510   | 45.6%   |
| 13   | <b>Charlotte-Gastonia-Rock Hill</b> | 480   | 22.3%   |
| 14   | San Francisco                       | 447   | 6.9%  |
| 15   | Norfolk-Virginia Beach-Newport News | 437   | 31.3%   |
| 16   | <b>St. Louis</b>                    | 434   | 18.6%   |
| 17   | New Orleans                         | 389   | 31.5%   |
| 18   | <b>Cleveland</b>                    | 352   | 19.9%   |
| 19   | <b>Raleigh-Durham</b>               | 333   | 22.7%   |
| 20   | <b>Boston</b>                       | 310   | 7.4%  |
| 21   | <b>Richmond</b>                     | 307   | 30.2%   |
| 22   | Tampa-St. Petersburg-Clearwater     | 295   | 11.6%   |
| 23   | Orlando                             | 280   | 16.3%   |
| 24   | Greensboro-Winston-Salem-High Point | 279   | 22.3%   |
| 25   | Birmingham                          | 267   | 29.3%   |
| 26   | <b>Columbus, OH</b>                 | 252   | 15.8%   |
| 27   | Jacksonville                        | 251   | 20.9%   |
| 28   | <b>Indianapolis</b>                 | 238   | 15.9%   |
| 29   | Nassau-Suffolk (Long Island)        | 234   | 9.5%  |
| 30   | Milwaukee-Racine                    | 231   | 15.5%   |
| 31   | Seattle-Tacoma                      | 228   | 6.3%  |
| 32   | Minneapolis-St. Paul                | 228   | 7.9%  |
| 33   | <b>Cincinnati</b>                   | 225   | 12.5%   |
| 34   | Kansas City                         | 225   | 13.3%   |
| 35   | Nashville                           | 223   | 16.3%   |
| 36   | West Palm Beach-Boca Raton          | 208   | 17.0%   |
| 37   | Baton Rouge                         | 205   | 33.6%   |
| 38   | Las Vegas                           | 201   | 11.6%   |
| 39   | Middlesex-Somerset-Union            | 199   | 13.5%   |
| 40   | Jackson, MS                         | 197   | 47.6%   |
| 41   | Columbia, SC                        | 195   | 33.4%   |
| 42   | Phoenix                             | 191   | 5.6%  |
| 43   | Hudson Valley                       | 188   | 12.5%   |
| 44   | Riverside-San Bernardino            | 178   | 8.8%  |
| 45   | Pittsburgh, PA                      | 178   | 8.8%  |
| 46   | Charleston, SC                      | 164   | 26.4%   |
| 47   | Greenville-Spartanburg              | 162   | 17.5%   |
| 48   | Augusta, GA                         | 161   | 34.3%   |
| 49   | Louisville                          | 154   | 15.1%   |
| 50   | Sacramento                          | 152   | 7.9%  |

## **Multi-Media Operating Strategy**

To maximize net revenue and station operating income at our radio stations, we strive to achieve the largest audience share of African-American listeners in each market, convert these audience share ratings to advertising revenue, and control operating expenses. Complementing our core broadcast radio franchise are our syndicated radio, cable television, and online media interests. Through our national presence across our various media, we provide our customers with a multi-media advertising platform that is a unique and powerful delivery mechanism toward African-Americans and other urban consumers. We believe that as we continue to diversify into other media, the strength and effectiveness of this unique platform will become even more compelling. The success of our strategy relies on the following:

- market research, and targeted programming and marketing;
- ownership and syndication of programming content;
- clustering, programming segmentation, and sales bundling;
- strategic and coordinated sales, marketing and special event efforts;
- strong management and performance-based incentives; and
- significant community involvement.

## **Market Research and Targeted Programming and Marketing**

We use market research to tailor the programming, marketing, and promotion of our radio stations and the content of our complementary media to maximize audience share. We also use our research to reinforce and refine our current programming and content, to identify unserved or underserved markets or segments within the African-American population and to determine whether to acquire new media properties or reprogram one of our existing media properties.

We also seek to reinforce our targeted programming and content by creating a distinct and marketable identity for each of our media properties. To achieve this objective, in addition to our significant community involvement (discussed below), we employ and promote distinct, high-profile personalities across our media properties, many of whom have strong ties to the African-American community and the local communities in which a broadcasting property is located.

## **Ownership and Syndication of Programming Content**

To diversify our revenue base beyond the markets in which we physically operate, we seek to develop or acquire proprietary African-American targeted content. We distribute this content in a variety of ways, utilizing our own network of multi-media distribution assets or through distribution assets owned by others. If we distribute content through others, we are paid for providing this content or we receive advertising inventory which we monetize through our advertising sales. Our programming content efforts have included our investment in TV One and its related programming and the acquisition and development of our interactive brands including Global Grind, BlackPlanet, NewsOne, TheUrbanDaily and HelloBeautiful. Our efforts also include the development and distribution of several syndicated radio shows, including the Tom Joyner Morning Show, the Rickey Smiley Morning Show, the Yolanda Adams Morning Show, the Russ Parr Morning Show, and the DL Hughley Show. In addition to being broadcast on Radio One stations, our syndicated radio programming also was available on over 200 non-Radio One stations throughout the United States as of December 31, 2014.

## **Clustering, Programming Segmentation and Sales Bundling**

We strive to build clusters of radio stations in our markets, with each radio station targeting different demographic segments of the African-American population. This clustering and programming segmentation strategy allows us to achieve greater penetration within the distinct segments of our overall target market. In a similar fashion, we have multiple online brands including Global Grind, BlackPlanet, NewsOne, TheUrbanDaily, and HelloBeautiful. Each of these brands focuses upon a different segment of African-American online users. With our radio station clusters and multiple online brands, we are able to direct advertisers to specific audiences within the urban communities in which we are located or to bundle the radio stations and brands for advertising sales purposes when advantageous.

We believe there are several potential benefits that result from operating multiple radio stations within the same market as well as operating multiple online brands. First, each additional radio station in a market and online brand provides us with a larger percentage of the prime advertising time available for sale within that market and among online users. Second, the more stations we program and brands that we operate, the greater the market share we can achieve in our target demographic groups through the use of segmented programming and content delivery. Third, we are often able to consolidate sales, promotional, technical support, and business functions across stations and brands to produce substantial cost savings. Finally, the purchase of additional radio stations in an existing market and the development of additional online brands allow us to take advantage of our market expertise and leverage our existing relationships with advertisers.

#### **Strategic and Coordinated Sales, Marketing and Special Event Efforts**

We have assembled an effective, highly trained sales staff responsible for converting our broadcast and online audience shares into revenue. We operate with a focused, sales-oriented culture, which rewards aggressive selling efforts through a commission and bonus compensation structure. We hire and deploy large teams of sales professionals for each of our media properties or media clusters, and we provide these teams with the resources necessary to compete effectively in the markets in which we operate. We utilize various sales strategies to sell and market our properties on a stand-alone basis, in combination with other properties within a given market, and across our various media properties, where appropriate.

We have created a national platform of radio stations and syndicated programming in some of the largest African-American consumer markets. Our radio platform together with our syndicated programming platform has the ability to reach approximately 20 million listeners weekly, more than that of any other radio broadcaster primarily targeting African-Americans. Given the high degree of geographic concentration among the African-American population, national advertisers find advertising on our radio stations an efficient and cost-effective way to reach this target audience. Through integrated sales efforts, we bundle and sell our platform of radio stations to national advertisers, thereby enhancing our revenue generating opportunities, expanding our base of advertisers, creating greater demand for our advertising time inventory, and increasing the capacity utilization of our inventory and making our sales efforts more efficient. We have also created a dedicated online sales force as part of our internet segment. The unit's national team focuses on helping marketers reach our online audience of approximately 24 million unique visitors per month. Our leading advertising products, custom marketing solutions, and integrated inventory opportunities provide our advertising customers a unique vehicle to reach online African-American consumers at scale. To allow marketers to reach our audience across all of our platforms (radio, television, and online) in an efficient way, we offer "One Solution", a cross-platform/brand sales and marketing effort which allows top tier advertisers to take full advantage of our complete suite of offerings through a one-stop shop approach that has the potential to reach approximately 80 percent of African-Americans in the United States.

In order to create advertising loyalty, we strive to be the recognized expert in marketing to the African-American consumer in the markets in which we operate. We believe that we have achieved this recognition by focusing on serving the African-American consumer and by creating innovative advertising campaigns and promotional tie-ins with our advertising clients and sponsoring numerous entertainment events each year. In these events, advertisers buy sponsorships, signage, booth space, and/or broadcast promotions to sell a variety of goods and services to African-American consumers. As we expand our presence in our existing markets and into new markets, we may increase the number of events and the number of markets in which we host events based upon our evaluation of the financial viability and economic benefits of the events.

#### **Strong Management and Performance-Based Incentives**

We focus on hiring and retaining highly motivated and talented individuals in each functional area of our organization who can effectively help us implement our growth and operating strategies. Our management team is comprised of a diverse group of individuals who bring significant expertise to their functional areas. To enhance the quality of our management in the areas of sales and programming, general managers, sales managers and program directors have significant portions of their compensation tied to the achievement of certain performance goals. General Managers' compensation is based partially on increasing market share and achieving station operating income benchmarks, which creates an incentive for management to focus on both sales growth and profitability. Additionally, sales managers and sales personnel have incentive packages based on sales goals, and program directors and on-air talent have incentive packages focused on maximizing ratings in specific target segments. Our One Solution sales approach seeks to drive incremental revenue and value across all of our media properties and includes performance based incentives for our sales team.

## Significant Community Involvement

We believe our active involvement and significant relationships in the African-American community across each of our brands and in each of our markets provide a competitive advantage in targeting African-American audiences and significantly improve the marketability of our advertising to businesses that are targeting such communities. We believe that a media property's image should reflect the lifestyle and viewpoints of the target demographic group it serves. Due to our fundamental understanding of the African-American community, we are well positioned to identify music and musical styles, as well as political and social trends and issues, early in their evolution. This understanding is integrated into significant aspects of our operations across all of our media properties and enables us to create enhanced awareness and name recognition in the marketplace. In addition, we believe our approach to community involvement leads to increased effectiveness in developing and updating our programming formats and online brands and content which in turn leads to greater listenership and users of our online properties, driving higher ratings and online traffic over the long-term.

## Our Radio Station Portfolio

The following table sets forth selected information about our portfolio of radio stations as of December 31, 2014. Market population data and revenue rank data are from BIA/Kelsey "Investing in Radio Market Report", 2014 Fourth Edition. Audience share and audience rank data are based on Nielsen Surveys unless otherwise noted. As used in this table, "n/a" means not applicable or not available and ("t") means tied with one or more radio stations. We do not operate the station we own in the Boston market; thus, it is not reflected on this table.

| Market          | 2014 Metro Population | Year Acquired | Format                     | Target Age Demographic | Audience Share in 12+ Demographic | Audience Rank in 12+ Demographic | Share in Target Demographic | Rank in Target Demographic |
|-----------------|-----------------------|---------------|----------------------------|------------------------|-----------------------------------|----------------------------------|-----------------------------|----------------------------|
| Atlanta         | 9                     |               |                            |                        |                                   |                                  |                             |                            |
| WPZE-FM         |                       | 2004          | Contemporary Inspirational | 25-54                  | 3.8                               | 11                               | 3.1                         | 15                         |
| WHTA-FM         |                       | 2002          | Urban Contemporary         | 18-34                  | 4.0                               | 10                               | 7.9                         | 2                          |
| WAMJ-FM         |                       | 1999          | Urban AC                   | 25-54                  | 5.3                               | 6                                | 6.0                         | 2t                         |
| WUMJ-FM         |                       | 1999          | Urban AC                   | 25-54                  | *                                 | *                                | *                           | *                          |
| Washington, DC  | 7                     |               |                            |                        |                                   |                                  |                             |                            |
| WKYS-FM         |                       | 1995          | Urban Contemporary         | 18-34                  | 3.3                               | 15                               | 7.4                         | 2                          |
| WMMJ-FM         |                       | 1987          | Urban AC                   | 25-54                  | 4.7                               | 6                                | 4.2                         | 9t                         |
| WPRS-FM         |                       | 2008          | Contemporary Inspirational | 25-54                  | 4.0                               | 9                                | 2.9                         | 16                         |
| WOL-AM          |                       | 1980          | News/Talk                  | 35-64                  | 0.0                               | —                                | —                           | —                          |
| WYCB-AM         |                       | 1998          | Gospel                     | 25-54                  | 0.0                               | 52t                              | 0.0                         | 59t                        |
| Philadelphia    | 8                     |               |                            |                        |                                   |                                  |                             |                            |
| WPPZ-FM         |                       | 1997          | Contemporary Inspirational | 25-54                  | 2.1                               | 19                               | 1.8                         | 19                         |
| WPHI-FM#        |                       | 2000          | Urban Contemporary         | 18-34                  | 2.1                               | 19                               | 4.2                         | 8                          |
| WRNB-FM         |                       | 2004          | Urban AC                   | 25-54                  | 3.8                               | 11                               | 3.8                         | 12                         |
| Houston         | 6                     |               |                            |                        |                                   |                                  |                             |                            |
| KMJQ-FM         |                       | 2000          | Urban AC                   | 25-54                  | 6.3                               | 3                                | 5.5                         | 7                          |
| KBXX-FM         |                       | 2000          | Urban Contemporary         | 18-34                  | 5.4                               | 5                                | 10.2                        | 1                          |
| KROI-FM##       |                       | 2004          | News                       | 25-54                  | 1.3                               | 23t                              | 1.2                         | 24                         |
| Detroit         | 12                    |               |                            |                        |                                   |                                  |                             |                            |
| WGPR-FM         |                       | (3)           | Urban Contemporary         | 18-34                  | 3.0                               | 15                               | 5.4                         | 6                          |
| WDMK-FM         |                       | 1998          | Urban AC                   | 25-54                  | 4.4                               | 10                               | 4.4                         | 9t                         |
| WPZR-FM         |                       | 1998          | Contemporary Inspirational | 25-54                  | 2.7                               | 17                               | 2.9                         | 16                         |
| WCHB-AM         |                       | 1998          | News/Talk                  | 35-64                  | 0.6                               | 26                               | 0.4                         | 28                         |
| Dallas          | 5                     |               |                            |                        |                                   |                                  |                             |                            |
| KBFB-FM         |                       | 2000          | Urban Contemporary         | 18-34                  | 3.4                               | 8t                               | 5.0                         | 4                          |
| KSOC-FM###      |                       | 2001          | Urban AC                   | 25-54                  | 2.5                               | 18                               | 2.4                         | 18t                        |
| Baltimore       | 21                    |               |                            |                        |                                   |                                  |                             |                            |
| WERQ-FM         |                       | 1993          | Urban Contemporary         | 18-34                  | 7.0                               | 3                                | 13.5                        | 2                          |
| WWIN-FM         |                       | 1992          | Urban AC                   | 25-54                  | 6.9                               | 4                                | 6.3                         | 4                          |
| WOLB-AM         |                       | 1993          | News/Talk                  | 35-64                  | 0.3                               | 44                               | 0.1                         | 50t                        |
| WWIN-AM         |                       | 1992          | Gospel                     | 35-64                  | 0.5                               | 36t                              | 0.6                         | 35t                        |
| Charlotte       | 24                    |               |                            |                        |                                   |                                  |                             |                            |
| WPZS-FM         |                       | 2004          | Contemporary Inspirational | 25-54                  | 5.1                               | 9                                | 1.6                         | 9                          |
| WOSF-FM         |                       | (4)           | Urban AC/Urban Oldies      | 25-54                  | 5.6                               | 7                                | 4.9                         | 9                          |
| WQNC-FM         |                       | 2004          | Contemporary Inspirational | 25-54                  | **                                | **                               | **                          | **                         |
| St. Louis       | 22                    |               |                            |                        |                                   |                                  |                             |                            |
| WFUN-FM         |                       | 1999          | Urban AC                   | 25-54                  | 4.4                               | 12t                              | 3.5                         | 16                         |
| WHHL-FM         |                       | 2006          | Urban Contemporary         | 18-34                  | 4.8                               | 10                               | 10.0                        | 1                          |
| Cleveland       | 31                    |               |                            |                        |                                   |                                  |                             |                            |
| WENZ-FM         |                       | 1999          | Urban Contemporary         | 18-34                  | 5.3                               | 9t                               | 13.0                        | 1                          |
| WERE-AM         |                       | 2000          | News/Talk                  | 35-64                  | 0.1                               | 35t                              | 0.1                         | 32t                        |
| WZAK-FM         |                       | 2000          | Urban AC                   | 25-54                  | 6.2                               | 7                                | 5.2                         | 9t                         |
| WJMO-AM         |                       | 1999          | Contemporary Inspirational | 25-54                  | 0.8                               | 25                               | 1.0                         | 20t                        |
| Raleigh-Durham  | 42                    |               |                            |                        |                                   |                                  |                             |                            |
| WQOK-FM         |                       | 2000          | Urban Contemporary         | 18-34                  | 5.9                               | 5t                               | 11.2                        | 1                          |
| WFXX-FM         |                       | 2000          | Urban AC                   | 25-54                  | ***                               | ***                              | ***                         | ***                        |
| WFXC-FM         |                       | 2000          | Urban AC                   | 25-54                  | 6.4                               | 4                                | 6.5                         | 5t                         |
| WNNL-FM         |                       | 2000          | Contemporary Inspirational | 25-54                  | 5.3                               | 8                                | 4.5                         | 9                          |
| Richmond(1)     | 55                    |               |                            |                        |                                   |                                  |                             |                            |
| WCDX-FM         |                       | 2001          | Urban Contemporary         | 18-34                  | 5.4                               | 6                                | 11.5                        | 2                          |
| WPZZ-FM         |                       | 1999          | Contemporary Inspirational | 25-54                  | 5.5                               | 5                                | 5.2                         | 6t                         |
| WKJS-FM         |                       | 2001          | Urban AC                   | 25-54                  | 9.2                               | 1t                               | 8.5                         | 2                          |
| WKJM-FM         |                       | 2001          | Urban AC                   | 25-54                  | ****                              | ****                             | ****                        | ****                       |
| WTPS-AM         |                       | 2001          | News/Talk                  | 35-64                  | 0.2                               | 35t                              | 0.2                         | 35t                        |
| Columbus        | 37                    |               |                            |                        |                                   |                                  |                             |                            |
| WCKX-FM         |                       | 2001          | Urban Contemporary         | 18-34                  | 5.0                               | 7t                               | 8.4                         | 3                          |
| WXMG-FM         |                       | 2001          | Urban AC                   | 25-54                  | 4.3                               | 10                               | 2.9                         | 14t                        |
| Indianapolis(2) | 39                    |               |                            |                        |                                   |                                  |                             |                            |
| WHHH-FM         |                       | 2000          | Rhythmic CHR               | 18-34                  | 5.7                               | 8t                               | 10.3                        | 1                          |
| WTLC-FM         |                       | 2000          | Urban AC                   | 25-54                  | 6.5                               | 3t                               | 6.3                         | 6                          |
| WNOU-FM         |                       | 2000          | Pop/CHR                    | 18-34                  | 3.4                               | 13                               | 5.7                         | 6t                         |
| WTLC-AM         |                       | 2001          | Contemporary Inspirational | 25-54                  | 2.2                               | 16                               | 2.7                         | 15                         |
| Cincinnati      | 30                    |               |                            |                        |                                   |                                  |                             |                            |
| WIZF-FM         |                       | 2001          | Urban Contemporary         | 18-34                  | 4.2                               | 8t                               | 9.1                         | 3                          |
| WOSL-FM         |                       | 2006          | Urban AC                   | 25-54                  | 3.4                               | 11                               | 3.5                         | 11                         |
| WDBZ-AM         |                       | 2007          | News/Talk                  | 35-64                  | 0.6                               | 27t                              | 0.4                         | 30t                        |

AC—refers to Adult Contemporary  
CHR—refers to Contemporary Hit Radio  
R&B—refers to Rhythm and Blues  
Pop—refers to Popular Music

\* Simulcast with WAMJ-FM  
\*\* Simulcast with WPZS-FM  
\*\*\* Simulcast with WFXC-FM  
\*\*\*\* Simulcast with WKJS-FM

- (1) Richmond is the only market in which we operate using the diary methodology of audience measurement.
- (2) WDNI-CD (formerly WDNI-LP), the low power television station that we acquired in Indianapolis in June 2000, is not included in this table.
- (3) Station was operating under a TBA as of December 31, 2014. The TBA expires December 31, 2019.
- (4) We acquired the station on February 27, 2014.

# WPHI changed to the BOOM old school hip hop format on November 6, 2014.

## KROI changed to the BOOM old school hip hop format on October 13, 2014.

### KSOC changed to the BOOM old school hip hop format on November 15, 2014.

### **Radio Advertising Revenue**

For the year ended December 31, 2014, approximately 48.8% of our net revenue was generated from the sale of advertising in our core radio business, excluding Reach Media. Substantially all net revenue generated from our radio franchise is generated from the sale of local, national and network advertising. Local sales are made by the sales staff located in our markets. National sales are made primarily by Katz Communications, Inc. (“Katz”), a firm specializing in radio advertising sales on the national level. Katz is paid agency commissions on the advertising sold. Approximately 62.7% of our net revenue from our core radio business for the year ended December 31, 2014, was generated from the sale of local advertising and 33.0% from sales to national advertisers, including network advertising. Effective, January 1, 2013, we consolidated our syndication network programming within Reach Media to leverage that platform to create the leading syndicated radio network targeted to the African-American audience. The balance of net revenue from our radio segment is primarily derived from tower rental income, ticket sales, and revenue related to sponsored events, management fees and other revenue.

Advertising rates charged by radio stations are based primarily on:

- a radio station's audience share within the demographic groups targeted by the advertisers;
- the number of radio stations in the market competing for the same demographic groups; and
- the supply and demand for radio advertising time.

A radio station's listenership is measured by the Portable People Meter™ (the "PPM™") system or diary ratings surveys, both of which estimate the number of listeners tuned to a radio station and the time they spend listening to that radio station. Ratings are used by advertisers to evaluate whether to advertise on our radio stations, and are used by us to chart audience growth, set advertising rates and adjust programming. Advertising rates are generally highest during the morning and afternoon commuting hours.

### **Strategic Diversification and Other Sources of Revenue**

We have expanded our operations to include other media forms that are complementary to our core radio business. In December 2014, we acquired certain assets of GG Digital, Inc., including the website and brand Global Grind. The Global Grind website and brand will be integrated into our online operations as part of Interactive One, which includes the largest social networking site by members primarily targeted at African-Americans. Interactive One derives revenue principally from advertising services on non-radio station branded websites, including advertising aimed at diversity recruiting, and studio services, where Interactive One provides services to other publishers. Advertising services include the sale of banner and sponsorship advertisements. Advertising revenue is recognized either as impressions (the number of times advertisements appear in viewed pages) are delivered, when "click through" purchases are made or leads are generated, or ratably over the contract period, where applicable. In addition, Interactive One derives revenue from its studio operations which provide top-tier third-party clients with digital platforms and expertise. In the case of the studio operations, revenue is recognized primarily based on fixed contractual monthly fees or as a share of the third party's reported revenue.

In February 2005, we acquired 51% of the common stock of Reach Media, which operates the Tom Joyner Morning Show and related businesses. Reach Media primarily derives its revenue from the sale of advertising inventory in connection with its syndicated radio shows. Mr. Joyner is a leading nationally syndicated radio personality. As of December 31, 2014, the Tom Joyner Morning Show was broadcast on almost 100 affiliate stations across the United States and is a top-rated morning show in many of the markets in which it is broadcast. Reach Media operates [www.BlackAmericaWeb.com](http://www.BlackAmericaWeb.com), an African-American targeted website and also operates the Tom Joyner Family Reunion and various other special event-related activities. In December 2009, we increased our ownership interest in Reach Media by acquiring a noncontrolling interest from an unrelated third-party. On December 31, 2012, we further increased our ownership interest in Reach Media from approximately 53.5% to 80% by purchasing additional shares from certain minority shareholders. Immediately after increasing our ownership in Reach Media, we consolidated our syndication operations within Reach Media to leverage that platform to create the leading syndicated radio network targeted to the African-American audience.

In January 2004, the Company, together with an affiliate of Comcast Corporation and other investors, launched TV One, a cable television network featuring lifestyle, entertainment and news-related programming targeted primarily towards African-American viewers. In April 2011, we increased our ownership interest in TV One to 50.9% giving us a controlling interest in the network. Since April 2011, our ownership in TV One increased to approximately 52.1% after redemptions of certain management interests.

We have launched websites that simultaneously stream radio station content for each of our radio stations, and we derive revenue from the sale of advertisements on those websites. We generally encourage our web advertisers to run simultaneous radio campaigns and use mentions in our radio airtime to promote our websites. By providing streaming, we have been able to broaden our listener reach, particularly to “office hour” listeners. We believe streaming has had a positive impact on our radio stations’ reach to listeners. In addition, our station websites link to our other online properties operated by Interactive One acting as traffic sources for these online brands.

Future opportunities could include investments in, or acquisitions of, companies in diverse media businesses, gaming and entertainment, music production and distribution, movie distribution, internet-based services, and distribution of our content through emerging distribution systems such as the Internet, smartphones, cellular phones, tablets, and the home entertainment market.

## **Competition**

The media industry is highly competitive and we face intense competition across core radio franchise and all of our complementary media properties, including our internet segment. Our media properties compete for audiences and advertising revenue with other radio stations and with other media such as broadcast and cable television, the Internet, satellite radio, newspapers, magazines, direct mail and, outdoor advertising, some of which may be controlled by horizontally-integrated companies. Audience ratings and advertising revenue are subject to change and any adverse change in a market could adversely affect our net revenue in that market. If a competing station converts to a format similar to that of one of our stations, or if one of our competitors strengthens its signal or operations, our stations could suffer a reduction in ratings and advertising revenue. Other media companies which are larger and have more resources may also enter or increase their presence in markets or segments in which we operate. Although we believe our media properties are well positioned to compete, we cannot assure that our properties will maintain or increase their current ratings, market share or advertising revenue.

The radio broadcasting industry is subject to rapid technological change, evolving industry standards and the emergence of new media technologies, which may impact our business. We cannot assure that we will have the resources to acquire new technologies or to introduce new services that could compete with these new technologies. Several new media technologies are being, or have been, developed including the following:

- satellite delivered digital audio radio service with expansive choice, high sound quality, and availability on portable devices and in automobiles;
- audio programming by internet companies, cable television systems, and direct broadcast satellite systems; and
- digital audio and video content available for listening and/or viewing on the Internet and/or available for downloading to portable devices.

Along with most other public radio companies, we have invested in iBiquity, a developer of digital audio broadcast technology. In connection with the investment we committed to convert most of our analog broadcast radio stations to in-band, on-channel digital radio broadcasts, which could provide multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM radio services. However, we cannot assure that these arrangements will be successful or enable us to adapt effectively to these new media technologies.

Our internet segment competes for the time and attention of internet users and, thus, advertisers and advertising revenues with a wide range of internet companies such as Yahoo!™, Google™, and Microsoft™ and social networking sites such as Facebook™ and traditional media companies, which are increasingly offering their own internet products and services. The Internet is dynamic and rapidly evolving, and new and popular competitors, such as social networking sites, frequently emerge and/or are fragmented by new and evolving technologies.



## **Antitrust Regulation**

The agencies responsible for enforcing the federal antitrust laws, the Federal Trade Commission (“FTC”) and the Department of Justice (“DOJ”), may investigate acquisitions. The DOJ has challenged a number of media property transactions. Some of those challenges ultimately resulted in consent decrees requiring, among other things, divestitures of certain media properties. We cannot predict the outcome of any specific DOJ or FTC review of a particular acquisition.

For acquisitions meeting certain size thresholds, the Hart-Scott-Rodino Act requires the parties to file Notification and Report Forms concerning antitrust issues with the DOJ and the FTC and to observe specified waiting period requirements before completing the acquisition. If the investigating agency raises substantive issues in connection with a proposed transaction, the parties involved frequently engage in lengthy discussions and/or negotiations with the investigating agency to address those issues, including restructuring the proposed acquisition or divesting assets. In addition, the investigating agency could file suit in federal court to enjoin the acquisition or to require the divestiture of assets, among other remedies. All acquisitions, regardless of whether they are required to be reported under the Hart-Scott-Rodino Act, may be investigated by the DOJ or the FTC under the antitrust laws before or after completion. In addition, private parties may under certain circumstances bring legal action to challenge an acquisition under the antitrust laws. The DOJ has stated publicly that it believes that local marketing agreements, joint sales agreements, time brokerage agreements and other similar agreements customarily entered into in connection with radio station transfers could violate the Hart-Scott-Rodino Act if such agreements take effect prior to the expiration of the waiting period under the Hart-Scott-Rodino Act.

## **Federal Regulation of Radio Broadcasting**

The radio broadcasting industry is subject to extensive and changing regulation by the FCC and other federal agencies of ownership, programming, technical operations, employment and other business practices. The FCC regulates radio broadcast stations pursuant to the Communications Act of 1934, as amended (the “Communications Act”). The Communications Act permits the operation of radio broadcast stations only in accordance with a license issued by the FCC upon a finding that the grant of a license would serve the public interest, convenience and necessity. Among other things, the FCC:

- assigns frequency bands for radio broadcasting;
- determines the particular frequencies, locations, operating power, interference standards, and other technical parameters for radio broadcast stations;
- issues, renews, revokes and modifies radio broadcast station licenses;
- imposes annual regulatory fees and application processing fees to recover its administrative costs;
- establishes technical requirements for certain transmitting equipment to restrict harmful emissions;
- adopts and implements regulations and policies that affect the ownership, operation, program content and employment, and business practices of radio broadcast stations; and
- has the power to impose penalties, including monetary forfeitures, for violations of its rules and the Communications Act.

The Communications Act prohibits the assignment of an FCC license, or transfer of control of an FCC licensee, without the prior approval of the FCC. In determining whether to grant or renew a radio broadcast license or consent to assignment or transfer of a license, the FCC considers a number of factors, including restrictions on foreign ownership, compliance with FCC media ownership limits and other FCC rules, the character and other qualifications of the licensee (or proposed licensee) and compliance with the Anti-Drug Abuse Act of 1988. A licensee’s failure to comply with the requirements of the Communications Act or FCC rules and policies may result in the imposition of sanctions, including admonishment, fines, the grant of a license renewal for less than a full eight-year term or with conditions, denial of a license renewal application, the revocation of an FCC license, and/or the denial of FCC consent to acquire additional broadcast properties.

Congress, the FCC and, in some cases, local jurisdictions, are considering or may in the future consider and adopt new laws, regulations and policies that could affect the operation, ownership and profitability of our radio stations, result in the loss of audience share and advertising revenue for our radio broadcast stations or affect our ability to acquire additional radio broadcast stations or finance such acquisitions. Such matters include or may include:

- changes to the license authorization and renewal process;
- proposals to increase record keeping, including enhanced disclosure of stations' efforts to serve the public interest;
- proposals to impose spectrum use or other fees on FCC licensees;
- changes to rules relating to political broadcasting, including proposals to grant free air time to candidates, and other changes regarding political and non-political program content, political advertising rates, and sponsorship disclosures;
- proposals to restrict or prohibit the advertising of beer, wine, and other alcoholic beverages;
- revised rules and policies regarding the regulation of the broadcast of indecent or violent content;
- proposals to increase the actions stations must take to demonstrate service to their local communities;
- technical and frequency allocation matters;
- changes in broadcast multiple ownership, foreign ownership, cross-ownership and ownership attribution policies;
- changes to allow satellite radio operators to insert local content into their programming service;
- service and technical rules for digital radio, including possible additional public interest requirements for terrestrial digital audio broadcasters;
- legislation that would provide for the payment of sound recording royalties to artists, musicians, or record companies whose music is played on terrestrial radio stations; and
- proposals to alter provisions of the tax laws affecting broadcast operations and acquisitions.

The FCC also has adopted procedures for the auction of broadcast spectrum in circumstances where two or more parties have filed mutually exclusive applications for authority to construct new stations or certain major changes in existing stations. Such procedures may limit our efforts to modify or expand the broadcast signals of our stations.

We cannot predict what changes, if any, might be adopted or considered in the future, or what impact, if any, the implementation of any particular proposals or changes might have on our business.

*FCC License Grants and Renewals.* In making licensing determinations, the FCC considers an applicant's legal, technical, financial and other qualifications. The FCC grants radio broadcast station licenses for specific periods of time and, upon application, may renew them for additional terms. A station may continue to operate beyond the expiration date of its license if a timely filed license renewal application is pending. Under the Communications Act, radio broadcast station licenses may be granted for a maximum term of eight years.

Generally, the FCC renews radio broadcast licenses without a hearing upon a finding that:

- the radio station has served the public interest, convenience, and necessity;
- there have been no serious violations by the licensee of the Communications Act or FCC rules and regulations; and

- there have been no other violations by the licensee of the Communications Act or FCC rules and regulations which, taken together, indicate a pattern of abuse.

After considering these factors and any petitions to deny a license renewal application (which may lead to a hearing), the FCC may grant the license renewal application with or without conditions, including renewal for a term less than the maximum otherwise permitted. Historically, our licenses have been renewed for full eight-year terms without any conditions or sanctions imposed; however, there can be no assurance that the licenses of each of our stations will be renewed for a full term without conditions or sanctions.

*Types of FCC Broadcast Licenses.* The FCC classifies each AM and FM radio station. An AM radio station operates on either a clear channel, regional channel or local channel. A clear channel serves wide areas, particularly at night. A regional channel serves primarily a principal population center and the contiguous rural areas. A local channel serves primarily a community and the suburban and rural areas immediately contiguous to it. Class A, B and C radio stations each operate unlimited time. Class A radio stations render primary and secondary service over an extended area. Class B radio stations render service only over a primary service area. Class C radio stations render service only over a primary service area that may be reduced as a consequence of interference. Class D radio stations operate either during daytime hours only, during limited times only, or unlimited time with low nighttime power.

FM class designations depend upon the geographic zone in which the transmitter of the FM radio station is located. The minimum and maximum facilities requirements for an FM radio station are determined by its class. In general, commercial FM radio stations are classified as follows, in order of increasing power and antenna height: Class A, B1, C3, B, C2, C1, C0 and C. The FCC has adopted a rule subjecting Class C FM stations that do not satisfy a certain antenna height requirement to an involuntary downgrade in class to Class C0 under certain circumstances.

*Radio One's Licenses.* The following table sets forth information with respect to each of our radio stations for which we own the license. Stations which we do not own as of December 31, 2014, but operate under an LMA, are not reflected on this table. A broadcast station's market may be different from its community of license. The coverage of an AM radio station is chiefly a function of the power of the radio station's transmitter, less dissipative power losses and any directional antenna adjustments. For FM radio stations, signal coverage area is chiefly a function of the ERP of the radio station's antenna and the HAAT of the radio station's antenna. "ERP" refers to the effective radiated power of an FM radio station. "HAAT" refers to the antenna height above average terrain of an FM radio station.

| <u>Market</u>  | <u>Station Call Letters</u> | <u>Year of Acquisition</u> | <u>FCC Class</u> | <u>ERP (FM) Power (AM) in Kilowatts</u> | <u>Antenna Height (AM) HAAT in Meters</u> | <u>Operating Frequency</u> | <u>Expiration Date of FCC License</u> |
|----------------|-----------------------------|----------------------------|------------------|---|---|----------------------------|---------------------------------------|
| Atlanta        | WUMJ-FM                     | 1999                       | C3               | 8.5                                     | 165.0                                     | 97.5 MHz                   | 4/1/2020                              |
|                | WAMJ-FM                     | 1999                       | C2               | 33.0                                    | 185.0                                     | 107.5 MHz                  | 4/1/2020                              |
|                | WHTA-FM                     | 2002                       | C2               | 35.0                                    | 177.0                                     | 107.9 MHz                  | 4/1/2020                              |
|                | WPZE-FM                     | 1999                       | A                | 3.0                                     | 143.0                                     | 102.5 MHz                  | 4/1/2020                              |
| Washington, DC | WOL-AM                      | 1980                       | C                | 0.37                                    | N/A                                       | 1450 kHz                   | 10/1/2019                             |
|                | WMMJ-FM                     | 1987                       | A                | 2.9                                     | 146.0                                     | 102.3 MHz                  | 10/1/2019                             |
|                | WKYS-FM                     | 1995                       | B                | 24.5                                    | 215.0                                     | 93.9 MHz                   | 10/1/2019                             |
|                | WPRS-FM                     | 2008                       | B                | 20.0                                    | 244.0                                     | 104.1 MHz                  | 10/1/2019                             |
|                | WYCB-AM                     | 1998                       | C                | 1.0                                     | N/A                                       | 1340 kHz                   | 10/1/2019                             |
| Philadelphia   | WPPZ-FM(1)                  | 1997                       | A                | 0.27                                    | 338.0                                     | 103.9 MHz                  | 8/1/2022                              |
|                | WRNB-FM                     | 2000                       | B                | 17.0                                    | 263.0                                     | 100.3 MHz                  | 8/1/2022                              |
|                | WPHI-FM                     | 2004                       | A                | 0.78                                    | 276.0                                     | 107.9 MHz                  | 6/1/2022                              |
| Houston        | KMJQ-FM                     | 2000                       | C                | 100.0                                   | 524.0                                     | 102.1 MHz                  | 8/1/2021                              |
|                | KBXX-FM                     | 2000                       | C                | 100.0                                   | 585.0                                     | 97.9 MHz                   | 8/1/2021                              |
|                | KROI-FM                     | 2004                       | C1               | 21.36                                   | 526                                       | 92.1 MHz                   | 8/1/2021                              |

| <u>Market</u>  | <u>Station Call Letters</u> | <u>Year of Acquisition</u> | <u>FCC Class</u> | <u>ERP (FM) Power (AM) in Kilowatts</u> | <u>Antenna Height (AM) HAAT in Meters</u> | <u>Operating Frequency</u> | <u>Expiration Date of FCC License</u> |
|----------------|-----------------------------|----------------------------|------------------|---|---|----------------------------|---------------------------------------|
| Detroit        | WDMK-FM                     | 1998                       | B                | 20.0                                    | 221.0                                     | 105.9 MHz                  | 10/1/2020                             |
|                | WCHB-AM                     | 1998                       | B                | 50.0                                    | N/A                                       | 1200 kHz                   | 10/1/2020                             |
|                | WPZR-FM                     | 1998                       | B                | 50.0                                    | 152.0                                     | 102.7 MHz                  | 10/1/2020                             |
| Dallas         | KBFB-FM                     | 2000                       | C                | 99.0                                    | 574                                       | 97.9 MHz                   | 8/1/2021                              |
|                | KSOC-FM                     | 2001                       | C                | 100.0                                   | 591.0                                     | 94.5 MHz                   | 8/1/2021                              |
| Baltimore      | WWIN-AM                     | 1992                       | C                | 0.5                                     | N/A                                       | 1400 kHz                   | 10/1/2019                             |
|                | WWIN-FM                     | 1992                       | A                | 3.0                                     | 91.0                                      | 95.9 MHz                   | 10/1/2019                             |
|                | WOLB-AM                     | 1993                       | D                | 0.25                                    | N/A                                       | 1010 kHz                   | 10/1/2019                             |
|                | WERQ-FM                     | 1993                       | B                | 37.0                                    | 173.0                                     | 92.3 MHz                   | 10/1/2019                             |
| Charlotte      | WPZS-FM                     | 2000                       | C3               | 10.5                                    | 154.0                                     | 92.7 MHz                   | 12/1/2019                             |
|                | WQNC-FM                     | 2004                       | A                | 5.2                                     | 107.0                                     | 100.9 MHz                  | 12/1/2019                             |
|                | WOSF-FM                     | 2014                       | C1               | 51.0                                    | 395.0                                     | 105.3MHz                   | 12/1/2019                             |
| St. Louis      | WFUN-FM                     | 1999                       | C3               | 10.5                                    | 155.0                                     | 95.5 MHz                   | 12/1/2020                             |
|                | WHHL-FM                     | 2006                       | C2               | 50.0                                    | 140.0                                     | 104.1 MHz                  | 2/1/2021                              |
| Cleveland      | WJMO-AM                     | 1999                       | B                | 5.0                                     | N/A                                       | 1300 kHz                   | 10/1/2020                             |
|                | WENZ-FM                     | 1999                       | B                | 16.0                                    | 272.0                                     | 107.9 MHz                  | 10/1/2020                             |
|                | WZAK-FM                     | 2000                       | B                | 27.5                                    | 189.0                                     | 93.1 MHz                   | 10/1/2020                             |
|                | WERE-AM                     | 2000                       | C                | 1.0                                     | N/A                                       | 1490 kHz                   | 10/1/2020                             |
| Raleigh-Durham | WQOK-FM                     | 2000                       | C2               | 50.0                                    | 146.0                                     | 97.5 MHz                   | 12/1/2019                             |
|                | WFXK-FM                     | 2000                       | C1               | 100.0                                   | 299.0                                     | 104.3 MHz                  | 12/1/2019                             |
|                | WFXC-FM                     | 2000                       | C3               | 8.0                                     | 146.0                                     | 107.1 MHz                  | 12/1/2019                             |
|                | WNNL-FM                     | 2000                       | C3               | 7.9                                     | 176.0                                     | 103.9 MHz                  | 12/1/2019                             |
| Richmond       | WPZZ-FM                     | 1999                       | C1               | 100.0                                   | 299.0                                     | 104.7 MHz                  | 10/1/2019                             |
|                | WCDX-FM                     | 2001                       | B1               | 4.5                                     | 235.0                                     | 92.1 MHz                   | 10/1/2019                             |
|                | WKJM-FM                     | 2001                       | A                | 6.0                                     | 100.0                                     | 99.3 MHz                   | 10/1/2019                             |
|                | WKJS-FM                     | 2001                       | A                | 2.3                                     | 162.0                                     | 105.7 MHz                  | 10/1/2019                             |
|                | WTPS-AM                     | 2001                       | C                | 1.0                                     | N/A                                       | 1240 kHz                   | 10/1/2019                             |
| Boston         | WILD-AM                     | 2001                       | D                | 4.8                                     | N/A                                       | 1090 kHz                   | 4/1/2022                              |
| Columbus       | WCKX-FM                     | 2001                       | A                | 1.9                                     | 126.0                                     | 107.5 MHz                  | 10/1/2020                             |
|                | WXMG-FM                     | 2001                       | A                | 6.0                                     | 100.0                                     | 106.3 MHz                  | 10/1/2020                             |
| Indianapolis   | WHHH-FM                     | 2000                       | A                | 3.3                                     | 87.0                                      | 96.3 MHz                   | 8/1/2020                              |
|                | WTLC-FM                     | 2000                       | A                | 6.0                                     | 99.0                                      | 106.7 MHz                  | 8/1/2020                              |
|                | WNOW-FM(2)                  | 2000                       | A                | 6.0                                     | 100.0                                     | 100.9 MHz                  | 8/1/2020                              |
|                | WTLC-AM                     | 2001                       | B                | 5.0                                     | N/A                                       | 1310 kHz                   | 8/1/2020                              |
|                |                             |                            |                  |   |   |                            |                                       |
| Cincinnati     | WIZF-FM                     | 2001                       | A                | 2.5                                     | 155.0                                     | 101.1 MHz                  | 8/1/2020                              |
|                | WDBZ-AM                     | 2007                       | C                | 1.0                                     | N/A                                       | 1230 kHz                   | 10/1/2020                             |
|                | WOSL-FM                     | 2006                       | A                | 3.1                                     | 141.0                                     | 100.3 MHz                  | 10/1/2020                             |

(1) WPPZ-FM operates with facilities equivalent to 3kW at 100 meters.

(2) WNOW-FM effective June 6, 2014 (formerly WNOU-FM).

To obtain the FCC's prior consent to assign or transfer control of a broadcast license, an appropriate application must be filed with the FCC. If the assignment or transfer involves a substantial change in ownership or control of the licensee, for example, the transfer or acquisition of more than 50% of the voting stock, the applicant must give public notice and the application is subject to a 30-day period for public comment. During this time, interested parties may file petitions with the FCC to deny the application. Informal objections may be filed at any time until the FCC acts upon the application. If the FCC grants an assignment or transfer application, administrative procedures provide for petitions seeking reconsideration or full FCC review of the grant. The Communications Act also permits the appeal of a contested grant to a federal court.

Under the Communications Act, a broadcast license may not be granted to or held by any persons who are not U.S. citizens or by any entity that has more than 20% of its capital stock owned or voted by non-U.S. citizens or entities or their representatives, by foreign governments or their representatives, or by non-U.S. entities. The Communications Act prohibits indirect foreign ownership or control through a parent company of the licensee of more than 25% if the FCC determines the public interest will be served by the refusal or revocation of such license. The FCC has interpreted this provision of the Communications Act to require an affirmative public interest finding before a broadcast license may be granted to or held by any such entity, and the FCC has made such an affirmative finding only in limited circumstances. Since we serve as a holding company for subsidiaries that serve as licensees for our stations, we are effectively restricted from having more than one-fourth of our stock owned or voted directly or indirectly by non-U.S. citizens or their representatives, foreign governments, representatives of foreign governments, or foreign business entities. In November 2013, the FCC clarified that it would entertain and authorize, on a case-by-case basis and upon a sufficient public interest showing, proposals to exceed the 25% indirect foreign ownership limit in broadcast licensees.

The FCC generally applies its media ownership limits to "attributable" interests. The interests of officers, directors and those who directly or indirectly hold five percent or more of the total outstanding voting stock of a corporation that holds a broadcast license (or a corporate parent) are generally deemed attributable interests, as are any limited partnership or limited liability company interests that are not properly "insulated" from management activities. Certain passive investors that hold stock for investment purposes only may hold attributable interests with the ownership of 20% or more of the voting stock of a licensee or parent corporation. An entity with one or more radio stations in a market that enters into a local marketing agreement or a time brokerage agreement with another radio station in the same market obtains an attributable interest in the brokered radio station, if the brokering station supplies more than 15% of the brokered radio station's weekly broadcast hours. Similarly, a radio station licensee's right under a joint sales agreement ("JSA") to sell more than 15% per week of the advertising time on another radio station in the same market constitutes an attributable ownership interest in such station for purposes of the FCC's ownership rules. Debt instruments, non-voting stock, unexercised options and warrants, minority voting interests in corporations having a single majority shareholder, and limited partnership or limited liability company membership interests where the interest holder is not "materially involved" in the media-related activities of the partnership or limited liability company pursuant to FCC-prescribed "insulation" provisions, generally do not subject their holders to attribution unless such interests implicate the FCC's equity-debt-plus (or "EDP") rule. Under the EDP rule, a major programming supplier or a same-market media entity will have an attributable interest in a station if the supplier or same-market media entity also holds debt or equity, or both, in the station that is greater than 33% of the value of the station's total debt plus equity. For purposes of the EDP rule, equity includes all stock, whether voting or nonvoting, and interests held by limited partners or limited liability company members that are "insulated" from material involvement in the company's media activities. A major programming supplier is any supplier that provides more than 15% of the station's weekly programming hours.

The Communications Act and FCC rules generally restrict ownership, operation or control of, or the common holding of attributable interests in:

- radio broadcast stations above certain numerical limits serving the same local market;
- radio broadcast stations combined with television broadcast stations above certain numerical limits serving the same local market (radio/television cross ownership); and
- a radio broadcast station and an English-language daily newspaper serving the same local market (newspaper/broadcast cross-ownership).

The media ownership rules are subject to periodic review by the FCC. In 2003, the FCC, among other actions, adopted new rules to change the way a local radio market is defined and to make JSAs involving more than 15% of a same-market radio station's weekly advertising time "attributable" under the ownership limits. The FCC grandfathered existing combinations of radio stations that would not comply with the modified rules. However, the FCC ruled that such noncompliant combinations could not be sold intact except to certain "eligible entities," which the agency defined as entities qualifying as a small business consistent with Small Business Administration standards. The 2003 rules were challenged in court and the Third Circuit stayed their implementation, among other things, on the basis that the FCC did not adequately justify its radio ownership limits. Subsequently, the Third Circuit partially lifted its stay to allow the new local market definition, JSA attribution and grandfathering rules to go into effect. The FCC currently is applying such revisions (except for the "eligible entity" exception to the prohibition on the sale of noncompliant grandfathered combinations, which the Third Circuit remanded to the FCC for further consideration) to pending and new applications.

The numerical limits on radio stations that one entity may own in a local market are as follows:

- in a radio market with 45 or more commercial radio stations, a party may hold an attributable interest in up to eight commercial radio stations, not more than five of which are in the same service (AM or FM);
- in a radio market with 30 to 44 commercial radio stations, a party may hold an attributable interest in up to seven commercial radio stations, not more than four of which are in the same service (AM or FM);
- in a radio market with 15 to 29 commercial radio stations, a party may hold an attributable interest in up to six commercial radio stations, not more than four of which are in the same service (AM or FM); and
- in a radio market with 14 or fewer commercial radio stations, a party may hold an attributable interest in up to five commercial radio stations, not more than three of which are in the same service (AM or FM), except that a party may not hold an attributable interest in more than 50% of the radio stations in such market.

To apply these tiers, the FCC currently relies on Nielsen Metro Survey Areas, where they exist. In other areas, the FCC relies on a contour-overlap methodology. The FCC has initiated a rulemaking to determine how to define local radio markets in areas located outside Nielsen Metro Survey Areas. The market definition used by the FCC in applying its ownership rules may not be the same as that used for purposes of the Hart-Scott-Rodino Act.

In its 2003 media ownership decision, the FCC adopted new cross-media limits to replace the newspaper-broadcast and radio-television cross-ownership rules. These provisions were stayed by the Third Circuit and remanded by the court for further FCC consideration. In 2006, the FCC began its next periodic review, which addressed issues on remand from the Third Circuit. That review culminated in a 2007 decision in which the FCC revised the newspaper/broadcast cross-ownership rule to allow a degree of same-market newspaper/broadcast ownership based on certain presumptions, criteria and limitations, but made no changes to the currently effective local radio ownership rules (as modified in 2003) or the radio/television cross-ownership rule (as modified in 1999). In July 2011, ruling on various appeals of the FCC's 2007 decision, the Third Circuit vacated the FCC's revisions to the newspaper/broadcast cross-ownership rule, vacated the FCC's definition of "eligible entity" in connection with various rules designed to increase diversity of broadcast ownership, and otherwise upheld the FCC's decision to retain the current radio ownership and radio-television cross-ownership rules. The U.S. Supreme Court declined to review the Third Circuit's decision.

The FCC began its most recent review of its media ownership rules in March 2014, adopting a further notice of proposed rulemaking that incorporates the record of its uncompleted 2010 review. The FCC proposes once again to permit newspaper-television cross-ownership in certain circumstances, and additionally proposes to eliminate the radio-television cross-ownership rule and the prohibition on newspaper-radio cross-ownership, but proposes no significant changes to the existing rules governing local radio ownership.

The attribution and media ownership rules limit the number of radio stations we may acquire or own in any particular market and may limit the prospective buyers of any stations we want to sell. The FCC's rules could affect our business in a number of ways, including, but not limited to, the following:

- enforcement of a more narrow market definition based upon Nielsen markets could have an adverse effect on our ability to accumulate stations in a given area or to sell a group of stations in a local market to a single entity;
- restricting the assignment and transfer of control of radio combinations that exceed the new ownership limits as a result of the revised local market definitions could adversely affect our ability to buy or sell a group of stations in a local market from or to a single entity; and

- in general terms, future changes in the way the FCC defines radio markets or in the numerical station caps could limit our ability to acquire new stations in certain markets, our ability to operate stations pursuant to certain agreements, and our ability to improve the coverage contours of our existing stations.

*Programming and Operations.* The Communications Act requires broadcasters to serve the “public interest” by presenting programming that responds to community problems, needs and interests and by maintaining records demonstrating its responsiveness. The FCC considers complaints from viewers or listeners about a broadcast station’s programming, and the station is required to maintain letters and emails it receives from the public regarding station operation on public file for three years. In December 2014, the FCC proposed rules requiring that radio stations post and maintain their public inspection files online. Moreover, the FCC has proposed rules designed to increase local programming content and diversity, including renewal application processing guidelines for locally-oriented programming and a requirement that broadcasters establish advisory boards in the communities where they own stations. Stations also must follow FCC rules and policies regulating political advertising, obscene or indecent programming, sponsorship identification, contests and lotteries and technical operation, including limits on human exposure to radio frequency radiation.

The FCC’s rules prohibit a broadcast licensee, in certain circumstances, from simulcasting more than 25% of its programming on another radio station in the same broadcast service (that is, AM/AM or FM/FM). The simulcasting restriction applies if the licensee owns both radio broadcast stations or owns one and programs the other through a local marketing agreement, and only if the contours of the radio stations overlap in a certain manner.

The FCC requires that licensees not discriminate in hiring practices on the basis of race, color, religion, national origin or gender. It also requires stations with at least five full-time employees to broadly disseminate information about all full-time job openings and undertake outreach initiatives from an FCC list of activities such as participation in job fairs, internships, or scholarship programs. The FCC is considering whether to apply these recruitment requirements to part-time employment positions. Stations must retain records of their outreach efforts and keep an annual Equal Employment Opportunity (“EEO”) report in their public inspection files and post an electronic version on their websites. Radio stations with more than 10 full-time employees must file certain EEO reports with the FCC midway through their license term.

From time to time, complaints may be filed against any of our radio stations alleging violations of these or other rules. In addition, the FCC may conduct audits or inspections to ensure and verify licensee compliance with FCC rules and regulations. Failure to observe these or other rules and regulations can result in the imposition of various sanctions, including fines or conditions, the grant of “short” (less than the maximum eight year) renewal terms or, for particularly egregious violations, the denial of a license renewal application or the revocation of a license.

### **Employees**

As of December 31, 2014, we employed 1,011 full-time employees and 348 part-time employees. Our employees are not unionized.

### **Corporate Governance**

*Code of Ethics.* We have adopted a code of ethics that applies to all of our directors, officers (including our principal financial officer and principal accounting officer) and employees and meets the requirements of the SEC and the NASDAQ Stock Market Rules. Our code of ethics can be found on our website, [www.radio-one.com](http://www.radio-one.com). We will provide a paper copy of the code of ethics, free of charge, upon request.

*Audit Committee Charter.* Our audit committee has adopted a charter as required by the NASDAQ Stock Market Rules. This committee charter can be found on our website, [www.radio-one.com](http://www.radio-one.com). We will provide a paper copy of the audit committee charter, free of charge, upon request.

*Compensation Committee Charter.* Our Board of Directors has adopted a compensation committee charter. We will provide a paper copy of the compensation committee charter, free of charge, upon request.

### **Internet Address and Internet Access to SEC Reports**

Our internet address is [www.radio-one.com](http://www.radio-one.com). You may obtain through our internet website, free of charge, copies of our proxies, annual reports on Form 10-K and 10-K/A, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. These reports are available as soon as reasonably practicable after we electronically file them with or furnish them to the SEC. Our website and the information contained therein or connected thereto shall not be deemed to be incorporated into this Form 10-K.

## **ITEM 1A. RISK FACTORS**

### **Risks Related to Our Business and Industry**

For an enterprise as large and complex as ours, a wide range of factors could affect our business and financial results. The factors described below are considered to be the most significant, but are not listed in any particular order. There may be other currently unknown or unpredictable economic, business, competitive, regulatory or other factors that could have material adverse effects on our future results. Past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. The following discussion of risk factors should be read in conjunction with “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes in “Item 8. Financial Statements and Supplementary Data” of this Form 10-K.

### **Risks Related to the Nature and Operations of Our Business**

*The state and condition of the global financial markets and fluctuations in the global and U.S. economies may have an unpredictable impact on our business and financial condition.*

The global equity and credit markets continue to experience high levels of volatility and disruption. At various points in time, the markets have produced downward pressure on stock prices and limited credit capacity for certain companies without regard to those companies’ underlying financial strength. In addition, sluggishness in the global and U.S. economies has produced concern over public and private debt levels, high unemployment/underemployment, a drop in consumer confidence and spending, and continued slowness in the U.S. housing market. These factors have impacted corporate profits and resulted in cutbacks in advertising budgets. If the economic sluggishness and/or current levels of market disruption and volatility continue or worsen, we may experience further, potentially material, adverse effects on our business, financial condition, results of operations, and our ability to access capital. For example, any worsening of the economy, credit markets, continuing geopolitical uncertainty, a continuation of market volatility, or further weakness in employment or consumer spending could continue to adversely impact the overall demand for advertising. Such a result could have a negative effect on our revenues and results of operations. In addition, our ability to access the capital markets may be severely restricted at a time when we would like, or need, to do so, which could have an impact on our flexibility to react to changing economic and business conditions.

*Any deterioration of the economy’s ongoing gradual recovery could negatively impact our ability to meet our cash needs and our ability to maintain compliance with our debt covenants.*

We may not be able to maintain compliance with the covenants contained in our Senior Credit Facility. If economic conditions do not continue to improve, deteriorate, or other adverse factors outside our control arise, our operations could be negatively impacted, which could prevent us from maintaining compliance with our debt covenants. If it appears that we could not meet our liquidity needs or that noncompliance with debt covenants is likely, we would implement remedial measures (as we have done in the past), which could include, but not be limited to, operating cost and capital expenditure reductions and deferrals, and seeking our share of distributions from TV One to the extent not already received (which cannot be assured). In addition, we could implement further de-leveraging actions, which may include, but not be limited to, other debt repayments, subject to our available liquidity and contractual ability to make such repayments and/or debt refinancings and amendments.

*We have historically incurred net losses which could continue into the future.*

We have historically reported net losses in our consolidated statements of operations, due mostly in part to recording non-cash impairment charges for write-downs to radio broadcasting licenses and goodwill, interest expenses (both cash and non-cash), net losses incurred for discontinued operations, and revenue declines caused by weakened advertising demand resulting from the current economic environment. For the years ended December 31, 2014, 2013 and 2012, we experienced net losses of approximately \$62.7 million, \$62.0 million and \$66.9 million, respectively. These results have had a negative impact on our financial condition and could be exacerbated given the current economic climate. If these trends continue in the future, they could have a material adverse effect on our financial condition.



***Our revenue is substantially dependent on spending and allocation decisions by advertisers, and seasonality and/or weakening economic conditions may have an impact upon our business.***

Substantially all of our revenue is derived from sales of advertisements and program sponsorships to local and national advertisers. Any reduction in advertising expenditures or changes in advertisers' spending priorities and/or allocations across different types of media or programming could have an adverse effect on the Company's revenues and results of operations. We do not obtain long-term commitments from our advertisers and advertisers may cancel, reduce, or postpone advertisements without penalty, which could adversely affect our revenue. Seasonal net revenue fluctuations are common in the media industries and are due primarily to fluctuations in advertising expenditures by local and national advertisers. In addition, advertising revenues in even-numbered years tend to benefit from advertising placed by candidates for political offices. The effects of such seasonality (including the weather), combined with the severe structural changes that have occurred in the U.S. economy, make it difficult to estimate future operating results based on the previous results of any specific quarter and may adversely affect operating results.

Advertising expenditures also tend to be cyclical and reflect general economic conditions, both nationally and locally. Because we derive a substantial portion of our revenues from the sale of advertising, a decline or delay in advertising expenditures could reduce our revenues or hinder our ability to increase these revenues. Advertising expenditures by companies in certain sectors of the economy, including the automotive, financial, entertainment, and retail industries, represent a significant portion of our advertising revenues. Structural changes (such as the decreased number of automotive dealers and brands and consolidation or reduced footprints in retail) and business failures in these industries have affected our revenues and continued structural changes or business failures in any of these industries could have significant further impact on our revenues. Any political, economic, social, or technological change resulting in a significant reduction in the advertising spending of these sectors could adversely affect our advertising revenues or its ability to increase such revenues. In addition, because many of the products and services offered by our advertisers are largely discretionary items, weakening economic conditions could reduce the consumption of such products and services and, thus, reduce advertising for such products and services. Changes in advertisers' spending priorities during economic cycles (such as the current cycle) may also affect our results. Disasters (domestic or external to the United States), acts of terrorism, political uncertainty or hostilities could also lead to a reduction in advertising expenditures as a result of supply or demand issues, uninterrupted news coverage and economic uncertainty.

***Pricing for advertising may continue to face downward pressure.***

In response to weakness and fluctuations in the economy, advertisers increasingly purchased lower-priced inventory rather than higher-priced inventory and demanded lower pricing, in addition to increasingly purchasing later and through advertising inventory from third-party advertising networks. If advertisers continue to demand lower-priced inventory and/or otherwise continue to put downward pressure on pricing, our operating margins and ability to generate revenue could be further adversely affected.

***Our success is dependent upon audience acceptance of our content, particularly our radio programs, which is difficult to predict.***

Media and radio content production and distribution are inherently risky businesses because the revenues derived from the production and distribution of media content or a radio program, and the licensing of rights to the intellectual property associated with the content or program, depend primarily upon their acceptance and perceptions by the public, which are difficult to predict. The commercial success of content or a program also depends upon the quality and acceptance of other competing programs released into the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, and other tangible and intangible factors, all of which are difficult to predict.

Ratings for broadcast stations and traffic on a particular website are also factors that are weighed when advertisers determine which outlets to use and in determining the advertising rates that the outlet receives. Poor ratings or traffic levels can lead to a reduction in pricing and advertising revenues. For example, if there is an event causing a change of programming at one of our stations, there could be no assurance that any replacement programming would generate the same level of ratings, revenues, or profitability as the previous programming. In addition, changes in ratings methodology and technology could adversely impact our ratings and negatively affect our advertising revenues.

Finally, the costs of developing and distributing content and programming most popular with the public may change significantly if new performance royalties (such as those that have been proposed by members of Congress from time to time) are imposed upon radio broadcasters or internet operators and such changes could have a material impact upon our business.

***A disproportionate share of our radio segment revenue comes from a small number of geographic markets and from Reach Media.***

For the year ended December 31, 2014, approximately 48.8% of our net revenue was generated from the sale of advertising in our core radio business, excluding Reach Media. Within our core radio business, four of the 15 markets in which we operate radio stations accounted for approximately 53.6% of our radio station net revenue for the year ended December 31, 2014. Revenue from the operations of Reach Media, along with revenue from both the Houston and Washington, DC markets accounted for approximately 26.0% of our total consolidated net revenue for the year ended December 31, 2014. Revenue from the operations of Reach Media, along with revenue from four of the 15 markets in which we operate radio stations, accounted for approximately 37.7% of our total consolidated net revenue for the year ended December 31, 2014. Adverse events or conditions (economic (including government cutbacks) or otherwise) could lead to declines in the contribution of Reach Media or declines in one or more of the significant contributing markets (Houston, Washington, DC, Atlanta and Baltimore), which could have a material adverse effect on our overall financial performance and results of operations. Further, our station in the Houston and Atlanta markets have recently taken on direct competitors, which could adversely impact our results in those markets.

***We may lose audience share and advertising revenue to our competitors.***

Our radio stations and other media properties compete for audiences and advertising revenue with other radio stations and station groups and other media such as broadcast television, newspapers, magazines, cable television, satellite television, satellite radio, outdoor advertising, the internet and direct mail. Adverse changes in audience ratings, internet traffic, and market shares could have a material adverse effect on our revenue. Larger media companies, with more financial resources than we have may enter the markets in which we operate, causing competitive pressure. Further, other media and broadcast companies may change their programming format or engage in aggressive promotional campaigns to compete directly with our media properties for audiences and advertisers. Indeed, our Houston and Atlanta markets have recently taken on direct competitors, which could adversely impact our results in those markets. Competition in any of our markets could result in lower ratings or traffic and, hence, lower advertising revenue for us, or cause us to increase promotion and other expenses and, consequently, lower our earnings and cash flow. Changes in population, demographics, audience tastes and other factors beyond our control, could also cause changes in audience ratings or market share. Failure by us to respond successfully to these changes could have an adverse effect on our business and financial performance. We cannot assure that we will be able to maintain or increase our current audience ratings and advertising revenue.

We recently changed the programming format of certain of our stations in response to demographic changes and/or significant shifts in ratings due to changes in ratings technology or new competitors. There is no assurance that these changes in programming will generate the same or better levels of ratings, revenues, or profitability as the previous programming.

***If we are unable to successfully identify, acquire, and integrate businesses pursuant to our diversification strategy, our business and prospects may be adversely impacted.***

We are pursuing a strategy of acquiring and investing in other forms of media that complement our core radio business in an effort to grow and diversify our business and revenue streams. This strategy depends on our ability to find suitable opportunities and obtain acceptable financing. Negotiating transactions and integrating an acquired business could result in significant costs, including significant use of management's time and resources. Further, such acquisitions or investments, such as any potential buyout of our partner in TV One, could involve the incurrence of substantial additional indebtedness.

Our diversification strategy partially depends on our ability to identify attractive media properties at reasonable prices and to divest properties that are no longer strategic to our business. Further, entering new businesses may subject us to additional risk factors. Some of the material risks that could hinder our ability to implement this strategy include:

- continued economic sluggishness and fluctuations;
- limitations under the terms of our credit facilities and/or bond indentures;
- inability to find buyers for media properties we target for sale at attractive prices due to decreasing market prices for radio stations or the inability of a potential buyer to obtain credit in the current economic environment;
- failure or delays in completing acquisitions or divestitures due to difficulties in obtaining required regulatory approval, including possible difficulties by the seller or buyer in obtaining antitrust approval for acquisitions in markets where we already own multiple stations or establishing compliance with broadcast ownership rules;
- reduction in the number of suitable acquisition targets due to increased competition for acquisitions;
- we may lose key employees of acquired companies or stations;
- difficulty in integrating operations and systems and managing a diverse media business;
- failure of some acquisitions to prove profitable (or as profitable as anticipated) or generate sufficient cash flow;
- changes in distribution arrangements or methods for our content and across our media properties; and
- inability to finance acquisitions on acceptable terms, through incurring debt or issuing stock.

We can provide no assurance that our diversification strategy will be successful.

***We must respond to the rapid changes in technology, services, and standards across our entire platform in order to remain competitive.***

Technological standards across our media properties are evolving and new distribution technologies/platforms are emerging at a rapid pace. We cannot assure that we will have the resources to acquire new technologies or to introduce new features or services to compete with these new technologies. Several new media technologies, products and/or features are being, or have been, developed, including the following:

- satellite delivered digital audio radio service, which has resulted in the introduction of several new satellite radio services with sound quality equivalent to that of compact discs;
- audio programming by cable television systems, direct broadcast satellite systems, internet content providers and other digital audio broadcast formats;
- digital audio and video content available for listening and/or viewing on the internet and/or off traditional delivery platforms (including via Wi-Fi, mobile phones, smart phones, netbooks, tablets and off of traditional broadcast/cable providers); and
- audio, video and search capabilities embedded within social media platforms.

New media has resulted in fragmentation in the advertising market, and we cannot predict the effect, if any, that additional competition arising from new technologies may have across any of our business segments or our financial condition and results of operations, which may be adversely affected if we are not able to adapt successfully to these new media technologies or distribution platforms. The continuing growth and evolution of channels and platforms has increased our challenges in differentiating ourselves from other media platforms. We continually seek to develop and enhance our content offerings and distribution platforms/methodologies. Failure to effectively execute in these efforts, actions by our competitors, or other failures to deliver content effectively could hurt our ability to differentiate ourselves from our competitors and, as a result, have adverse effects across our business.

***The loss of key personnel, including certain on-air talent, could disrupt the management and operations of our business.***

Our business depends upon the continued efforts, abilities and expertise of our executive officers and other key employees, including certain on-air personalities. We believe that the combination of skills and experience possessed by our executive officers and other key employees could be difficult to replace, and that the loss of one or more of them could have a material adverse effect on us, including the impairment of our ability to execute our business strategy. In addition, several of our on-air personalities and syndicated radio programs hosts have large loyal audiences in their respective broadcast areas and may be significantly responsible for the ratings of a station. The loss of such on-air personalities or any change in their popularity could impact the ability of the station to sell advertising and our ability to derive revenue from syndicating programs hosted by them. We cannot be assured that these individuals will remain with us or will retain their current audiences or ratings.

***As a part of our diversification strategy, we continue to develop our internet businesses. Failure to effectuate this strategy may adversely affect our brands and business prospects.***

Our diversification strategy is in part dependent upon the development of our internet businesses. In order for our internet businesses to grow and succeed over the long-term, we must, among other things:

- significantly increase our online traffic and revenue;
- attract and retain a base of frequent visitors to our websites;
- expand the content, products, and tools we offer on our websites;
- respond to competitive developments while maintaining a distinct identity across each of our online brands;
- attract and retain talent for critical positions;
- maintain and form relationships with strategic partners to attract more consumers;
- continue to develop and upgrade our technologies; and
- bring new product features to market in a timely manner.

We cannot assure that we will be successful in achieving these and other necessary objectives. If we are not successful in achieving these objectives, our business, financial condition, and prospects could be adversely affected.

***If our internet segment does not continue to develop and offer compelling and differentiated content, products and services, our advertising revenues could be adversely affected.***

In order to attract internet consumers and generate increased activity on our internet properties, we believe that we must offer compelling and differentiated content, products and services. However, acquiring, developing, and offering such content, products and services may require significant costs and time to develop, while consumer tastes may be difficult to predict and are subject to rapid change. If we are unable to provide content, products and services that are sufficiently attractive to our internet users, we may not be able to generate the increases in activity necessary to generate increased advertising revenues. In addition, although we have access to certain content provided by our other businesses, we may be required to make substantial payments to license such content. Many of our content arrangements with third parties are non-exclusive, so competitors may be able to offer similar or identical content. If we are not able to acquire or develop compelling content and do so at reasonable prices, or if other companies offer content that is similar to that provided by our internet segment, we may not be able to attract and increase the engagement of internet consumers on our internet properties.

Continued growth in our internet advertising business also depends on our ability to continue offering a competitive and distinctive range of advertising products and services for advertisers and publishers and our ability to maintain or increase prices for our advertising products and services. Continuing to develop and improve these products and services may require significant time and costs. If we cannot continue to develop and improve its advertising products and services or if prices for its advertising products and services decrease, our internet advertising revenues could be adversely affected.

***More individuals are using devices other than personal and laptop computers to access and use the internet, and, if we cannot make our products and services available and attractive to consumers via these alternative devices, our internet advertising revenues could be adversely affected.***

Internet users are increasingly accessing and using the internet through devices other than a personal or laptop computer, such as mobile tablets and smartphones, which differ from computers with respect to memory, functionality, resolution and screen size. In order for consumers to access and use our products and services via these alternative devices, we must ensure that our products and services are technologically compatible with such devices. If we cannot effectively make our products and services available on alternative devices, fewer internet consumers may access and use our products and services and our advertising revenue may be negatively affected.

***Unrelated third parties may claim that we infringe on their rights based on the nature and content of information posted on websites we maintain.***

We host internet services that enable individuals to exchange information, generate content, comment on our content, and engage in various online activities. The law relating to the liability of providers of these online services for activities of their users is currently unsettled both within the United States and internationally. While we monitor postings to such websites, claims may be brought against us for defamation, negligence, copyright or trademark infringement, unlawful activity, tort, including personal injury, fraud, or other theories based on the nature and content of information that may be posted online or generated by our users. Our defense of such actions could be costly and involve significant time and attention of our management and other resources.

***If we are unable to protect our domain names, our reputation and brands could be adversely affected.***

We currently hold various domain name registrations relating to our brands, including radio-one.com and interactiveone.com. The registration and maintenance of domain names are generally regulated by governmental agencies and their designees. Governing bodies may establish additional top-level domains, appoint additional domain name registrars, or modify the requirements for holding domain names. As a result, we may be unable to register or maintain relevant domain names. We may be unable, without significant cost or at all, to prevent third parties from registering domain names that are similar to, infringe upon, or otherwise decrease the value of our trademarks and other proprietary rights. Failure to protect our domain names could adversely affect our reputation and brands, and make it more difficult for users to find our websites and our services.

***Future asset impairment to the carrying values of our FCC licenses and goodwill could adversely impact our results of operations and net worth.***

As of December 31, 2014, we had approximately \$666.8 million in broadcast licenses and \$275.4 million in goodwill, which totaled \$942.2 million, and represented approximately 67.4% of our total assets. Therefore, we believe estimating the fair value of goodwill and radio broadcasting licenses is a critical accounting estimate because of the significance of their carrying values in relation to our total assets. We did not record any impairment charges for the year ended December 31, 2014.

We are required to test our goodwill and indefinite-lived intangible assets for impairment at least annually, which we have traditionally done in the fourth quarter, or on an interim basis when events or changes in circumstances suggest impairment may have occurred. Impairment is measured as the excess of the carrying value of the goodwill or indefinite-lived intangible asset over its fair value. Impairment may result from deterioration in our performance, changes in anticipated future cash flows, changes in business plans, adverse economic or market conditions, adverse changes in applicable laws and regulations, or other factors beyond our control. The amount of any impairment must be expensed as a charge to operations. Fair values of FCC licenses and goodwill have been estimated using the income approach, which involves a 10-year model that incorporates several judgmental assumptions about projected revenue growth, future operating margins, discount rates and terminal values. We also utilize a market-based approach to evaluate our fair value estimates. There are inherent uncertainties related to these assumptions and our judgment in applying them to the impairment analysis.

For the first, second and third quarters in 2014 and 2013, the total market revenue growth for certain markets in which we operate was below that used in our prior year annual impairment testing. In each quarter, we deemed that to be an impairment indicator that warranted interim impairment testing of certain markets' radio broadcasting licenses, which we performed as of each quarter-end date. There was no impairment identified as part of this testing in 2014. We recorded an impairment charge of approximately \$1.4 million related to our Cincinnati FCC radio broadcasting licenses during the first quarter of 2013. In addition, we recorded an impairment charge of approximately \$9.8 million related to our Philadelphia, Cincinnati and Cleveland radio broadcasting licenses during the second quarter of 2013. Finally, the Company recorded an impairment charge of approximately \$3.7 million related to our Boston and Cleveland radio broadcasting licenses during the third quarter of 2013. The remaining radio broadcasting licenses that were tested during 2013 were not impaired. There were no impairment indicators present for any of our other radio broadcasting licenses. The results of our annual impairment testing as of October 1, 2014, indicated that the carrying value for our radio broadcasting licenses, as well as goodwill associated with all reporting units had not been impaired. For the years ended December 31, 2014, 2013 and 2012, we recorded impairment charges against radio broadcasting licenses and goodwill of approximately \$0, \$14.9 million and \$313,000, respectively.

Changes in certain events or circumstances could result in changes to our estimated fair values, and may result in further write-downs to the carrying values of these assets. Additional impairment charges could adversely affect our financial results, financial ratios and could limit our ability to obtain financing in the future.

***If material weaknesses or significant control deficiencies occur in the future, the accuracy and timing of our financial reporting may be adversely affected.***

During the second quarter of 2013, we identified a material weakness in our internal control over financial reporting. We did not maintain adequate internal controls with regard to the review of the preparation of the condensed consolidating financial statements of guarantors in the footnotes to our previously filed financial statements in our Form 10-K for the year ended December 31, 2012 (the "2012 10-K"). As a result, we restated our condensed consolidating footnote in our 2012 10-K and in our Forms 10-Q for the quarter ended March 31, 2012, June 30, 2012, September 30, 2012, and March 31, 2013, respectively. In response to this material weakness, we have restructured our Finance and Accounting functions and engaged additional resources with the appropriate depth of experience for our Finance and Accounting departments, updated our accounting policies and procedures to ensure that accounting personnel have sufficient guidance to remediate the previously communicated weakness and to appropriately evaluate all disclosure requirements, and implemented a required senior management, legal and accounting review to specifically address all disclosures and related financial information. We cannot assure you that we will not in the future have additional material weaknesses. If other material weaknesses or other significant control deficiencies occur, our ability to accurately and timely report our financial results could be impaired, which could result in late filings of our annual and quarterly reports under the Securities Exchange Act of 1934, as amended, or the Exchange Act, restatements of our consolidated financial statements and could adversely affect our reputation, results of operations, and financial condition.

***Disruptions or security breaches of our information technology infrastructure could interfere with our operations, compromise customer information, and expose us to liability, possibly causing our business and reputation to suffer.***

Any internal technology error or failure impacting systems hosted externally at third party locations, or large scale external interruption in technology infrastructure we depend on, such as power, telecommunications or the internet, may disrupt our technology network. Any individual, sustained or repeated failure of technology could impact our customer service and result in increased costs or reduced revenues. Our technology systems and related data may also be vulnerable to a variety of sources of interruption due to events beyond our control, including natural disasters, terrorist attacks, telecommunications failures, computer viruses, hackers, and other security issues. While we have in place, and continue to invest in, technology security initiatives and disaster recovery plans, these measures may not be adequate or implemented properly to prevent a business disruption and its adverse financial and reputational consequences to our business.

In addition, as a part of our ordinary business operations, we may collect and store sensitive data, including personal information of our customers and employees. The secure operation of the networks and systems on which this type of information is stored, processed, and maintained is critical to our business operations and strategy. Any compromise of our technology systems resulting from attacks by hackers or breaches due to employee error or malfeasance could result in the loss, disclosure, misappropriation of, or access to customers', employees', or business partners' information. Any such loss, disclosure, misappropriation, or access could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disrupting operations and damaging our reputation, any or all of which could adversely affect our business.

The capacity, reliability, and security of our information technology hardware and software infrastructure (including our billing systems) are important to the operation of our current business, which would suffer in the event of system failures or cyber-attacks. Likewise, our ability to expand and update our information technology infrastructure in response to our growth and changing needs is important to the continued implementation of our new service offering initiatives. Our inability to expand or upgrade our technology infrastructure could have adverse consequences, which could include the delayed implementation of new service offerings and the diversion of development resources. We rely on third parties for developing key components of these systems and ongoing service after their implementation. Third parties may experience errors, cyber-attacks, or disruptions that could adversely impact us and over which we may have limited control. Interruption and/or failure of any of these new systems could disrupt our operations and damage our reputation thus adversely impacting our ability to provide our services, retain our current subscribers and attract new subscribers. In addition, although we take protective measures and endeavor to modify them as circumstances warrant, our information technology hardware and software infrastructure may be vulnerable to cyber-attacks including, among other things, unauthorized access, misuse, computer viruses or other malicious code, computer denial of service attacks, and other events that could have a security impact. If one or more of such events occur, this potentially could jeopardize our customer and other information processed and stored in, and transmitted through, our information technology hardware and software infrastructure, or otherwise cause interruptions or malfunctions in our operations, which could result in significant losses or reputational damage. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses.

We seek to limit the threat of content piracy; however, policing unauthorized use of our products and services and related intellectual property is often difficult, and the steps we take may not in every case prevent infringement by unauthorized third parties. Developments in technology increase the threat of content piracy by making it easier to duplicate and widely distribute pirated material. We have taken, and will continue to take, a variety of actions to combat piracy, both individually and, in some instances, together with industry associations. However, protection of our intellectual property rights is dependent on the scope and duration of our rights as defined by applicable laws in the U.S. and abroad and the manner in which those laws are construed. If those laws are drafted or interpreted in ways that limit the extent or duration of our rights, or if existing laws are changed, our ability to generate revenue from our intellectual property may decrease, or the cost of obtaining and maintaining rights may increase. There can be no assurance that our efforts to enforce our rights and protect our products, services, and intellectual property will be successful in preventing content piracy.

#### **Risks Related to Regulation**

*Our business depends on maintaining our licenses with the FCC. We could be prevented from operating a radio station if we fail to maintain its license.*

Within our primary business, we are required to maintain radio broadcasting licenses issued by the FCC. These licenses are ordinarily issued for a maximum term of eight years and are renewable. Currently, subject to renewal, our radio broadcasting licenses expire beginning in October 2019, and others expire at various times through August 1, 2022. While we anticipate receiving all renewals, interested third parties may challenge our renewal applications. In addition, we are subject to extensive and changing regulation by the FCC with respect to such matters as programming, indecency standards, technical operations, employment and business practices. If we or any of our significant stockholders, officers, or directors violate the FCC's rules and regulations or the Communications Act of 1934, as amended (the "Communications Act"), or is convicted of a felony, the FCC may commence a proceeding to impose fines or other sanctions upon us. Examples of possible sanctions include the imposition of fines, the renewal of one or more of our broadcasting licenses for a term of fewer than eight years or the revocation of our broadcast licenses. If the FCC were to issue an order denying a license renewal application or revoking a license, we would be required to cease operating the radio station covered by the license only after we had exhausted administrative and judicial review without success.

***The FCC's media ownership rules could restrict our ability to acquire radio stations.***

The Communications Act and FCC rules and policies limit the number of broadcasting properties that any person or entity may own (directly or by attribution) in any market and require FCC approval for transfers of control and assignments of licenses. The FCC's media ownership rules remain subject to further agency and court proceedings. In March 2014, the FCC commenced its most recent quadrennial review of its media ownership rules to seek public comment on and evaluate such rules to determine whether any changes are warranted. See the information contained in "Business-Federal Regulation of Radio Broadcasting."

As a result of the FCC media ownership rules, the outside media interests of our officers and directors could limit our ability to acquire stations. The filing of petitions or complaints against Radio One or any FCC licensee from which we are acquiring a station could result in the FCC delaying the grant of, refusing to grant or imposing conditions on its consent to the assignment or transfer of control of licenses. The Communications Act and FCC rules and policies also impose limitations on non-U.S. ownership and voting of our capital stock.

***Increased enforcement by the FCC of its indecency rules against the broadcast industry could adversely affect our business operations.***

The FCC's rules prohibit the broadcast of obscene material at any time and indecent or profane material on television broadcast stations between the hours of 6 a.m. and 10 p.m. Broadcasters risk violating the prohibition against broadcasting indecent material because of the vagueness of the FCC's indecency and profanity definitions, coupled with the spontaneity of live programming. The FCC has in the past vigorously enforced its indecency rules against the broadcasting industry and has threatened to initiate license revocation proceedings against broadcast licensees for "serious" indecency violations. In 2004 the FCC indicated that it was enhancing its enforcement efforts relating to the regulation of indecency. The FCC has found on a number of occasions that the content of broadcasts has contained indecent material. In such instances, the FCC has issued fines or advisory warnings to the offending broadcast licensees. Moreover, the FCC has in some instances imposed separate fines against broadcasters for each allegedly indecent "utterance," in contrast with its previous policy, which generally considered all indecent words or phrases within a given program as constituting a single violation. In June 2012, the Supreme Court issued a decision which, while setting aside certain FCC indecency enforcement actions on narrow due process grounds, declined to rule on the constitutionality of the FCC's indecency policies. Following the Supreme Court's decision, the FCC requested public comment on the appropriate substance and scope of its indecency enforcement policy. It is not possible to predict whether and, if so, how the FCC will revise its indecency enforcement policies or the effect of any such changes on us. The fines for broadcasting indecent material are a maximum of \$325,000 per utterance. The determination of whether content is indecent is inherently subjective and, as such, it can be difficult to predict whether particular content could violate indecency standards. The difficulty in predicting whether individual programs, words or phrases may violate the FCC's indecency rules adds significant uncertainty to our ability to comply with the rules. Violation of the indecency rules could lead to sanctions which may adversely affect our business and results of operations. In addition, third parties could oppose our license renewal applications or applications for consent to acquire broadcast stations on the grounds that we broadcast allegedly indecent programming on our stations.

***Changes in current federal regulations could adversely affect our business operations.***

Congress and the FCC have considered, and may in the future consider and adopt, new laws, regulations and policies that could, directly or indirectly, affect the profitability of our broadcast stations. In particular, Congress may consider and adopt a revocation of terrestrial radio's exemption from paying royalties to performing artists and record companies for use of their recordings (radio already pays a royalty to songwriters, composers and publishers). In addition, commercial radio broadcasters and entities representing artists are negotiating agreements that could result in broadcast stations paying royalties to artists. A requirement to pay additional royalties could have an adverse effect on our business operations and financial performance. Moreover, it is possible that our license fees and negotiating costs associated with obtaining rights to use musical compositions and sound recordings in our programming could sharply increase as a result of private negotiations, one or more regulatory rate-setting processes, or administrative and court decisions. We cannot predict whether such increases will occur.



***New or changing federal, state or international privacy legislation or regulation could hinder the growth of our internet business.***

A variety of federal and state laws govern the collection, use, retention, sharing and security of consumer data that our internet business uses to operate its services and to deliver certain advertisements to its customers, as well as the technologies used to collect such data. Not only are existing privacy-related laws in these jurisdictions evolving and subject to potentially disparate interpretation by governmental entities, new legislative proposals affecting privacy are now pending at both the federal and state level in the U.S. Changes to the interpretation of existing law or the adoption of new privacy-related requirements could hinder the growth of our internet business. Also, a failure or perceived failure to comply with such laws or requirements or with our own policies and procedures could result in significant liabilities, including a possible loss of consumer or investor confidence or a loss of customers or advertisers.

***Our operation of various real properties and facilities could lead to environmental liability.***

As the owner, lessee or operator of various real properties and facilities, we are subject to various federal, state and local environmental laws and regulations. Historically, compliance with these laws and regulations has not had a material adverse effect on our business. There can be no assurance, however, that compliance with existing or new environmental laws and regulations will not require us to make significant expenditures of funds.

**Risks Related to Our Corporate Governance Structure**

***Two common stockholders have a majority voting interest in Radio One and have the power to control matters on which our common stockholders may vote, and their interests may conflict with yours.***

As of December 31, 2014, our Chairperson and her son, our President and CEO, collectively held approximately 95% of the outstanding voting power of our common stock. As a result, our Chairperson and our CEO control our management and policies and decisions involving or impacting upon Radio One, including transactions involving a change of control, such as a sale or merger. The interests of these stockholders may differ from the interests of our other stockholders and our debtholders. In addition, certain covenants in our debt instruments require that our Chairperson and the CEO maintain a specified ownership and voting interest in Radio One, and prohibit other parties' voting interests from exceeding specified amounts. In addition, the TV One operating agreement provides for adverse consequences to Radio One in the event our Chairperson and CEO fail to maintain a specified ownership and voting interest in us. Our Chairperson and the CEO have agreed to vote their shares together in elections of members to the Board of Directors of Radio One.

Further, we are a "controlled company" under rules governing the listing of our securities on the NASDAQ Stock Market because more than 50% of our voting power is held by our Chairperson and the CEO. Therefore, we are not subject to NASDAQ Stock Market listing rules that would otherwise require us to have: (i) a majority of independent directors on the board; (ii) a compensation committee composed solely of independent directors; (iii) a nominating committee composed solely of independent directors; (iv) compensation of our executive officers determined by a majority of the independent directors or a compensation committee composed solely of independent directors; and (v) director nominees selected, or recommended for the board's selection, either by a majority of the independent directors or a nominating committee composed solely of independent directors. While a majority of our board members are currently independent directors, we do not make any assurances that a majority of our board members will be independent directors at any given time.

**Risks Related to Our Investment in TV One**

***TV One has substantial indebtedness that we are required to reflect in our total consolidated indebtedness. Certain restrictions in the indenture governing the TV One indebtedness could impact upon TV One's ability to make distributions to us.***

On February 25, 2011, TV One incurred \$119.0 million of indebtedness in connection with the redemption of certain of its financial investor and management members. The debt was issued in a private offering in the form of the TV One Notes. Until the issuance of the TV One Notes, TV One operated without any long-term indebtedness. With our majority interest in TV One, we are required to reflect TV One's indebtedness in our total consolidated indebtedness. Further, the indenture governing the TV One Notes contains certain covenants that could impact upon TV One's operations, including its ability to make distributions. Under the terms of such indenture, TV One is permitted to make distributions to us so long as, at the time of and after giving effect to such distribution to us: (i) no default or event of default has occurred and is continuing or would occur as a consequence of such distribution; (ii) the consolidated EBITDA of TV One for the most recent four-quarter period for which internal financial statements are available, was greater than \$25 million; and (iii) TV One would have at least \$5.0 million of liquidity on a pro forma basis after giving effect to such distribution to us. While we currently do not foresee these restrictions prohibiting TV One from making distributions to us, to the extent the restrictions do prohibit TV One from making distributions to us, it could impact our overall liquidity and our ability to maintain compliance under the terms of our outstanding indebtedness, including our revolving credit facility and the notes following the completion of this offering.

***We may not realize all of the expected benefits from our investment in TV One.***

We believe that the TV One investment will provide us with a number of benefits, including helping us realize our operating strategy of becoming a multi-media entertainment and information content provider to African-American consumers. Our ability to realize the anticipated benefits of the TV One investment will depend on TV One's success. Our management is and continues to be required to devote significant attention and resources to these efforts, which may disrupt our other businesses. If our investment in TV One is not executed effectively, it could preclude realization of the full benefits we expect. Failure to realize the anticipated benefits of this investment may have a material adverse effect on our results of operations. In addition, the efforts required to realize the benefits of our investment in TV One may result in material unanticipated problems, expenses, liabilities, competitive responses, and the diversion of our management's attention, and a material negative impact on our consolidated results of operations. Beginning at the end of 2014, we or Comcast, our partner in TV One, can demand an appraisal of TV One. Such a demand could trigger an event whereby we buy out Comcast from the partnership or they buy out our remaining interest in the partnership. We cannot assure you of the outcome of this event and whether we will retain our interest in TV One or obtain a greater interest in TV One.

***Our ability to control the operations of TV One is limited by the rights of our partners.***

Our ability to operate and otherwise fully integrate the operations of TV One with our operations is limited by the terms of our agreements with our partner, Comcast. We own approximately 52.1% of TV One and hold two of its three board seats. However, the operations of TV One could be disrupted or otherwise adversely affected to the extent we become involved in disputes with our partner regarding the strategic direction or operations of TV One. Potential conflicts of interest could also arise if we enter into any new commercial arrangements with TV One in the future. The Board of Directors of TV One, in the exercise of its fiduciary duties to all of the equity holders of TV One, may take actions that may not always be in our best interests and such actions could lead to outcomes that have a material negative impact on our results of operations or financial condition.

We consolidate the financial results of TV One into our own in accordance with GAAP as a result of our approximately 52.1% controlling ownership interest in TV One. This causes the total assets and liabilities on our balance sheet to appear larger than they would otherwise and our statement of operations to reflect larger revenues and expenses than would be the case absent such consolidation. In that regard, we note that we will include our proportionate share of TV One's earnings in calculating and reporting our net income and Adjusted EBITDA, although we will only be entitled to include its earnings in calculating our net income for purposes of the indenture governing the notes to the extent such earnings have been distributed to us for so long as TV One is not considered a "Restricted Subsidiary" under such indenture. In addition, the operating agreement (and related agreements) that created and governs TV One contains certain limited conditions under which such distributions may be made, and certain restrictions in the indenture governing the TV One Notes could also impact upon TV One's ability to make distributions to us.

***A decline in advertising expenditures could cause TV One's revenues and operating results to decline significantly in any given period.***

TV One derives substantial revenues from the sale of advertising. A decline in the economic prospects of advertisers or the economy in general could alter current or prospective advertisers' spending priorities. Disasters, acts of terrorism, political uncertainty or hostilities could lead to a reduction in advertising expenditures as a result of economic uncertainty. Advertising expenditures may also be affected by increasing competition for the leisure time of audiences, particularly with increased competition and fragmentation due to new content distribution platforms. In addition, advertising expenditures by companies in certain sectors of the economy, including the automotive and financial segments, represent a significant portion of TV One's advertising revenues. Any political, economic, social, or technological change resulting in a reduction in these sectors' advertising expenditures may adversely affect TV One's revenue. Advertisers' willingness to purchase advertising may also be affected by a decline in audience ratings for TV One's programming, the inability of TV One to retain the rights to popular programming, increasing audience fragmentation caused by the proliferation of new media formats, including other cable networks, the internet and video-on-demand, and the deployment of portable digital devices and new technologies, which allow consumers to time shift programming, make and store digital copies and skip or fast-forward through advertisements. Any reduction in advertising expenditures could have an adverse effect on TV One's revenues and results of operations.

***TV One's success is dependent upon audience acceptance of its content, which is difficult to predict.***

Television content production is inherently a risky business because the revenues derived from the production and distribution of a television program and the licensing of rights to the associated intellectual property depend primarily upon the public's level of acceptance, which is difficult to predict. The commercial success of a television program also depends upon the quality and acceptance of other competing programs in the marketplace at or near the same time, the availability of alternative forms of entertainment and leisure time activities, general economic conditions, and other tangible and intangible factors, all of which are difficult to predict. Rating points are also factors that are weighed when determining the advertising rates that TV One receives. Poor ratings can lead to a reduction in pricing and advertising revenues. Consequently, low public acceptance of TV One's content may have an adverse effect on TV One's results of operations. Further, recent competitive network launches, such as the networks launched by Oprah Winfrey (OWN<sup>TM</sup>), Sean Combs (REVOLT TV<sup>TM</sup>), and Magic Johnson (ASPIRE<sup>TM</sup>), could take away from our audience share and ratings and thus have an adverse effect on TV One's results of operations.

***The loss of affiliation agreements could materially adversely affect TV One's results of operations.***

TV One is dependent upon the maintenance of affiliation agreements with cable and direct broadcast distributors for its revenues, and there can be no assurance that these agreements will be renewed in the future on terms acceptable to such distributors. The loss of one or more of these arrangements could reduce the distribution of TV One's programming services and reduce revenues from subscriber fees and advertising, as applicable. Further, the loss of favorable packaging, positioning, pricing or other marketing opportunities with any distributor could reduce revenues from subscribers and associated subscriber fees. In addition, consolidation among cable distributors and increased vertical integration of such distributors into the cable or broadcast network business have provided more leverage to these distributors and could adversely affect TV One's ability to maintain or obtain distribution for its network programming on favorable or commercially reasonable terms, or at all. Since its inception, TV One has not gone through a renewal process with respect to its affiliation agreements. Some of its major affiliation agreements will soon be up for renewal, and the results of TV One's renewal process could have a material adverse effect on TV One's revenues and results and operations. We cannot assure you that TV One will be able to renew its affiliation agreements on commercially reasonable terms, or at all. The loss of a significant number of these arrangements or the loss of carriage on basic programming tiers could reduce the distribution of our content, which may adversely affect our revenues from subscriber fees and our ability to sell national and local advertising time.

***Changes in consumer behavior resulting from new technologies and distribution platforms may impact the performance of our businesses.***

TV One faces emerging competition from other providers of digital media, some of which have greater financial, marketing and other resources than we do. In particular, content offered over the internet has become more prevalent as the speed and quality of broadband networks have improved. Providers such as Hulu<sup>TM</sup>, Netflix<sup>TM</sup>, Apple<sup>TM</sup>, Amazon<sup>TM</sup> and Google<sup>TM</sup>, as well as gaming and other consoles such as Microsoft's Xbox<sup>TM</sup>, Sony's PS4<sup>TM</sup>, Nintendo's Wii<sup>TM</sup>, and Roku<sup>TM</sup>, are aggressively establishing themselves as alternative providers of video services, including online TV services. Most recently, Dish Networks<sup>TM</sup> has released a new online distribution service called Sling TV<sup>TM</sup> offering live sports and other content without paying for a tradition cable bundle of channels. These services and the growing availability of online content, coupled with an expanding market for mobile devices and tablets that allow users to view content on an on-demand basis and internet-connected televisions, may impact TV One's distribution for its services and content. Additionally, devices or services that allow users to view television programs away from traditional cable providers or on a time-shifted basis and technologies that enable users to fast-forward or skip programming, including commercials, such as DVRs and portable digital devices and systems that enable users to store or make portable copies of content, have caused changes in consumer behavior that may affect the attractiveness of our offerings to advertisers and could therefore adversely affect our revenues. If we cannot ensure that our distribution methods and content are responsive to TV One's target audiences, our business could be adversely affected.

***The failure or destruction of satellites and transmitter facilities that TV One depends upon to distribute its programming could materially adversely affect TV One's businesses and results of operations.***

TV One uses satellite systems to transmit its programming to affiliates. The distribution facilities include uplinks, communications satellites, and downlinks. Transmissions may be disrupted as a result of local disasters, including extreme weather, that impair on-ground uplinks or downlinks, or as a result of an impairment of a satellite. Currently, there are a limited number of communications satellites available for the transmission of programming. If a disruption occurs, TV One may not be able to secure alternate distribution facilities in a timely manner. Failure to secure alternate distribution facilities in a timely manner could have a material adverse effect on TV One's businesses and results of operations. In addition, TV One uses studio and transmitter facilities that are subject to damage or destruction. Failure to restore such facilities in a timely manner could have a material adverse effect on TV One's businesses and results of operations.

***TV One's operating results are subject to seasonal variations and other factors.***

TV One's business has experienced and is expected to continue to experience seasonality due to, among other things, seasonal advertising patterns and seasonal influences on people's viewing habits. Typically, TV One revenue from advertising increases in the fourth quarter. In addition, advertising revenues in even-numbered years benefit from advertising placed by candidates for political offices. The effects of such seasonality make it difficult to estimate future operating results based on the previous results of any specific quarter and may adversely affect operating results.

***Economic conditions may adversely affect TV One's businesses and customers.***

The United States continues to experience sluggishness and volatility in its economy. These factors could lead to lower consumer and business spending for TV One's products and services, particularly if customers, including advertisers, subscribers, licensees, retailers, and other consumers of TV One's offerings and services, reduce demands for TV One's products and services. In addition, in unfavorable economic environments, TV One's customers may have difficulties obtaining capital at adequate or historical levels to finance their ongoing business and operations and may face insolvency, all of which could impair their ability to make timely payments and continue operations. TV One is unable to predict the duration and severity of weakened economic conditions, and such conditions and resultant effects could adversely impact TV One's businesses, operating results, and financial condition.

***Increased programming and content costs may adversely affect TV One's profits.***

TV One produces and acquires programming (including motion pictures) and content and incurs costs for all types of creative talent, including actors, authors, writers and producers as well as marketing and distribution. An increase in any of these costs may lead to decreased profitability.

***Piracy of TV One's programming and other content, including digital and internet piracy, may decrease revenue received from the exploitation of TV One's programming and other content and adversely affect its businesses and profitability.***

Piracy of programming is prevalent in many parts of the world and is made easier by the availability of digital copies of content and technological advances allowing conversion of such programming and other content into digital formats, which facilitates the creation, transmission and sharing of high quality unauthorized copies of TV One's content. The proliferation of unauthorized copies and piracy of these products has an adverse effect on TV One's businesses and profitability because these products reduce the revenue that TV One potentially could receive from the legitimate sale and distribution of its products and services. In addition, if piracy were to increase, it would have an adverse effect on TV One's businesses and profitability.

***Changes in U.S. communications laws or other regulations may have an adverse effect on TV One's business.***

The television and distribution industries in the United States are highly regulated by U.S. federal laws and regulations issued and administered by various federal agencies, including the FCC. The television broadcasting industry is subject to extensive regulation by the FCC under the Communications Act. The U.S. Congress and the FCC currently have under consideration, and may in the future adopt, new laws, regulations, and policies regarding a wide variety of matters that could, directly or indirectly, affect the operation of TV One. For example, the FCC has initiated a proceeding to examine and potentially regulate more closely embedded advertising such as product placement and product integration. Enhanced restrictions affecting these means of delivering advertising messages may adversely affect TV One's advertising revenues. Changes to the media ownership and other FCC rules may affect the competitive landscape in ways that could increase the competition faced by TV One. Proposals have also been advanced from time to time before the U.S. Congress and the FCC to extend the program access rules (currently applicable only to those cable program services which also own or are owned by cable distribution systems) to all cable program services. TV One's ability to obtain the most favorable terms available for its content could be adversely affected should such an extension be enacted into law. TV One is unable to predict the effect that any such laws, regulations or policies may have on its operations.

***Vigorous enforcement or enhancement of FCC indecency and other program content rules against the broadcast and cable industries could have an adverse effect on TV One's businesses and results of operations.***

The FCC has in the past vigorously enforced its indecency rules against the broadcast industry. See "Risks Related to Regulation—Increased enforcement by the FCC of its indecency rules against the broadcast industry could adversely affect our business operations." Some policymakers support the extension of the indecency rules that are applicable to over-the-air broadcasters to cover cable programming and/or attempts to increase enforcement of or otherwise expand existing laws and rules. If such an extension, attempt to increase enforcement, or other expansion took place and was found to be constitutional, some of TV One's content could be subject to additional regulation and might not be able to attract the same subscription and viewership levels.

***Our President and Chief Executive Officer has an interest in TV One that may conflict with your interests.***

We have an employment agreement with our President and Chief Executive Officer, Mr. Alfred C. Liggins, III. The employment agreement provides, among other things, that in recognition of Mr. Liggins' contributions in founding TV One on our behalf, he is eligible to receive an award amount equal to 8% of any proceeds from distributions or other liquidity events in excess of the return of our aggregate investment in TV One. Our obligation to pay the award will be triggered only after our recovery of the aggregate amount of its capital contribution in TV One and only upon actual receipt of distributions of cash or marketable securities or proceeds from a liquidity event with respect to our membership interest in TV One. Mr. Liggins' rights to the TV One Award (i) cease if he is terminated for cause or he resigns without good reason and (ii) expire at the termination of his employment agreement (but similar rights could be included in the terms of a new employment agreement). As a result of this arrangement, the interest of Mr. Liggins' with respect to TV One may conflict with your interests as holders of our debt or equity securities. For example, Mr. Liggins may seek to have Radio One acquire additional equity interests in TV One using cash generated from operations or additional borrowings under its credit facilities or have TV One itself pursue acquisitions, joint ventures, financings or other transactions that, in his judgment, could increase the amount of the TV One Award by increasing the amount of our investment in TV One or enhancing the equity value of TV One, even though such transactions might involve risks to holders of our equity or debt securities.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

The types of properties required to support each of our radio stations include offices, studios and transmitter/antenna sites. Our other media properties, such as Interactive One, generally only require office space. We typically lease our studio and office space with lease terms ranging from five to 10 years in length. A station's studios are generally housed with its offices in business districts. We generally consider our facilities to be suitable and of adequate size for our current and intended purposes. We lease a majority of our main transmitter/antenna sites and associated broadcast towers and, when negotiating a lease for such sites, we try to obtain a lengthy lease term with options to renew. In general, we do not anticipate difficulties in renewing facility or transmitter/antenna site leases, or in leasing additional space or sites, if required.

We own substantially all of our equipment, consisting principally of transmitting antennae, transmitters, studio equipment and general office equipment. The towers, antennae and other transmission equipment used by our stations are generally in good condition, although opportunities to upgrade facilities are periodically reviewed. The tangible personal property owned by us and the real property owned or leased by us are subject to security interests under our senior credit facility.

### **ITEM 3. LEGAL PROCEEDINGS**

#### **Legal Proceedings**

Radio One is involved from time to time in various routine legal and administrative proceedings and threatened legal and administrative proceedings incidental to the ordinary course of our business. Radio One believes the resolution of such matters will not have a material adverse effect on its business, financial condition or results of operations.

### **ITEM 4. REMOVED AND RESERVED**

**PART II**

**ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

**Price Range of Our Class A and Class D Common Stock**

Our Class A voting common stock is traded on The NASDAQ Stock Market ("NASDAQ") under the symbol "ROIA." The following table presents, for the quarters indicated, the high and low daily closing prices per share of our Class A Common Stock as reported on the NASDAQ.

|                | <u>High</u> | <u>Low</u> |
|----------------|-------------|------------|
| <b>2014</b>    |             |            |
| First Quarter  | \$ 5.60     | \$ 4.07    |
| Second Quarter | \$ 4.90     | \$ 3.78    |
| Third Quarter  | \$ 4.99     | \$ 2.92    |
| Fourth Quarter | \$ 2.78     | \$ 1.37    |
| <b>2013</b>    |             |            |
| First Quarter  | \$ 1.92     | \$ 0.77    |
| Second Quarter | \$ 2.55     | \$ 1.50    |
| Third Quarter  | \$ 2.74     | \$ 2.08    |
| Fourth Quarter | \$ 3.80     | \$ 2.68    |

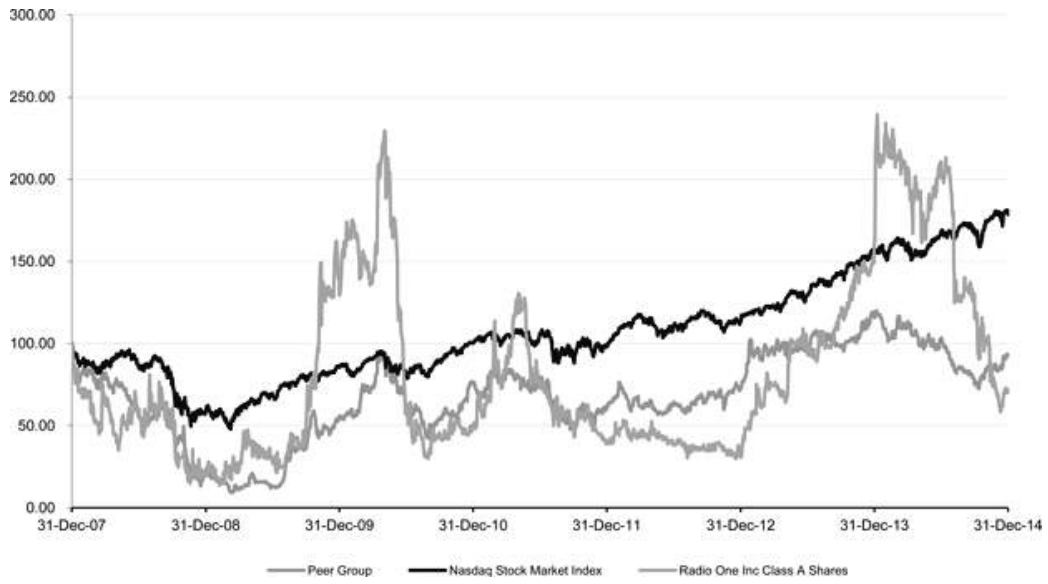
Our Class D non-voting common stock is traded on the NASDAQ under the symbol "ROIAK." The following table presents, for the quarters indicated, the high and low daily closing prices per share of our Class D Common Stock as reported on the NASDAQ.

|                | <u>High</u> | <u>Low</u> |
|----------------|-------------|------------|
| <b>2014</b>    |             |            |
| First Quarter  | \$ 5.54     | \$ 4.06    |
| Second Quarter | \$ 4.93     | \$ 3.75    |
| Third Quarter  | \$ 4.95     | \$ 2.90    |
| Fourth Quarter | \$ 2.76     | \$ 1.38    |
| <b>2013</b>    |             |            |
| First Quarter  | \$ 1.85     | \$ 0.75    |
| Second Quarter | \$ 2.53     | \$ 1.45    |
| Third Quarter  | \$ 2.70     | \$ 2.10    |
| Fourth Quarter | \$ 3.79     | \$ 2.73    |

## STOCKHOLDER RETURN PERFORMANCE GRAPHS

*Stockholder performance graph (Class A shares)*

*Performance since December 31, 2007*



*Source: Capital IQ, Factiva*

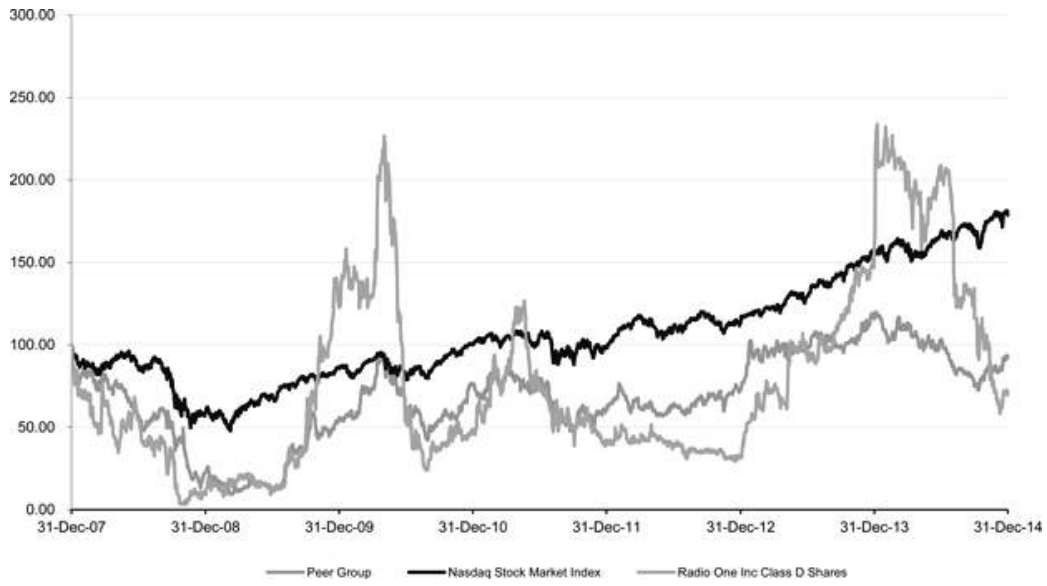
*Note 1 - Peer group includes Emmis Communications Corp., Entercom Communications Corp., Saga Communications Inc., Cumulus Media Inc. and Salem Communications Corp.*



## STOCKHOLDER RETURN PERFORMANCE GRAPHS

*Stockholder performance graph (Class D shares)*

*Performance since December 31, 2007*



*Source: Capital IQ, Factiva*

*Note 1 - Peer group includes Emmis Communications Corp., Entercom Communications Corp., Saga Communications Inc., Cumulus Media Inc. and Salem Communications Corp.*

**Dividends**

Since first selling our common stock publicly in May 1999, we have not declared any cash dividends on any class of our common stock. We intend to retain future earnings for use in our business and do not anticipate declaring or paying any cash or stock dividends on shares of our common stock in the foreseeable future. In addition, any determination to declare and pay dividends will be made by our Board of Directors in light of our earnings, financial position, capital requirements, contractual restrictions contained in our credit facility and the indentures governing our senior subordinated notes, and other factors as the Board of Directors deems relevant. (See “Management’s Discussion and Analysis — Liquidity and Capital Resources” and Note 10 of our consolidated financial statements — *Long-Term Debt*.)

**Number of Stockholders**

Based upon a survey of record holders and a review of our stock transfer records, as of February 6, 2015, there were approximately 1,603 holders of Radio One’s Class A Common Stock, two holders of Radio One’s Class B Common Stock, three holders of Radio One’s Class C Common Stock, and approximately 1,884 holders of Radio One’s Class D Common Stock.

## ITEM 6. SELECTED FINANCIAL DATA

The following table contains selected historical consolidated financial data with respect to Radio One. The selected historical consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements of Radio One included elsewhere in this report.

|   | <b>For the Years Ended December 31,</b> |             |             |             |             |
|---|---|-------------|-------------|-------------|-------------|
|   | <b>2014</b>                             | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> |
| <b>(In thousands, except share data)</b>  |   |             |             |             |             |
| <b>Statements of Operations (1):</b>  |   |             |             |             |             |
| Net revenue   | \$ 441,387                              | \$ 448,700  | \$ 424,573  | \$ 364,297  | \$ 279,478  |
| Programming and technical expenses including stock-based compensation   | 141,689                                 | 138,021     | 135,974     | 115,106     | 74,836      |
| Selling, general and administrative expenses including stock-based compensation   | 142,454                                 | 145,261     | 137,843     | 126,513     | 103,191     |
| Corporate selling, general and administrative expenses including stock-based compensation                                       | 43,257                                  | 39,700      | 40,457      | 37,850      | 32,922      |
| Depreciation and amortization   | 36,822                                  | 37,870      | 38,777      | 37,142      | 17,439      |
| Impairment of long-lived assets   | —                                       | 14,880      | 313         | 22,331      | 36,063      |
| Operating income  | 77,165                                  | 72,968      | 71,209      | 25,355      | 15,027      |
| Interest expense (2)  | 79,444                                  | 88,951      | 90,549      | 87,766      | 46,707      |
| Gain on investment of affiliated company (3)  | —                                       | —           | —           | 146,879     | —           |
| (Loss) gain on retirement of debt   | (5,679)                                 | —           | —           | (7,743)     | 6,646       |
| Equity in income of affiliated company  | —                                       | —           | —           | 3,287       | 5,558       |
| Other income (expense), net   | 32                                      | 307         | (1,357)     | (324)       | (3,061)     |
| (Loss) income before provision for income taxes, noncontrolling interests in income of subsidiaries and discontinued operations | (7,926)                                 | (15,676)    | (20,697)    | 79,688      | (22,537)    |
| Provision for income taxes  | 34,814                                  | 28,719      | 33,235      | 66,686      | 3,971       |
| (Loss) income from continuing operations  | (42,740)                                | (44,395)    | (53,932)    | 13,002      | (26,508)    |
| Income (loss) from discontinued operations, net of tax  | —                                       | 885         | (184)       | (99)        | (117)       |
| Consolidated net (loss) income  | (42,740)                                | (43,510)    | (54,116)    | 12,903      | (26,625)    |
| Noncontrolling interests in income of subsidiaries  | 19,930                                  | 18,471      | 12,749      | 10,014      | 2,008       |
| Consolidated net (loss) income applicable to common stockholders  | \$ (62,670)                             | \$ (61,981) | \$ (66,865) | \$ 2,889    | \$ (28,633) |
| <b>Basic net (loss) income per common share:</b>  |   |             |             |             |             |
| (Loss) income from continuing operations  | \$ (1.32)                               | \$ (1.30)   | \$ (1.33)   | \$ 0.06     | \$ (0.55)   |
| Income (loss) from discontinued operations, net of tax  | 0.00                                    | 0.02        | (0.00)      | (0.00)      | (0.00)      |
| Net (loss) income applicable to common stockholders per share   | \$ (1.32)                               | \$ (1.28)   | \$ (1.34)*  | \$ 0.06     | \$ (0.56)*  |
| <b>Diluted net (loss) income per common share:</b>  |   |             |             |             |             |
| (Loss) income from continuing operations  | \$ (1.32)                               | \$ (1.30)   | \$ (1.33)   | \$ 0.06     | \$ (0.55)   |
| Income (loss) from discontinued operations, net of tax  | 0.00                                    | 0.02        | (0.00)      | (0.00)      | (0.00)      |
| Net (loss) income applicable to common stockholders per share   | \$ (1.32)                               | \$ (1.28)   | \$ (1.34)*  | \$ 0.06     | \$ (0.56)*  |
| *Per share amounts do not add due to rounding   |   |             |             |             |             |
| <b>Balance Sheet Data:</b>  |   |             |             |             |             |
| Cash and cash equivalents   | \$ 67,781                               | \$ 56,676   | \$ 57,255   | \$ 35,939   | \$ 9,192    |
| Intangible assets, net  | 1,119,304                               | 1,147,017   | 1,203,763   | 1,242,962   | 837,046     |
| Total assets  | 1,398,555                               | 1,414,355   | 1,460,195   | 1,486,482   | 999,212     |
| Total debt (including current portion)  | 820,305                                 | 815,635     | 818,718     | 808,904     | 642,222     |
| Total liabilities   | 1,167,147                               | 1,117,381   | 1,092,844   | 1,055,541   | 774,242     |
| Total equity  | 220,572                                 | 284,975     | 354,498     | 410,598     | 194,335     |

- (1) Year-to-year comparisons are significantly affected by Radio One's acquisitions and dispositions during the periods covered.
- (2) Interest expense includes non-cash interest, such as the accretion of principal, local marketing agreement ("LMA") fees, the amortization of discounts on debt and the amortization of deferred financing costs.
- (3) The Company recognized an after-tax gain of approximately \$146.9 million during the second quarter of 2011 associated with our acquisition of the controlling ownership interest in TV One.

*The following table contains selected historical consolidated financial data derived from the audited financial statements of Radio One for each of the years in the five-year period ended December 31:*

|                                 | <b>For the Years Ended December 31,</b> |             |             |             |             |
|---------------------------------|---|-------------|-------------|-------------|-------------|
|                                 | <b>2014</b>                             | <b>2013</b> | <b>2012</b> | <b>2011</b> | <b>2010</b> |
|                                 | <b>(In thousands)</b>                   |             |             |             |             |
| <b>Statement of Cash Flows:</b> |   |             |             |             |             |
| Cash flows from (used in):      |   |             |             |             |             |
| Operating activities            | \$ 53,920                               | \$ 37,029   | \$ 45,447   | \$ 31,606   | \$ 17,836   |
| Investing activities            | (15,100)                                | (6,073)     | (8,044)     | 55,800      | (4,664)     |
| Financing activities            | (27,715)                                | (31,535)    | (16,087)    | (60,659)    | (23,943)    |
| <b>Other Data:</b>              |   |             |             |             |             |
| Cash interest expense (1)       | \$ 68,536                               | \$ 83,612   | \$ 73,307   | \$ 56,072   | \$ 48,805   |
| Capital expenditures            | 5,537                                   | 9,194       | 12,485      | 9,445       | 8,753       |

- (1) Cash interest expense is calculated as interest expense less non-cash interest, including the accretion of principal, the amortization of discounts on debt and the amortization of deferred financing costs for the indicated period.

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following information should be read in conjunction with "Selected Financial Data" and the Consolidated Financial Statements and Notes thereto included elsewhere in this report.*

### Overview

For the year ended December 31, 2014, consolidated net revenue decreased approximately 1.6% compared to the year ended December 31, 2013. Given the recent and gradual recovery seen in the advertising environments, we project our 2015 business results will improve and compare more favorably to that of 2014. Our strategy for 2015 will be to continue to: (i) grow market share; (ii) improve audience share in certain markets and improve revenue conversion of strong and stable audience share in certain other markets; and (iii) grow and diversify our revenue by successfully executing our online and cable television strategy, our radio websites and our other internet properties.

The weakened economy, competition from digital audio players, the internet, cable television and satellite radio, among other new media outlets, audio and video streaming on the internet, and consumers' increased focus on mobile applications, are some of the reasons our core radio business has seen slow or negative growth over the past few years. In addition to overall cutbacks, advertisers continue to shift their advertising budgets away from traditional media such as newspapers, broadcast television and radio to these new media outlets. Internet companies have evolved from being large sources of advertising revenue for radio companies to being significant competitors for radio advertising dollars. While these dynamics present significant challenges for companies that are focused solely in the radio industry, through our online properties, which includes our radio websites, Interactive One and other online verticals, as well as our cable television business, we are well poised to provide advertisers and creators of content with a multifaceted way to reach African-American consumers.

### Results of Operations

#### Revenue

Within our core radio business, we primarily derive revenue from the sale of advertising time and program sponsorships to local and national advertisers on our radio stations. Advertising revenue is affected primarily by the advertising rates our radio stations are able to charge, as well as the overall demand for radio advertising time in a market. These rates are largely based upon a radio station's audience share in the demographic groups targeted by advertisers, the number of radio stations in the related market, and the supply of, and demand for, radio advertising time. Advertising rates are generally highest during morning and afternoon commuting hours.

The following chart shows the percentage of consolidated net revenue generated by each reporting segment.

|   | <b>For the Years Ended December 31,</b> |             |             |
|---|---|-------------|-------------|
|   | <b>2014</b>                             | <b>2013</b> | <b>2012</b> |
| Percentage of net revenue generated by radio broadcasting segment | 48.3%                                   | 49.6%       | 52.6%       |
| Percentage of net revenue generated by Reach Media segment        | 11.9%                                   | 12.7%       | 13.0%       |
| Percentage of net revenue generated by internet segment           | 5.5%                                    | 5.7%        | 4.7%        |
| Percentage of net revenue generated by cable television segment   | 35.6%                                   | 33.3%       | 30.9%       |
| Percentage of net revenue generated by corporate/eliminations     | (1.3)%                                  | (1.3)%      | (1.2)%      |

The following chart shows net revenue generated from our core radio business as a percentage of consolidated net revenue. The downward trend is consistent with our strategic diversification strategy. In addition, it shows the percentages generated from local and national advertising as a subset of net revenue from our core radio business.

|  | <b>For the Years Ended December 31,</b> |             |             |
|--|---|-------------|-------------|
|  | <b>2014</b>                             | <b>2013</b> | <b>2012</b> |
| Net revenue generated from core radio business, excluding Reach Media, as a percentage of consolidated net revenue | 48.8%                                   | 50.2%       | 56.4%       |
| Percentage of core radio business generated from local advertising   | 62.7%                                   | 65.9%       | 69.0%       |
| Percentage of core radio business generated from national advertising, including network advertising               | 33.0%                                   | 30.4%       | 28.0%       |

National advertising includes advertising revenue generated from our internet segment. The balance of net revenue from our radio segment was generated from tower rental income, ticket sales and revenue related to our sponsored events, management fees and other revenue.

In the broadcasting industry, radio stations and television stations often utilize trade or barter agreements to reduce cash expenses by exchanging advertising time for goods or services. In order to maximize cash revenue for our spot inventory, we closely monitor the use of trade and barter agreements.

Interactive One derives its revenue principally from advertising services, including diversity recruiting advertising. Advertising services include the sale of banner and sponsorship advertisements. Advertising revenue is recognized either as impressions (the number of times advertisements appear in viewed pages) are delivered, when “click through” purchases are made or leads are generated, or ratably over the contract period, where applicable. In addition, Interactive One derives revenue from its studio operations, which provide third-party clients with digital platforms and expertise. In the case of the studio operations, revenue is recognized primarily based on fixed contractual monthly fees or as a share of the third party client’s reported revenue.

TV One generates the Company’s cable television revenue, and derives its revenue principally from advertising and affiliate revenue. Advertising revenue is derived from the sale of television air time to advertisers and is recognized when the advertisements are run. TV One also derives affiliate fees under the terms of various affiliation agreements based upon most recent subscriber counts reported by the applicable affiliate.

In February 2005, Radio One, through its wholly-owned subsidiary Radio One Media Holdings, LLC (“ROMH”), acquired 51% of the common stock of Reach Media, which operates the Tom Joyner Morning Show and related businesses, the Rickey Smiley Morning Show, the Yolanda Adams Morning Show, the Russ Parr Morning Show and the DL Hughley Show. Mr. Joyner is a leading nationally syndicated radio personality. As of December 31, 2014, the Tom Joyner Morning Show was broadcast on almost 100 affiliate stations across the United States and is a top-rated morning show in many of the markets in which it is broadcast. Reach Media also operates [www.BlackAmericaWeb.com](http://www.BlackAmericaWeb.com), an African-American targeted website, websites for the syndicated talent, online streaming and mobile applications and also operates the Tom Joyner Family Reunion and various other special event-related activities. In December 2009, we increased our ownership interest to 53.5% when Reach Media acquired a noncontrolling interest from an unrelated third party. On December 31, 2012, ROMH further increased its ownership interest in Reach Media from 53.5% to 80% by purchasing additional shares from certain minority shareholders. Immediately after increasing ROMH’s ownership in Reach Media to 80%, we consolidated our syndication operations within Reach Media to leverage that platform to create the leading syndicated radio network targeted to the African-American audience.

## Expenses

Our significant expenses are: (i) employee salaries and commissions; (ii) programming expenses; (iii) marketing and promotional expenses; (iv) rental of premises for office facilities and studios; (v) rental of transmission tower space; (vi) music license royalty fees; and (vii) content amortization. We strive to control these expenses by centralizing certain functions such as finance, accounting, legal, human resources and management information systems and, in certain markets, the programming management function. We also use our multiple stations, market presence and purchasing power to negotiate favorable rates with certain vendors and national representative selling agencies. In addition to salaries and commissions, major expenses for our internet business include membership traffic acquisition costs, software product design, post application software development and maintenance, database and server support costs, the help desk function, data center expenses connected with internet service provider (“ISP”) hosting services and other internet content delivery expenses. Major expenses for our cable television business include content acquisition and amortization, sales and marketing.

We generally incur marketing and promotional expenses to increase our audiences. However, because Nielsen reports ratings either monthly or quarterly, depending on the particular market, any changed ratings and the effect on advertising revenue tends to lag behind both the reporting of the ratings and the incurrence of advertising and promotional expenditures.

## Measurement of Performance

We monitor and evaluate the growth and operational performance of our business using net income and the following key metrics:

(a) *Net revenue*: The performance of an individual radio station or group of radio stations in a particular market is customarily measured by its ability to generate net revenue. Net revenue consists of gross revenue, net of local and national agency and outside sales representative commissions consistent with industry practice. Net revenue is recognized in the period in which advertisements are broadcast. Net revenue also includes advertising aired in exchange for goods and services, which is recorded at fair value, revenue from sponsored events and other revenue. Net revenue is recognized for our online business as impressions are delivered, as “click throughs” are made or ratably over contract periods, where applicable. Net revenue is recognized for our cable television business as advertisements are run, and during the term of the affiliation agreements at levels appropriate for the most recent subscriber counts reported by the affiliate, net of launch support.

(b) *Station operating income*: Net income (loss) before depreciation and amortization, income taxes, interest expense, interest income, noncontrolling interests in income of subsidiaries, other (income) expense, corporate expenses, stock-based compensation, impairment of long-lived assets, loss on retirement of debt and income (loss) from discontinued operations, net of tax, is commonly referred to in our industry as station operating income. Station operating income is not a measure of financial performance under generally accepted accounting principles in the United States (“GAAP”). Nevertheless, station operating income is a significant basis used by our management to measure the operating performance of our stations within the various markets. Station operating income provides helpful information about our results of operations, apart from expenses associated with our fixed and long-lived intangible assets, income taxes, investments, impairment charges, debt financings and retirements, corporate overhead, stock-based compensation and discontinued operations. Our measure of station operating income may not be comparable to similarly titled measures of other companies as our definition includes the results of all four of our operating segments (radio broadcasting, Reach Media, internet and cable television). Station operating income does not represent operating loss or cash flow from operating activities, as those terms are defined under GAAP, and should not be considered as an alternative to those measurements as an indicator of our performance.

(c) *Station operating income margin*: Station operating income margin represents station operating income as a percentage of net revenue. Station operating income margin is not a measure of financial performance under GAAP. Nevertheless, we believe that station operating income margin is a useful measure of our performance because it provides helpful information about our profitability as a percentage of our net revenue. Station operating margin includes results from all four segments (radio broadcasting, Reach Media, internet and cable television).

(d) *Adjusted EBITDA*: Adjusted EBITDA consists of net (loss) income plus (1) depreciation and amortization, income taxes, interest expense, noncontrolling interests in income of subsidiaries, impairment of long-lived assets, stock-based compensation, loss on retirement of debt, employment agreement and incentive plan award expenses, income (loss) from discontinued operations, net of tax, less (2) other income and interest income. Net income before interest income, interest expense, income taxes, depreciation and amortization is commonly referred to in our business as “EBITDA.” Adjusted EBITDA and EBITDA are not measures of financial performance under generally accepted accounting principles. We believe Adjusted EBITDA is often a useful measure of a company’s operating performance and is a significant basis used by our management to measure the operating performance of our business because Adjusted EBITDA excludes charges for depreciation, amortization and interest expense that have resulted from our acquisitions and debt financing, our taxes, impairment charges, as well as our equity in (income) loss of our affiliated company, gain on retirements of debt, and any discontinued operations. Accordingly, we believe that Adjusted EBITDA provides useful information about the operating performance of our business, apart from the expenses associated with our fixed assets and long-lived intangible assets, capital structure or the results of our affiliated company. Adjusted EBITDA is frequently used as one of the bases for comparing businesses in our industry, although our measure of Adjusted EBITDA may not be comparable to similarly titled measures of other companies as our definition includes the results of all four of our operating segments (radio broadcasting, Reach Media, internet and cable television). Adjusted EBITDA and EBITDA do not purport to represent operating income or cash flow from operating activities, as those terms are defined under generally accepted accounting principles, and should not be considered as alternatives to those measurements as an indicator of our performance.

## Summary of Performance

The table below provides a summary of our performance based on the metrics described above:

|  | <b>For the Years Ended December 31,</b> |             |             |
|--|---|-------------|-------------|
|  | <b>2014</b>                             | <b>2013</b> | <b>2012</b> |
| <b>(In thousands, except margin data)</b>  |   |             |             |
| Net revenue                                | \$ 441,387                              | \$ 448,700  | \$ 424,573  |
| Station operating income                   | 157,381                                 | 165,461     | 150,823     |
| Station operating income margin            | 35.7%                                   | 36.9%       | 35.5%       |
| Net loss applicable to common stockholders | (62,670)                                | (61,981)    | (66,865)    |

The reconciliation of net loss to station operating income is as follows:

|   | <b>For the Years Ended December 31,</b> |                   |                   |
|---|---|-------------------|-------------------|
|   | <b>2014</b>                             | <b>2013</b>       | <b>2012</b>       |
| <b>(In thousands)</b>   |   |                   |                   |
| Net loss applicable to common stockholders, as reported                           | \$ (62,670)                             | \$ (61,981)       | \$ (66,865)       |
| Add back non-station operating income items included in net loss:                 |   |                   |                   |
| Interest income   | (366)                                   | (245)             | (248)             |
| Interest expense  | 79,810                                  | 89,196            | 90,797            |
| Provision for income taxes  | 34,814                                  | 28,719            | 33,235            |
| Corporate selling, general and administrative, excluding stock-based compensation | 41,800                                  | 39,552            | 40,353            |
| Stock-based compensation  | 1,594                                   | 191               | 171               |
| Loss on retirement of debt  | 5,679                                   | —                 | —                 |
| Other (income) expense, net   | (32)                                    | (307)             | 1,357             |
| Depreciation and amortization   | 36,822                                  | 37,870            | 38,777            |
| Noncontrolling interests in income of subsidiaries                                | 19,930                                  | 18,471            | 12,749            |
| Impairment of long-lived assets   | —                                       | 14,880            | 313               |
| (Income) loss from discontinued operations, net of tax                            | —                                       | (885)             | 184               |
| Station operating income  | <u>\$ 157,381</u>                       | <u>\$ 165,461</u> | <u>\$ 150,823</u> |

|  | <b>For the Years Ended December 31,</b> |                   |                   |
|--|---|-------------------|-------------------|
|  | <b>2014</b>                             | <b>2013</b>       | <b>2012</b>       |
| <b>(In thousands)</b>  |   |                   |                   |
| Adjusted EBITDA reconciliation:                                      |   |                   |                   |
| Consolidated net loss applicable to common stockholders, as reported | \$ (62,670)                             | \$ (61,981)       | \$ (66,865)       |
| Interest income  | (366)                                   | (245)             | (248)             |
| Interest expense   | 79,810                                  | 89,196            | 90,797            |
| Provision for income taxes   | 34,814                                  | 28,719            | 33,235            |
| Depreciation and amortization  | 36,822                                  | 37,870            | 38,777            |
| EBITDA   | <u>\$ 88,410</u>                        | <u>\$ 93,559</u>  | <u>\$ 95,696</u>  |
| Stock-based compensation   | 1,594                                   | 191               | 171               |
| Loss on retirement of debt   | 5,679                                   | —                 | —                 |
| Other (income) expense, net  | (32)                                    | (307)             | 1,357             |
| Noncontrolling interests in income of subsidiaries                   | 19,930                                  | 18,471            | 12,749            |
| Impairment of long-lived assets                                      | —                                       | 14,880            | 313               |
| Employment Agreement and incentive plan award expenses*              | 4,606                                   | 2,301             | 1,564             |
| (Income ) loss from discontinued operations, net of tax              | —                                       | (885)             | 184               |
| Adjusted EBITDA  | <u>\$ 120,187</u>                       | <u>\$ 128,210</u> | <u>\$ 112,034</u> |

\*Pursuant to an employment agreement (the "Employment Agreement") executed in April 2008, the CEO is eligible to receive an award amount equal to 8% of any proceeds from distributions or other liquidity events in excess of the return of the Company's aggregate investment in TV One. The Company has modified the definition of Adjusted EBITDA during 2014 for the inclusion of Employment Agreement and incentive plan award expenses. All prior periods have been reclassified to conform to current period presentation.



**RADIO ONE, INC. AND SUBSIDIARIES**

**RESULTS OF OPERATIONS**

The following table summarizes our historical consolidated results of operations:

*Year Ended December 31, 2014 Compared to Year Ended December 31, 2013 (In thousands)*

|  | <b>For the Years Ended</b> |                    | <b>Increase/(Decrease)</b> |               |
|--|----------------------------|--------------------|----------------------------|---------------|
|  | <b>December 31,</b>        |                    |                            |               |
|  | <b>2014</b>                | <b>2013</b>        |                            |               |
| <b>Statements of Operations:</b>   |                            |                    |                            |               |
| Net revenue  | \$ 441,387                 | \$ 448,700         | \$ (7,313)                 | (1.6)%        |
| Operating expenses:  |                            |                    |                            |               |
| Programming and technical, excluding stock-based compensation  | 141,689                    | 138,021            | 3,668                      | 2.7           |
| Selling, general and administrative, excluding stock-based compensation  | 142,317                    | 145,218            | (2,901)                    | (2.0)         |
| Corporate selling, general and administrative, excluding stock-based compensation  | 41,800                     | 39,552             | 2,248                      | 5.7           |
| Stock-based compensation   | 1,594                      | 191                | 1,403                      | 734.6         |
| Depreciation and amortization  | 36,822                     | 37,870             | (1,048)                    | (2.8)         |
| Impairment of long-lived assets  | —                          | 14,880             | (14,880)                   | (100.0)       |
| Total operating expenses   | <u>364,222</u>             | <u>375,732</u>     | <u>(11,510)</u>            | <u>(3.1)</u>  |
| Operating income   | 77,165                     | 72,968             | 4,197                      | 5.8           |
| Interest income  | 366                        | 245                | 121                        | 49.4          |
| Interest expense   | 79,810                     | 89,196             | (9,386)                    | (10.5)        |
| Loss on retirement of debt   | 5,679                      | —                  | 5,679                      | 100.0         |
| Other income, net  | 32                         | 307                | (275)                      | (89.6)        |
| Loss before provision for income taxes, noncontrolling interests in income of subsidiaries and income from discontinued operations, net of tax | (7,926)                    | (15,676)           | 7,750                      | 49.4          |
| Provision for income taxes   | 34,814                     | 28,719             | 6,095                      | 21.2          |
| Net loss from continuing operations  | (42,740)                   | (44,395)           | 1,655                      | 3.7           |
| Income from discontinued operations, net of tax  | —                          | 885                | (885)                      | (100.0)       |
| Net loss   | (42,740)                   | (43,510)           | 770                        | 1.8           |
| Noncontrolling interests in income of subsidiaries   | 19,930                     | 18,471             | 1,459                      | 7.9           |
| Net loss attributable to common stockholders   | <u>\$ (62,670)</u>         | <u>\$ (61,981)</u> | <u>\$ (689)</u>            | <u>(1.1)%</u> |

## Net revenue

| Year Ended December 31, |            | Increase/(Decrease) |        |
|-------------------------|------------|---------------------|--------|
| 2014                    | 2013       |                     |        |
| \$ 441,387              | \$ 448,700 | \$ (7,313)          | (1.6)% |

During the year ended December 31, 2014, we recognized approximately \$441.4 million in net revenue compared to approximately \$448.7 million during the year ended December 31, 2013. These amounts are net of agency and outside sales representative commissions. Net revenues from our radio broadcasting segment for the year ended December 31, 2014, decreased 4.3% from the same period in 2013, primarily due to declines in our four largest markets. In two of our largest markets, there were additions of direct competitors. Based on reports prepared by the independent accounting firm Miller, Kaplan, Arase & Co., LLP ("Miller Kaplan"), the radio markets we operate in (excluding Richmond which no longer participates in Miller Kaplan) decreased 1.6% in total revenues for the year ended December 31, 2014, made up of a decrease of 4.9% in local revenues, partially offset by an increase of 0.9% in national revenues, and an increase of 9.8% in digital revenues. We experienced net revenue growth most significantly in our Charlotte, Dallas and Detroit markets, however, this growth was countered by declines in other markets, with our Atlanta, Baltimore, Houston, Philadelphia, Richmond and Washington DC markets experiencing the most significant declines. Net revenue for our Reach Media segment decreased 7.4% versus 2013, due to a mix of customer turnover and lower rates. We recognized approximately \$157.1 million and \$149.5 million of revenue from our cable television segment during the years ended December 31, 2014 and 2013, respectively, with the increase due to higher advertising demand and an increase in subscriber rates for certain affiliates. Our internet business generated approximately \$24.3 million in net revenue for the year ended December 31, 2014, compared to approximately \$25.6 million during 2013, a decrease of 5.1%, due to a decrease in direct revenues.

## Operating expenses

### Programming and technical, excluding stock-based compensation

| Year Ended December 31, |            | Increase/(Decrease) |      |
|-------------------------|------------|---------------------|------|
| 2014                    | 2013       |                     |      |
| \$ 141,689              | \$ 138,021 | \$ 3,668            | 2.7% |

Programming and technical expenses include expenses associated with on-air talent and the management and maintenance of the systems, tower facilities, and studios used in the creation, distribution and broadcast of programming content on our radio stations. Programming and technical expenses for radio also include expenses associated with our programming research activities and music royalties. For our internet business, programming and technical expenses include software product design, post-application software development and maintenance, database and server support costs, the help desk function, data center expenses connected with ISP hosting services and other internet content delivery expenses. For our cable television segment, programming and technical expenses include expenses associated with the technical, programming, production, and content management. Approximately \$64.3 million of our consolidated programming and technical operating expenses were incurred by TV One for the year ended December 31, 2014, compared to approximately \$61.0 million for 2013. Of this total amount incurred by TV One, approximately \$54.6 million and \$51.8 million for the years ended December 31, 2014 and 2013, respectively, relates specifically to content amortization. The increase in TV One content amortization was a result of an increased investment in original programming as well as incremental acquisitions. In addition, the cable television segment generated greater music royalties as well as higher travel and entertainment expenses for the year ended December 31, 2014, compared to 2013.

### Selling, general and administrative, excluding stock-based compensation

| Year Ended December 31, |            | Increase/(Decrease) |        |
|-------------------------|------------|---------------------|--------|
| 2014                    | 2013       |                     |        |
| \$ 142,317              | \$ 145,218 | \$ (2,901)          | (2.0)% |

Selling, general and administrative expenses include expenses associated with our sales departments, offices and facilities and personnel (outside of our corporate headquarters), marketing and promotional expenses, special events and sponsorships and back office expenses. Expenses to secure ratings data for our radio stations and visitors' data for our websites are also included in selling, general and administrative expenses. In addition, selling, general and administrative expenses for the radio broadcasting segment and internet segment include expenses related to the advertising traffic (scheduling and insertion) functions. Selling, general and administrative expenses also include membership traffic acquisition costs for our online business. Approximately \$32.1 million of our consolidated selling, general and administrative operating expenses were incurred by TV One for the year ended December 31, 2014, compared to approximately \$30.8 million for 2013. TV One incurred higher selling, general and administrative expenses related to higher marketing and promotional expenses to advertise and promote new TV One shows, in addition to higher professional fees as well as higher travel and entertainment expenses. This increase was offset by decreases in each of our other segments. Our internet business incurred lower traffic acquisition and production costs as well as lower compensation costs during the year ended December 31, 2014, compared to the same period in 2013, resulting in a decrease of approximately \$2.7 million. Reach Media incurred lower contract labor expenses and our radio broadcasting segment incurred lower bad debt expenses for the year ended December 31, 2014, compared to 2013.

*Corporate selling, general and administrative, excluding stock-based compensation*

| Year Ended December 31, |           | Increase/(Decrease) |      |
|-------------------------|-----------|---------------------|------|
| 2014                    | 2013      |                     |      |
| \$ 41,800               | \$ 39,552 | \$ 2,248            | 5.7% |

Corporate expenses consist of expenses associated with our corporate headquarters and facilities, including personnel as well as other corporate overhead functions. There was an increase in corporate expenses due primarily to an increase in compensation expense for the Chief Executive Officer in connection with the valuation of the potential payment for the TV One award element in his Employment Agreement.

*Stock-based compensation*

| Year Ended December 31, |        | Increase/(Decrease) |        |
|-------------------------|--------|---------------------|--------|
| 2014                    | 2013   |                     |        |
| \$ 1,594                | \$ 191 | \$ 1,403            | 734.6% |

On September 30, 2014, the Compensation Committee of the Board of Directors of the Company approved the principal terms of new employment agreements for each of the Company's named executive officers which included the granting of restricted shares and stock options effective October 6, 2014, under a long-term incentive plan ("LTIP"). Also effective October 6, 2014, the Compensation Committee awarded 410,000 shares of restricted stock to certain employees pursuant to the Company's LTIP. Stock-based compensation requires measurement of compensation costs for all stock-based awards at fair value on date of grant and recognition of compensation expense over the service period for which awards are expected to vest.

*Depreciation and amortization*

| Year Ended December 31, |           | Increase/(Decrease) |        |
|-------------------------|-----------|---------------------|--------|
| 2014                    | 2013      |                     |        |
| \$ 36,822               | \$ 37,870 | \$ (1,048)          | (2.8)% |

Depreciation and amortization expense decreased to approximately \$36.8 million compared to approximately \$37.9 million for the years ended December 31, 2014 and 2013, respectively, a decrease of 2.8%. The decrease was due to the completion of amortization for certain intangible assets and the completion of useful lives for certain assets.

*Impairment of long-lived assets*

| Year Ended December 31, |           | Increase/(Decrease) |          |
|-------------------------|-----------|---------------------|----------|
| 2014                    | 2013      |                     |          |
| \$ —                    | \$ 14,880 | \$ (14,880)         | (100.0)% |

The impairment of long-lived assets for the year ended December 31, 2013, was related to a non-cash impairment charge recorded to reduce the carrying value of our Boston, Cincinnati, Cleveland and Philadelphia radio broadcasting licenses. There was no impairment of long-lived assets for the year ended December 31, 2014.

**Interest expense**

| Year Ended December 31, |           | Increase/(Decrease) |         |
|-------------------------|-----------|---------------------|---------|
| 2014                    | 2013      |                     |         |
| \$ 79,810               | \$ 89,196 | \$ (9,386)          | (10.5)% |

Interest expense decreased to approximately \$79.8 million for the year ended December 31, 2014, compared to approximately \$89.2 million for the same period in 2013. The primary driver of the decrease in interest expense was due to the lower interest rate associated with the 2020 Notes, compared to the 2016 Notes which were redeemed during the first quarter of 2014.

**Provision for income taxes**

| Year Ended December 31, |           | Increase/(Decrease) |       |
|-------------------------|-----------|---------------------|-------|
| 2014                    | 2013      |                     |       |
| \$ 34,814               | \$ 28,719 | \$ 6,095            | 21.2% |

During the year ended December 31, 2014, the provision for income taxes increased to approximately \$34.8 million compared to approximately \$28.7 million for 2013. The increase in tax provision was due to the impairment of long-lived intangible assets that reduced the deferred tax liabilities (“DTLs”) and related deferred tax expense for 2013. For the year ended December 31, 2014, the income tax provision consisted of deferred tax expense of approximately \$34.3 million related to temporary differences due to tax amortization of indefinite-lived intangible assets, and current provision expense of approximately \$558,000. For the year ended December 31, 2013, the income tax provision consisted of deferred tax expense of approximately \$27.3 million related to temporary differences due to tax amortization of indefinite-lived intangible assets, and current provision expense of approximately \$1.4 million. The reduction of current tax expense was primarily attributable to certain state restructuring activities. The Company continued to maintain a full valuation allowance for its net deferred tax assets (“DTAs”). We do not consider DTLs related to indefinite-lived assets in evaluating the realizability of our DTAs, as the timing of their reversal cannot be determined.

The tax provision and offsetting valuation allowance resulted in an effective tax rate of (439.2)% and (183.2)% for the years ended December 31, 2014 and 2013, respectively. The annual effective tax rate for Radio One in 2014 and 2013 primarily reflects the change in DTLs associated with the tax amortization of indefinite-lived intangible assets.

**Income from discontinued operations, net of tax**

| Year Ended December 31, |        | Increase/(Decrease) |          |
|-------------------------|--------|---------------------|----------|
| 2014                    | 2013   |                     |          |
| \$ —                    | \$ 885 | \$ (885)            | (100.0)% |

Income from discontinued operations, net of tax, includes the results of operations for our Columbus, Ohio radio station, WJKR-FM (The Jack, 98.9 FM). The activity for the year ended December 31, 2013, resulted primarily from the sale of this station in February 2013, which resulted in a one-time gain of \$893,000.

**Noncontrolling interests in income of subsidiaries**

| Year Ended December 31, |           | Increase/(Decrease) |      |
|-------------------------|-----------|---------------------|------|
| 2014                    | 2013      |                     |      |
| \$ 19,930               | \$ 18,471 | \$ 1,459            | 7.9% |

The increase in noncontrolling interests in income of subsidiaries was due primarily to greater net income generated by TV One during the year ended December 31, 2014, compared to the same period in 2013. Reach Media generated lower net income during the year ended December 31, 2014, compared to 2013, which partially offset the increase generated by TV One.

**Other Data***Station operating income*

Station operating income decreased to approximately \$157.4 million for the year ended December 31, 2014, compared to approximately \$165.5 million for the year ended December 31, 2013, a decrease of approximately \$8.1 million or 4.9%. This decrease was primarily due to lower radio broadcasting segment and Reach Media station operating income during the year ended December 31, 2014, compared to 2013. Reach Media generated approximately \$6.5 million of station operating income during the year ended December 31, 2014, compared to approximately \$10.3 million during the year ended December 31, 2013, primarily due to declines in net revenue which was due to a mix of customer turnover and lower rates. The radio broadcasting segment generated approximately \$86.3 million of station operating income during the year ended December 31, 2014, compared to \$94.6 million during the year ended December 31, 2013, with the decrease due primarily to declines in net revenue in our four largest markets. These decreases in station operating income were partially offset by increases in station operating income of approximately \$1.0 million and \$3.0 million at our internet and cable television segments, respectively.

*Station operating income margin*

Station operating income margin decreased to 35.7% for the year ended December 31, 2014, from 36.9% for 2013. The margin decrease was primarily attributable to declines in net revenue as described above.

**RADIO ONE, INC. AND SUBSIDIARIES**

**RESULTS OF OPERATIONS**

The following table summarizes our historical consolidated results of operations:

*Year Ended December 31, 2013 Compared to Year Ended December 31, 2012 (In thousands)*

|  | For the Years Ended<br>December 31, |                    | Increase/(Decrease) |             |
|--|-------------------------------------|--------------------|---------------------|-------------|
|  | 2013                                | 2012               |                     |             |
| <b>Statements of Operations:</b>   |                                     |                    |                     |             |
| Net revenue  | \$ 448,700                          | \$ 424,573         | \$ 24,127           | 5.7%        |
| Operating expenses:  |                                     |                    |                     |             |
| Programming and technical, excluding stock-based compensation  | 138,021                             | 135,974            | 2,047               | 1.5         |
| Selling, general and administrative, excluding stock-based compensation  | 145,218                             | 137,776            | 7,442               | 5.4         |
| Corporate selling, general and administrative, excluding stock-based compensation  | 39,552                              | 40,353             | (801)               | (2.0)       |
| Stock-based compensation   | 191                                 | 171                | 20                  | 11.7        |
| Depreciation and amortization  | 37,870                              | 38,777             | (907)               | (2.3)       |
| Impairment of long-lived assets  | 14,880                              | 313                | 14,567              | *           |
| Total operating expenses   | <u>375,732</u>                      | <u>353,364</u>     | <u>22,368</u>       | <u>6.3</u>  |
| Operating income   | 72,968                              | 71,209             | 1,759               | 2.5         |
| Interest income  | 245                                 | 248                | (3)                 | (1.2)       |
| Interest expense   | 89,196                              | 90,797             | (1,601)             | (1.8)       |
| Other (income) expense, net  | (307)                               | 1,357              | 1,664               | 122.6       |
| (Loss) income before provision for income taxes, noncontrolling interests in income of subsidiaries and (income) loss from discontinued operations, net of tax | (15,676)                            | (20,697)           | 5,021               | 24.3        |
| Provision for income taxes   | 28,719                              | 33,235             | (4,516)             | (13.6)      |
| Net (loss) income from continuing operations   | (44,395)                            | (53,932)           | 9,537               | 17.7        |
| Income (loss) from discontinued operations, net of tax   | 885                                 | (184)              | 1,069               | 581.0       |
| Net (loss) income  | (43,510)                            | (54,116)           | 10,606              | 19.6        |
| Noncontrolling interests in income of subsidiaries   | 18,471                              | 12,749             | 5,722               | 44.9        |
| Net (loss) income attributable to common stockholders  | <u>\$ (61,981)</u>                  | <u>\$ (66,865)</u> | <u>\$ 4,884</u>     | <u>7.3%</u> |

\* Not meaningful

## Net revenue

| Year Ended December 31, |            | Increase/(Decrease) |      |
|-------------------------|------------|---------------------|------|
| 2013                    | 2012       |                     |      |
| \$ 448,700              | \$ 424,573 | \$ 24,127           | 5.7% |

During the year ended December 31, 2013, we recognized approximately \$448.7 million in net revenue compared to approximately \$424.6 million during the year ended December 31, 2012. For our radio broadcasting and Reach Media segments, these amounts are net of agency and outside sales representative commissions. Net revenue for our combined radio broadcasting and Reach Media segments increased 0.3% over the same period in 2012. Based on reports prepared by Miller Kaplan, the radio markets we operate in (excluding Richmond which no longer participates in Miller Kaplan) decreased 0.7% in total revenues for the year ended December 31, 2013, made up of a decrease of 1.9% in national revenues, a decrease of 1.4% in local revenues and an increase of 15.6% in digital revenues. For the year ended December 31, 2013, we outperformed the markets in which we operate by 110 basis points. Net revenue growth for our radio stations was led by our Atlanta, Baltimore, Charlotte, Houston and St. Louis clusters, while our Cincinnati, Cleveland, Columbus, Dallas, Detroit, Indianapolis, Philadelphia, Raleigh, Richmond and Washington D.C. clusters experienced declines. We recognized approximately \$149.5 million and \$131.2 million of revenue from our cable television segment during the years ended December 31, 2013 and 2012, respectively, the increase was due primarily from an increase in advertising sales. Our internet business generated approximately \$25.6 million in net revenue for the year ended December 31, 2013, compared to approximately \$19.9 million during 2012, an increase of 29.1%, due to growth in advertising and studio services, where Interactive One provides services to other publishers.

## Operating expenses

### *Programming and technical, excluding stock-based compensation*

| Year Ended December 31, |            | Increase/(Decrease) |      |
|-------------------------|------------|---------------------|------|
| 2013                    | 2012       |                     |      |
| \$ 138,021              | \$ 135,974 | \$ 2,047            | 1.5% |

Programming and technical expenses include expenses associated with on-air talent and the management and maintenance of the systems, tower facilities, and studios used in the creation, distribution and broadcast of programming content on our radio stations. Programming and technical expenses for radio also include expenses associated with our programming research activities and music royalties. For our internet business, programming and technical expenses include software product design, post-application software development and maintenance, database and server support costs, the help desk function, data center expenses connected with ISP hosting services and other internet content delivery expenses. For our cable television segment, programming and technical expenses include expenses associated with the technical, programming, production, and content management. Approximately \$61.0 million of our consolidated programming and technical operating expenses were incurred by TV One for the year ended December 31, 2013, versus approximately \$58.1 million for 2012. Of this total amount incurred by TV One, approximately \$51.8 million and \$47.3 million for the years ended December 31, 2013 and 2012, respectively, relates specifically to content amortization. The increase in TV One content amortization was a result of an increased investment in original programming as well as accelerated amortization on certain programming genre. In the cable television segment, this increase was offset partially by lower program development, less travel and entertainment expenses and lower website design costs incurred during 2013.

### *Selling, general and administrative, excluding stock-based compensation*

| Year Ended December 31, |            | Increase/(Decrease) |      |
|-------------------------|------------|---------------------|------|
| 2013                    | 2012       |                     |      |
| \$ 145,218              | \$ 137,776 | \$ 7,442            | 5.4% |

Selling, general and administrative expenses include expenses associated with our sales departments, offices and facilities and personnel (outside of our corporate headquarters), marketing and promotional expenses, special events and sponsorships and back office expenses. Expenses to secure ratings data for our radio stations and visitors' data for our websites are also included in selling, general and administrative expenses. In addition, selling, general and administrative expenses for the radio broadcasting segment and internet segment include expenses related to the advertising traffic (scheduling and insertion) functions. Selling, general and administrative expenses also include membership traffic acquisition costs for our online business. Approximately \$30.8 million of our consolidated selling, general and administrative operating expenses were incurred by TV One for the year ended December 31, 2013, versus approximately \$24.8 million for 2012. TV One incurred higher selling, general and administrative expenses related to higher marketing and promotional expenses to advertise and promote various TV One shows. Our internet business incurred higher research, web services fees and traffic acquisition costs during the year ended December 31, 2013, compared to 2012, resulting in an increase of approximately \$1.5 million. Expenses for our Reach Media segment increased approximately \$2.1 million, of which \$1.0 million of this increase related to expenses associated with the "Tom Joyner Fantastic Voyage". This \$1.0 million increase in expenses was offset by a \$1.1 million increase in revenue for the same event. Finally, selling, general and administrative expenses at our radio broadcasting segment decreased approximately \$3.3 million primarily related to lower compensation costs.

*Corporate selling, general and administrative, excluding stock-based compensation*

| Year Ended December 31, |           | Increase/(Decrease) |        |
|-------------------------|-----------|---------------------|--------|
| 2013                    | 2012      |                     |        |
| \$ 39,552               | \$ 40,353 | \$ (801)            | (2.0)% |

Corporate expenses consist of expenses associated with our corporate headquarters and facilities, including personnel as well as other corporate overhead functions. The overall decrease in corporate expenses was primarily related to lower employee compensation costs in connection with reduced headcount levels.

*Depreciation and amortization*

| Year Ended December 31, |           | Increase/(Decrease) |        |
|-------------------------|-----------|---------------------|--------|
| 2013                    | 2012      |                     |        |
| \$ 37,870               | \$ 38,777 | \$ (907)            | (2.3)% |

Depreciation and amortization expense decreased to approximately \$37.9 million compared to approximately \$38.8 million for the years ended December 31, 2013 and 2012, respectively, a decrease of 2.3%. The decrease was due to the completion of amortization for certain intangible assets and the completion of useful lives for certain assets.

*Impairment of long-lived assets*

| Year Ended December 31, |        | Increase/(Decrease) |    |
|-------------------------|--------|---------------------|----|
| 2013                    | 2012   |                     |    |
| \$ 14,880               | \$ 313 | \$ 14,567           | *% |

The impairment of long-lived assets for the year ended December 31, 2013, was related to a non-cash impairment charge recorded to reduce the carrying value of our Boston, Cincinnati, Cleveland and Philadelphia radio broadcasting licenses. The impairment of long-lived assets for the year ended December 31, 2012, was related to a non-cash impairment charge recorded to reduce the carrying value of our Charlotte radio broadcasting licenses.

*Interest expense*

| Year Ended December 31, |           | Increase/(Decrease) |        |
|-------------------------|-----------|---------------------|--------|
| 2013                    | 2012      |                     |        |
| \$ 89,196               | \$ 90,797 | \$ (1,601)          | (1.8)% |

Interest expense decreased to approximately \$89.2 million for the year ended December 31, 2013, compared to approximately \$90.8 million for 2012. The primary driver of the decrease was that through May 14, 2012, interest on the Company's 12.5%/15% Senior Subordinated Notes was payable at our election at an all-inclusive rate of 15%, partially in cash and partially through the issuance of additional 12.5%/15% Senior Subordinated Notes (a "PIK Election") on a quarterly basis. The PIK Election expired on May 14, 2012, and interest accruing from and after May 15, 2012, accrued at a rate of 12.5% and was payable in cash.



### Provision for income taxes

| Year Ended December 31, |           | Increase/(Decrease) |         |
|-------------------------|-----------|---------------------|---------|
| 2013                    | 2012      |                     |         |
| \$ 28,719               | \$ 33,235 | \$ (4,516)          | (13.6)% |

During the year ended December 31, 2013, the provision for income taxes decreased to approximately \$28.7 million compared to approximately \$33.2 million for the same period in 2012, primarily due to the impairment of long-lived assets during the year. For the year ended December 31, 2013, the income tax provision consisted of deferred tax expense of approximately \$27.3 million related to temporary differences due to tax amortization of indefinite-lived intangible assets, and current provision expense of approximately \$1.4 million. For the year ended December 31, 2012, the income tax provision consisted of deferred tax expense of approximately \$34.5 million related to temporary differences due to tax amortization of indefinite-lived intangible assets, and current provision benefits of \$709,000 and \$579,000 related to uncertain tax positions and Reach Media, respectively. The Company maintained a full valuation allowance for its net DTAs. We did not consider DTLs related to indefinite-lived assets in evaluating the realizability of our DTAs, as the timing of their reversal cannot be determined.

The tax provision and offsetting valuation allowance resulted in an effective tax rate of (183.2)% and (160.6)% for the years ended December 31, 2013 and 2012, respectively. The annual effective tax rate for Radio One in 2013 and 2012 primarily reflects the change in DTLs associated with the tax amortization of indefinite-lived intangibles.

### Income (loss) from discontinued operations, net of tax

| Year Ended December 31, |          | Increase/(Decrease) |        |
|-------------------------|----------|---------------------|--------|
| 2013                    | 2012     |                     |        |
| \$ 885                  | \$ (184) | \$ 1,069            | 581.0% |

Income (loss) from discontinued operations, net of tax, includes the results of operations for our Columbus, Ohio radio station, WJKR-FM (The Jack, 98.9 FM). The activity for the year ended December 31, 2013, resulted primarily from the sale of this station in February 2013, which resulted in a one-time gain of \$893,000.

### Noncontrolling interests in income of subsidiaries

| Year Ended December 31, |           | Increase/(Decrease) |       |
|-------------------------|-----------|---------------------|-------|
| 2013                    | 2012      |                     |       |
| \$ 18,471               | \$ 12,749 | \$ 5,722            | 44.9% |

The increase in noncontrolling interests in income of subsidiaries was due primarily to greater net income generated by TV One and Reach Media during the year ended December 31, 2013, compared to 2012.

### Other Data

#### Station operating income

Station operating income increased to approximately \$165.5 million for the year ended December 31, 2013, compared to approximately \$150.8 million for the year ended December 31, 2012, an increase of approximately \$14.6 million or 9.7%. This increase was primarily due to TV One generating approximately \$57.7 million of station operating income during the year ended December 31, 2013, compared to approximately \$48.3 million during 2012 with the increase due to a larger number of subscribers as well as organic growth. Reach Media generated approximately \$10.3 million of station operating income during the year ended December 31, 2013, compared to \$9.2 million during the year ended December 31, 2012.

*Station operating income margin*

Station operating income margin increased to 36.9% for the year ended December 31, 2013, from 35.5% for 2012. The margin increase was primarily attributable to Reach Media and TV One's greater station operating margin in 2013 than in 2012. Reach Media's station operating margin increased from 16.7% for the year ended December 31, 2012, to 18.1% for the year ended December 31, 2013. TV One's station operating margin increased from 36.8% for the year ended December 31, 2012, to 38.6% for the year ended December 31, 2013.

## Liquidity and Capital Resources

Our primary source of liquidity is cash provided by operations and, to the extent necessary, borrowings available under our senior credit facility and other debt or equity financing.

### *Credit Facilities*

#### *Current Credit Facilities*

On March 31, 2011, the Company entered into a senior secured credit facility (the "2011 Credit Agreement") with a syndicate of banks, and simultaneously borrowed \$386.0 million to retire all outstanding obligations under the Company's previous amended and restated credit agreement and to fund our obligation with respect to a capital call initiated by TV One. The total amount available under the 2011 Credit Agreement was \$411.0 million, initially consisting of a \$386.0 million term loan facility that matures on March 31, 2016, and a \$25.0 million revolving loan facility that matures on March 31, 2015. Borrowings under the credit facilities are subject to compliance with certain covenants including, but not limited to, certain financial covenants. Proceeds from the credit facilities can be used for working capital, capital expenditures made in the ordinary course of business, its common stock repurchase program, permitted direct and indirect investments and other lawful corporate purposes. On December 19, 2012, the Company entered into an amendment to the 2011 Credit Agreement (the "December 2012 Amendment"). The December 2012 Amendment: (i) modified financial covenant levels with respect to the Company's total-leverage, secured-leverage, and interest-coverage ratios; (ii) increased the amount of cash the Company can net for determination of its net indebtedness tests; and (iii) extended the time for certain of the 2011 Credit Agreement's call premium while reducing the time for its later and lower premium. On January 21, 2015, the Company entered into its second amendment to the 2011 Credit Agreement, which modified certain financial covenants. The financial ratios below reflect the changes from the most recent amendment which are effective as of March 31, 2015.

The 2011 Credit Agreement, as amended on December 19, 2012 and January 21, 2015, contains affirmative and negative covenants that the Company is required to comply with, including:

- (a) maintaining an interest coverage ratio of no less than:
  - 1.10 to 1.00 on December 31, 2012 and the last day of each fiscal quarter through December 31, 2013;
  - 1.20 to 1.00 on March 31, 2014 and the last day of each fiscal quarter through September 30, 2014;
  - 1.25 to 1.00 on December 31, 2014 and the last day of each fiscal quarter through September 30, 2015; and
  - 1.25 to 1.00 on December 31, 2015 and the last day of each fiscal quarter thereafter.
- (b) maintaining a senior secured leverage ratio of no greater than:
  - 4.50 to 1.00 on September 30, 2012 and the last day of each fiscal quarter through December 31, 2013;
  - 4.25 to 1.00 on March 31, 2014 and the last day of each fiscal quarter through June 30, 2014;
  - 4.00 to 1.00 on September 30, 2014;
  - 3.75 to 1.00 on December 31, 2014;
  - 4.25 to 1.00 on March 31, 2015 and June 30, 2015;
  - 4.00 to 1.00 on September 30, 2015; and
  - 4.00 to 1.00 on December 31, 2015 and the last day of each fiscal quarter thereafter.
- (c) maintaining a total leverage ratio of no greater than:
  - 8.50 to 1.00 on December 31, 2012 and the last day of each fiscal quarter through December 31, 2013;
  - 8.25 to 1.00 on March 31, 2014 and June 30, 2014;
  - 8.00 to 1.00 on September 30, 2014;
  - 7.50 to 1.00 on December 31, 2014;
  - 8.00 to 1.00 on March 31, 2015 and the last day of each fiscal quarter through September 30, 2015; and
  - 8.00 to 1.00 on December 31, 2015 and the last day of each fiscal quarter thereafter.
- (d) limitations on:
  - liens;
  - sale of assets;
  - payment of dividends; and

▪mergers.

As of December 31, 2014, ratios calculated in accordance with the 2011 Credit Agreement, as amended, were as follows:

|   | <u>As of<br/>December<br/>31, 2014</u> | <u>Covenant<br/>Limit</u> | <u>Excess<br/>Coverage</u> |
|---|--|---------------------------|----------------------------|
| Pro Forma Last Twelve Months Covenant EBITDA (In millions)              | \$ 95.4                                |                           |                            |
| Pro Forma Last Twelve Months Interest Expense (In millions)             | \$ 60.6                                |                           |                            |
| Senior Debt (In millions)   | \$ 334.5                               |                           |                            |
| Total Debt (In millions)  | \$ 669.5                               |                           |                            |
| Interest Coverage   |  |                           |                            |
| Covenant EBITDA / Interest Expense                                      | 1.57x                                  | 1.25x                     | 0.32x                      |
| Senior Secured Leverage   |  |                           |                            |
| Senior Secured Debt / Covenant EBITDA                                   | 3.51x                                  | 3.75x                     | 0.24x                      |
| Total Leverage  |  |                           |                            |
| Total Debt / Covenant EBITDA  | 7.02x                                  | 7.50x                     | 0.48x                      |
| EBITDA - Earnings before interest, taxes, depreciation and amortization |  |                           |                            |

In accordance with the 2011 Credit Agreement, as amended, the calculations for the ratios above do not include the operating results or related debt of TV One, but rather include our proportionate share of cash dividends received from TV One for periods presented.

As of December 31, 2014, the Company was in compliance with all of its financial covenants under the 2011 Credit Agreement, as amended.

Under the terms of the 2011 Credit Agreement, as amended, interest on base rate loans is payable quarterly and interest on LIBOR loans is payable monthly or quarterly. The base rate is equal to the greater of: (i) the prime rate; (ii) the Federal Funds Effective Rate plus 0.50%; or (iii) the LIBOR Rate for a one-month period plus 1.00%. The applicable margin on the 2011 Credit Agreement is between (i) 4.50% and 5.50% on the revolving portion of the facility and (ii) 5.00% (with a base rate floor of 2.5% per annum) and 6.00% (with a LIBOR floor of 1.5% per annum) on the term portion of the facility. The average interest rate was 7.50% for 2014 and 2013. Quarterly installments of 0.25%, or \$957,000, of the principal balance on the term loan are payable on the last day of each March, June, September and December.

As of December 31, 2014, the Company had approximately \$24.0 million of borrowing capacity under its revolving credit facility, after adjusting for outstanding letters of credit. After taking into consideration the financial covenants under the 2011 Credit Agreement, as amended, including adjusting for the outstanding letters of credit, approximately \$21.0 million was available to be borrowed. The revolving credit facility expires on March 31, 2015. The Company does not anticipate entering into a new revolving credit facility upon expiration.

As of December 31, 2014, the Company had outstanding approximately \$368.5 million on its term credit facility. During the year ended December 31, 2014, the Company repaid approximately \$4.9 million under the 2011 Credit Agreement, as amended. The original issue discount is being reflected as an adjustment to the carrying amount of the debt obligation and amortized to interest expense over the term of the credit facility. According to the terms of the Credit Agreement, as amended, the Company made an excess cash flow payment of approximately \$1.1 million in April 2014. According to the terms of the Credit Agreement, as amended, the Company anticipates making an excess cash flow payment of between \$0 and approximately \$2.0 million in April 2015, depending on the level of acceptance by our syndicate of lenders.

On January 21, 2015, the Company entered into a second amendment to the 2011 Credit Agreement (the “Second Amendment”) with its lenders. The provisions of the 2011 Credit Agreement relating to the call premium were revised by the Second Amendment to extend the call protection from April 1, 2015 until maturity. The Second Amendment provides a call premium of 101.5% if the 2011 Credit Agreement is refinanced with proceeds from a notes offering and 100.5% if the 2011 Credit Agreement is refinanced with proceeds from any other repayment, including proceeds from a new term loan. The call premium is payable at the earlier of any refinancing or final maturity.

The Second Amendment also excludes any “going concern” or qualified audit opinion solely as a result of the upcoming revolver or term loan maturities from the Event of Default provisions of the 2011 Credit Agreement. Next, the Second Amendment provides for the ability to “amend and extend” both the term loan and the revolving credit facility provided for by the 2011 Credit Agreement and adds a \$2 million lien basket for letters of credit not issued under the 2011 Credit Agreement.

Finally, beginning with the quarter ending March 31, 2015, the Second Amendment implements certain changes to the financial covenants the Company must comply with in order to remain in compliance with the terms of the 2011 Credit Agreement. The Interest Coverage Ratio set forth in the 2011 Credit Agreement is revised to provide that the Company will not permit the Interest Expense Coverage Ratio for any Test Period ending on the last day of any Fiscal Quarter of the Company to be less than 1.25:1. The Total Leverage Ratio has been revised to provide that the Company will not permit the Total Leverage Ratio to be greater than 8.0:1 on the last day of any Fiscal Quarter of the Company. Lastly, the Senior Secured Leverage Ratio has been revised to provide that the Company will not permit the Senior Secured Leverage Ratio to be greater than 4.25:1 through the quarter ending June 30, 2015 and 4.0:1 for the quarter ending September 30, 2015 and the last day of each Fiscal Quarter of the Company thereafter.

### ***Senior Subordinated Notes***

On November 24, 2010, we issued \$286.8 million of our 12.5%/15% Senior Subordinated Notes due May 2016 (the “2016 Notes”) in a private placement and exchanged and then cancelled approximately \$97.0 million of \$101.5 million in aggregate principal amount outstanding of our 8<sup>7</sup>/<sub>8</sub>% senior subordinated notes due 2011 (the “2011 Notes”) and approximately \$199.3 million of \$200.0 million in aggregate principal amount outstanding of our 6<sup>3</sup>/<sub>8</sub>% Senior Subordinated Notes that matured in February 2013 (the “2013 Notes” and the 2013 Notes together with the 2011 Notes, the “Prior Notes”). Subsequently, we repurchased or redeemed all remaining Prior Notes pursuant to the terms of their respective indentures. Effective March 13, 2014, the Company repurchased or otherwise redeemed all of the amounts outstanding under the 2016 Notes using proceeds from our 2020 Notes (defined below). The Company recorded a loss on retirement of debt of approximately \$5.7 million during the first quarter of 2014. This amount included a write-off of approximately \$4.1 million of previously capitalized debt financing costs and approximately \$1.6 million associated with the net premium paid to retire the 2016 Notes.

Interest on the 2016 Notes, that the Company repurchased or otherwise redeemed in March 2014, was initially payable in cash, or at our election, partially in cash and partially through the issuance of additional 2016 Notes (a “PIK Election”) on a quarterly basis in arrears on February 15, May 15, August 15 and November 15, commencing on February 15, 2011. We made a PIK Election with respect to interest accruing up to but not including May 15, 2012. Beginning on May 15, 2012, interest accrued at a rate of 12.5% and was payable wholly in cash and the Company no longer had an option to pay any portion of its interest through the issuance of PIK Notes. During the period the PIK Election was in effect, the interest paid in cash and the interest paid-in-kind (“PIK”) by issuance of additional 2016 Notes accrued for such quarterly period at 6.0% cash per annum and 9.0% PIK per annum.

On February 10, 2014, the Company closed a private placement offering of \$335.0 million aggregate principal amount of 9.25% senior subordinated notes due 2020 (the “2020 Notes”). The 2020 Notes were offered at an original issue price of 100.0% plus accrued interest from February 10, 2014. The 2020 Notes mature on February 15, 2020. Interest accrues at the rate of 9.25% per annum and is payable semiannually in arrears on February 15 and August 15 in the amount of approximately \$15.5 million, commencing on August 15, 2014. The 2020 Notes are guaranteed by certain of the Company’s existing and future domestic subsidiaries and any other subsidiaries that guarantee the existing senior credit facility or any of the Issuer’s other syndicated bank indebtedness or capital markets securities. The Company used the net proceeds from the offering to repurchase or otherwise redeem all of the amounts currently outstanding under its 2016 Notes and to pay the related accrued interest, premiums, fees and expenses associated therewith. During the year ended December 31, 2014, the Company capitalized approximately \$4.5 million of costs associated with our 2020 Notes.

### TV One Senior Secured Notes

TV One issued \$119.0 million in senior secured notes on February 25, 2011. The proceeds from the notes were used to purchase equity interests from certain financial investors and TV One management. The notes bear interest at 10.0% per annum, which is payable monthly, and the entire principal amount is due on March 15, 2016.

The indenture that governs the 2020 Notes contains covenants that restrict, among other things, the ability of the Company to incur additional debt, purchase common stock, make capital expenditures, make investments or other restricted payments, swap or sell assets, engage in transactions with related parties, secure non-senior debt with assets, or merge, consolidate or sell all or substantially all of its assets.

The Company conducts a portion of its business through its subsidiaries. Certain of the Company's subsidiaries had fully and unconditionally guaranteed the Company's 2020 Notes and the Company's obligations under the 2011 Credit Agreement, as amended.

The following table summarizes the interest rates in effect with respect to our debt as of December 31, 2014:

| Type of Debt   | Amount Outstanding | Applicable    |
|--|--------------------|---------------|
|  | (In millions)      | Interest Rate |
| Senior bank term debt, net of original issue discount (at variable rates)(1) | \$ 366.3           | 7.50%         |
| 9.25% Senior Subordinated Notes due February 2020 (fixed rate)               | 335.0              | 9.25%         |
| 10% Senior Secured TV One Notes due March 2016 (fixed rate)                  | 119.0              | 10.00%        |

(1) Subject to variable LIBOR plus a spread that is incorporated into the applicable interest rate set forth above.

The following table provides a comparison of our statements of cash flows for the years ended December 31, 2014 and 2013:

|   | 2014           | 2013      |
|---|----------------|-----------|
|   | (In thousands) |           |
| Net cash flows provided by operating activities | \$ 53,920      | \$ 37,029 |
| Net cash flows used in investing activities     | (15,100)       | (6,073)   |
| Net cash flows used in financing activities     | (27,715)       | (31,535)  |

Net cash flows provided by operating activities were approximately \$53.9 million and \$37.0 million for the years ended December 31, 2014 and 2013, respectively. Cash flow from operating activities for the year ended December 31, 2014, increased from the prior year primarily due to an increase in collections of outstanding accounts receivable, lower cash payments for content assets as well as a decrease in interest payments during the year ended December 31, 2014, compared to the same period in 2013.

Net cash flows used in investing activities were approximately \$15.1 million and \$6.1 million for the years ended December 31, 2014 and 2013, respectively. Capital expenditures, including digital tower and transmitter upgrades, and deposits for station equipment and purchases were approximately \$5.5 million and \$9.2 million for the years ended December 31, 2014 and 2013, respectively. Proceeds from sales of investment securities were \$482,000 and \$1.7 million for the years ended December 31, 2014 and 2013, respectively. Proceeds from sale of discontinued operations were approximately \$4.0 million for the year ended December 31, 2013. Purchases of investment securities were \$930,000 and \$2.5 million for the years ended December 31, 2014 and 2013, respectively. During the year ended December 31, 2014, the Company paid approximately \$9.1 million to complete various acquisitions.

Net cash flows used in financing activities were approximately \$27.7 million and \$31.5 million for the years ended December 31, 2014 and 2013, respectively. During the years ended December 31, 2014 and 2013, the Company repaid approximately \$332.0 million and \$3.8 million of our 2016 Notes and Credit Facility, respectively, in outstanding debt. During the year ended December 31, 2014, we borrowed approximately \$335.0 million in 9.25% Senior Subordinated Notes due 2020. During the year ended December 31, 2014, we capitalized approximately \$4.7 million of debt costs. During the year ended December 31, 2013, we repurchased \$71,000 of our Class A common stock and approximately \$5.4 million of our Class D common stock. TV One paid approximately \$24.6 million and \$21.5 million in dividends to noncontrolling interest shareholders for the years ended December 31, 2014 and 2013, respectively. Finally, during the year ended December 31, 2014, the Company paid a net premium of approximately \$1.6 million to retire the 2016 Notes.

#### **Credit Rating Agencies**

Our corporate credit ratings by Standard & Poor's Rating Services and Moody's Investors Service are speculative-grade and have been downgraded and upgraded at various times during the last several years. Any reductions in our credit ratings could increase our borrowing costs, reduce the availability of financing to us or increase our cost of doing business or otherwise negatively impact our business operations.

#### **Recent Accounting Pronouncements**

In July 2012, the FASB issued Accounting Standards Update ("ASU") 2012-02, which provides companies the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired rather than calculating the fair value of the indefinite-lived intangible asset. ASU 2012-02 is effective prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company adopted this guidance on January 1, 2013, and elected to not apply the qualitative assessment as allowed by ASU 2012-02.

In February 2013, the FASB issued ASU 2013-02, "*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*," which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income. ASU 2013-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The Company adopted this guidance on January 1, 2013, and it did not have a significant impact on the Company's financial statements.

In July 2013, the FASB issued ASU 2013-11, "*Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*," which adds new disclosure requirements for taxes. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance did not have a material impact on the Company's financial statements.

In April 2014, the FASB issued ASU No. 2014-08, "*Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)—Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*" ("ASU No. 2014-08"). ASU No. 2014-08 changes the requirements for reporting discontinued operations. Under ASU No. 2014-08, only disposals representing a strategic shift in operations and having a major effect on the entity's operations and financial results should be presented as discontinued operations. Additionally, ASU No. 2014-08 requires expanded disclosures about discontinued operations. ASU No. 2014-08 is effective prospectively for fiscal years beginning after December 15, 2014, with early adoption permitted for disposals that have not been reported in financial statements previously issued. The Company will apply the provisions of ASU No. 2014-08 to future reporting of disposals.

In May 2014, the FASB issued ASU 2014-09, "*Revenue from Contracts with Customers*," which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") 605, "Revenue Recognition" and most industry-specific guidance throughout the codification. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. The Company has not yet completed its assessment of the impact of the new standard, including possible transition alternatives, on its financial statements.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our accounting policies are described in Note 1 of our consolidated financial statements – *Organization and Summary of Significant Accounting Policies*. We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States, which require us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. We consider the following policies and estimates to be most critical in understanding the judgments involved in preparing our financial statements and the uncertainties that could affect our results of operations, financial condition and cash flows.

### *Stock-Based Compensation*

The Company accounts for stock-based compensation for stock options and restricted stock grants in accordance with ASC 718, “*Compensation - Stock Compensation*.” Under the provisions of ASC 718, stock-based compensation cost for stock options is estimated at the grant date based on the award’s fair value as calculated by the Black-Scholes (“BSM”) valuation option-pricing model and is recognized as expense ratably over the requisite service period. The BSM incorporates various highly subjective assumptions including expected stock price volatility, for which historical data is heavily relied upon, expected life of options granted, forfeiture rates and interest rates. If any of the assumptions used in the BSM model change significantly, stock-based compensation expense may differ materially in the future from that previously recorded. Compensation expense for restricted stock grants is measured based on the fair value on the date of grant less estimated forfeitures. Compensation expense for restricted stock grants is recognized ratably during the vesting period.

### *Goodwill and Radio Broadcasting Licenses*

#### *Impairment Testing*

We have made several acquisitions in the past for which a significant portion of the purchase price was allocated to radio broadcasting licenses and goodwill. Goodwill exists whenever the purchase price exceeds the fair value of tangible and identifiable intangible net assets acquired in business combinations. As of December 31, 2014, we had approximately \$666.8 million in broadcast licenses and \$275.4 million in goodwill, which totaled \$942.2 million, and represented approximately 67.4% of our total assets. Therefore, we believe estimating the fair value of goodwill and radio broadcasting licenses is a critical accounting estimate because of the significance of their carrying values in relation to our total assets. For the years ended December 31, 2014, 2013 and 2012, we recorded impairment charges against radio broadcasting licenses and goodwill collectively, of approximately \$0, \$14.9 million and \$313,000, respectively. Significant impairment charges have been an on-going trend experienced by media companies in general, and are not unique to us.

We test for impairment annually across all reporting units, or when events or changes in circumstances or other conditions suggest impairment may have occurred in any given reporting unit. Our annual impairment testing is performed as of October 1 of each year. Impairment exists when the carrying value of these assets exceeds its respective fair value. When the carrying value exceeds fair value, an impairment amount is charged to operations for the excess.

#### *Valuation of Broadcasting Licenses*

We utilize the services of a third-party valuation firm to provide independent analysis when evaluating the fair value of our radio broadcasting licenses and reporting units. Fair value is estimated to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use the income approach to test for impairment of radio broadcasting licenses. A projection period of 10 years is used, as that is the time horizon in which operators and investors generally expect to recover their investments. When evaluating our radio broadcasting licenses for impairment, the testing is done at the unit of accounting level as determined by ASC 350, “*Intangibles - Goodwill and Other*.” In our case, each unit of accounting is a cluster of radio stations into one of our 16 geographical markets. Broadcasting license fair values are based on the discounted future cash flows of the applicable unit of accounting assuming an initial hypothetical start-up operation which possesses FCC licenses as the only asset. Over time, it is assumed the operation acquires other tangible assets such as advertising and programming contracts, employment agreements and going concern value, and matures into an average performing operation in a specific radio market. The income approach model incorporates several variables, including, but not limited to: (i) radio market revenue estimates and growth projections; (ii) estimated market share and revenue for the hypothetical participant; (iii) likely media competition within the market; (iv) estimated start-up costs and losses incurred in the early years; (v) estimated profit margins and cash flows based on market size and station type; (vi) anticipated capital expenditures; (vii) probable future terminal values; (viii) an effective tax rate assumption; and (ix) a discount rate based on the weighted-average cost of capital for the radio broadcast industry. In calculating the discount rate, we considered: (i) the cost of equity, which includes estimates of the risk-free return, the long-term market return, small stock risk premiums and industry beta; (ii) the cost of debt, which includes estimates for corporate borrowing rates and tax rates; and (iii) estimated average percentages of equity and debt in capital structures.



## Valuation of Goodwill

The impairment testing of goodwill is performed at the reporting unit level. We had 20 reporting units as of our October 2014 annual impairment assessment, consisting of the 16 radio markets and four business divisions. In testing for the impairment of goodwill, we primarily rely on the income approach. The approach involves a 10-year model with similar variables as described above for broadcasting licenses, except that the discounted cash flows are based on the Company's estimated and projected market revenue, market share and operating performance for its reporting units, instead of those for a hypothetical participant. We evaluate all events and circumstances on an interim basis to determine if a two-step process is required. The first step of the process involves estimating the fair value of each reporting unit. If the reporting unit's fair value is less than its carrying value, a second step is performed to attribute the fair value of the reporting unit to the individual assets and liabilities of the reporting unit in order to determine the implied fair value of the reporting unit's goodwill as of the impairment assessment date. Any excess of the carrying value of the goodwill over the implied fair value of the goodwill is written off as a charge to operations.

As part of our annual testing, when arriving at the estimated fair values for radio broadcasting licenses and goodwill, we also performed an analysis by comparing our overall average implied multiple based on our cash flow projections and fair values to recently completed sales transactions, and by comparing our fair value estimates to the market capitalization of the Company. The results of these comparisons confirmed that the fair value estimates resulting from our annual assessment for 2014 were reasonable.

Below are some of the key assumptions used in the income approach model for estimating the broadcasting license and goodwill fair values for the annual impairment testing performed since October 2012.

| <b>Radio Broadcasting Licenses</b>                        | <b>October 1, 2014</b>     | <b>October 1, 2013</b>     | <b>October 1, 2012</b>     |
|---|----------------------------|----------------------------|----------------------------|
| Impairment charge (in millions)                           | \$ —                       | \$ —                       | \$ —                       |
| Discount Rate   | 9.5%                       | 10.0%                      | 10.0%                      |
| Year 1 Market Revenue Growth Rate Range                   | 0.3% – 1.0%                | 0.0% – 2.0%                | 1.0% -2.0%                 |
| Long-term Market Revenue Growth Rate Range (Years 6 – 10) | 1.0% – 2.0%                | 1.0% – 2.0%                | 1.0% -2.0%                 |
| Mature Market Share Range                                 | 6.9% – 25.2%               | 6.4% – 26.9%               | 0.7% - 27.4%               |
| Operating Profit Margin Range                             | 30.0% – 48.4%              | 30.8% – 47.8%              | 19.6% - 47.7%              |
| <b>Goodwill (Radio Market Reporting Units)</b>            | <b>October 1, 2014 (a)</b> | <b>October 1, 2013 (a)</b> | <b>October 1, 2012 (a)</b> |
| Impairment charge (in millions)                           | \$ —                       | \$ —                       | \$ 14.5                    |
| Discount Rate   | 9.5%                       | 10.0%                      | 10.0%                      |
| Year 1 Market Revenue Growth Rate Range                   | 0.3% – 1.0%                | 0.0% -2.0%                 | 1.0% -2.0%                 |
| Long-term Market Revenue Growth Rate Range (Years 6 – 10) | 1.0% - 2.0%                | 1.0% - 2.0%                | 1.5% - 2.0%                |
| Mature Market Share Range                                 | 7.2% - 19.5%               | 7.1% - 19.8%               | 6.7% - 20.8%               |
| Operating Profit Margin Range                             | 26.4% - 52.2%              | 28.4% - 56.4%              | 29.3% - 58.5%              |

(a) Reflects the key assumptions for testing only those radio markets with remaining goodwill.

Below are some of the key assumptions used in the income approach model for estimating the fair value for Reach Media for the annual assessments since October 2012. When compared to the discount rates used for assessing radio market reporting units, the higher discount rates used in these assessments reflect a premium for a riskier and broader media business, with a heavier concentration and significantly higher amount of programming content related intangible assets that are highly dependent on the on-air personality Tom Joyner. As a result of our interim, annual and year-end assessments, the Company concluded no impairment for the goodwill value had occurred.

| <b>Reach Media Segment Goodwill</b> | <b>October<br/>1,<br/>2014</b> | <b>October<br/>1,<br/>2013</b> | <b>October<br/>1,<br/>2012</b> |
|-------------------------------------|--------------------------------|--------------------------------|--------------------------------|
| Impairment charge (in millions)     | \$ -                           | \$ -                           | \$ -                           |
| Discount Rate                       | 12.0%                          | 13.0%                          | 12.0%                          |
| Year 1 Revenue Growth Rate          | 1.5%                           | 1.5%                           | 2.0%                           |
| Long-term Revenue Growth Rate Range | 0.1% - 2.0%                    | (4.5)% - 2.6%                  | (4.7)% - 2.8%                  |
| Operating Profit Margin Range       | 10.0% - 14.9%                  | 11.5% - 21.5%                  | 4.6% - 19.8%                   |

Below are some of the key assumptions used in the income approach model for determining the fair value of our internet reporting unit since October 2012. When compared to discount rates for the radio reporting units, the higher discount rate used to value the reporting unit is reflective of discount rates applicable to internet media businesses. As a result of the testing performed, the Company concluded no impairment to the carrying value of goodwill had occurred. We did not make any changes to the methodology for valuing or allocating goodwill when determining the carrying value.

| <b>Internet Segment Goodwill</b>        | <b>October 1,<br/>2014</b> | <b>October 1,<br/>2013</b> | <b>October 1,<br/>2012</b> |
|---|----------------------------|----------------------------|----------------------------|
| Impairment charge (in millions)         | \$ -                       | \$ -                       | \$ -                       |
| Discount Rate                           | 13.5%                      | 14.5%                      | 13.5%                      |
| Year 1 Revenue Growth Rate              | 11.8%                      | 10.0%                      | 13.8%                      |
| Long-term Revenue Growth Rate (Year 10) | 2.5%                       | 2.5%                       | 2.5%                       |
| Operating Profit Margin Range           | 9.1% - 25.6%               | 5.4% - 24.8%               | (4.8)% - 24.2%             |

Below are some of the key assumptions used in the income approach model for determining the fair value since October 2012. As a result of the testing performed in 2014, 2013 and 2012, the Company concluded no impairment to the carrying value of goodwill had occurred.

| <b>Cable Television Segment Goodwill</b> | <b>October 1,<br/>2014</b> | <b>October 1,<br/>2013</b> | <b>October 1,<br/>2012</b> |
|--|----------------------------|----------------------------|----------------------------|
| Impairment charge (in millions)          | \$ -                       | \$ -                       | \$ -                       |
| Discount Rate                            | 10.4%                      | 10.8%                      | 10.8%                      |
| Year 1 Revenue Growth Rate               | 11.5%                      | 12.1%                      | 11.2%                      |
| Long-term Revenue Growth Rate Range      | 0.3% - 7.7%                | 1.1% - 12.1%               | 2.5% - 12.2%               |
| Operating Profit Margin Range            | 29.8% - 36.1%              | 30.6% - 35.7%              | 33.3% - 36.2%              |

The above four goodwill tables reflect some of the key valuation assumptions used for 13 of our 20 reporting units. The other seven remaining reporting units had no goodwill carrying value balances as of December 31, 2014 and 2013.

In arriving at the estimated fair values for radio broadcasting licenses and goodwill, we also performed an analysis by comparing our overall average implied multiple based on our cash flow projections and fair values to recently completed sales transactions, and by comparing our fair value estimates to the market capitalization of the Company. The results of these comparisons confirmed that the fair value estimates resulting from our annual assessment for 2014 were reasonable.

#### *Sensitivity Analysis*

We believe both the estimates and assumptions we utilized when assessing the potential for impairment are individually and in aggregate reasonable; however, our estimates and assumptions are highly judgmental in nature. Further, there are inherent uncertainties related to these estimates and assumptions and our judgment in applying them to the impairment analysis. While we believe we have made reasonable estimates and assumptions to calculate the fair values, changes in any one estimate, assumption or a combination of estimates and assumptions, or changes in certain events or circumstances (including uncontrollable events and circumstances resulting from continued deterioration in the economy or credit markets) could require us to assess recoverability of broadcasting licenses and goodwill at times other than our annual October 1 assessments, and could result in changes to our estimated fair values and further write-downs to the carrying values of these assets. Impairment charges are non-cash in nature, and as with current and past impairment charges, any future impairment charges will not impact our cash needs or liquidity or our bank ratio covenant compliance.

We had a total goodwill carrying value of approximately \$275.4 million across 13 of our 20 reporting units as of December 31, 2014. The below table indicates the long-term cash flow growth rates assumed in our impairment testing and the long-term cash flow growth/decline rates that would result in additional goodwill impairment. For three of the reporting units, given the significant excess of their fair value over carrying value, any future goodwill impairment is not likely. However, should our estimates and assumptions for assessing the fair values of the remaining reporting units with goodwill worsen to reflect the below or lower cash flow growth/decline rates, additional goodwill impairments may be warranted in the future.

| <b>Reporting Unit</b> | <b>Long-Term Cash Flow Growth Rate Used</b> | <b>Long-Term Cash Flow Growth/Decline Rate That Would Result in Impairment (a)</b> |
|-----------------------|---|--|
| 2                     | 2.0%  | Impairment not likely  |
| 16                    | 2.0%  | Impairment not likely  |
| 6                     | 1.0%  | Impairment not likely  |
| 5                     | 1.0%  | 0.7%   |
| 13                    | 2.0%  | (2.5)%   |
| 12                    | 1.5%  | (3.3)%   |
| 1                     | 1.5%  | (3.6)%   |
| 4                     | 2.0%  | (4.7)%   |
| 10                    | 2.0%  | (5.2)%   |
| 21                    | 3.0%  | (5.8)%   |
| 19                    | 1.5%  | (6.1)%   |
| 11                    | 1.5%  | (7.2)%   |
| 18                    | 2.5%  | (9.1)%   |

(a) The long-term cash flow growth/decline rate that would result in additional goodwill impairment applies only to further goodwill impairment and not to any future license impairment that would result from lowering the long-term cash flow growth rates used.

Several of the licenses in our units of accounting have limited excess of fair values over their respective carrying values. Per the table below, as of October 1, 2014, we appraised the radio broadcasting licenses at a fair value of approximately \$870.8 million, which was in excess of the \$666.8 million carrying value by \$204.0 million, or 30.6%. The fair values of the licenses exceeded the carrying values of the licenses for all units of accounting. Should our estimates, assumptions, or events or circumstances for any upcoming valuations worsen in the units with no or limited fair value cushion, additional license impairments may be needed in the future. The Company's remaining Boston radio station's broadcasting license is classified as an other long-term asset and is not included in the table below.

| Unit of Accounting (a) | Radio Broadcasting Licenses                        |  |            |                 |
|------------------------|--|--|------------|-----------------|
|                        | As of  |  | Excess     |                 |
|                        | October 1,<br>2014<br>Carrying<br>Values<br>("CV") | October 1,<br>2014<br>Fair<br>Values<br>("FV") | FV vs. CV  | % FV<br>Over CV |
|                        | (In thousands)                                     |  |            |                 |
| Unit of Accounting 2   | \$ 3,086   | \$ 68,705                                      | \$ 65,619  | 2,126.3%        |
| Unit of Accounting 4   | 16,142   | 20,072   | 3,930      | 24.3%           |
| Unit of Accounting 5   | 16,687   | 17,968   | 1,281      | 7.7%            |
| Unit of Accounting 7   | 16,165   | 17,039   | 874        | 5.4%            |
| Unit of Accounting 14  | 20,434   | 22,087   | 1,653      | 8.1%            |
| Unit of Accounting 15  | 20,886   | 21,849   | 963        | 4.6%            |
| Unit of Accounting 11  | 21,135   | 24,106   | 2,971      | 14.1%           |
| Unit of Accounting 6   | 22,642   | 27,273   | 4,631      | 20.5%           |
| Unit of Accounting 9   | 34,270   | 38,041   | 3,771      | 11.0%           |
| Unit of Accounting 13  | 52,556   | 57,434   | 4,878      | 9.3%            |
| Unit of Accounting 16  | 52,965   | 117,462  | 64,497     | 121.8%          |
| Unit of Accounting 12  | 50,179   | 56,865   | 6,686      | 13.3%           |
| Unit of Accounting 8   | 66,715   | 76,689   | 9,974      | 15.0%           |
| Unit of Accounting 1   | 93,394   | 119,401  | 26,007     | 27.8%           |
| Unit of Accounting 10  | 179,541  | 185,821  | 6,280      | 3.5%            |
| Total                  | \$ 666,797   | \$ 870,812                                     | \$ 204,015 | 30.6%           |

(a) The units of accounting are not disclosed on a specific market basis so as to not make publicly available sensitive information that could be competitively harmful to the Company.

The following table presents a sensitivity analysis showing the impact on our impairment testing resulting from: (i) a 1% or 100 basis point decrease in industry or reporting unit growth rates; (ii) a 1% or 100 basis point decrease in cash flow margins; (iii) a 1% or 100 basis point increase in the discount rate; and (iv) both a 5% and 10% reduction in the fair values of broadcasting licenses and reporting units.

**Hypothetical Increase in  
the Recorded Impairment  
Charge  
For the Year Ended  
December 31, 2014**

|  | <u>Broadcasting<br/>Licenses</u> | <u>Goodwill</u> |
|--|----------------------------------|-----------------|
|  | (In millions)                    |                 |
| <b>Impairment charge recorded:</b>   |                                  |                 |
| Radio Market Reporting Units   | \$ -                             | \$ -            |
| Radio Syndication Reporting Unit   | -                                | -               |
| Cable Television Reporting Unit  | -                                | -               |
| Internet Reporting Unit  | -                                | -               |
| Total Impairment Recorded  | <u>\$ -</u>                      | <u>\$ -</u>     |
| <b>Hypothetical Change for Radio Market Reporting Units:</b>                   |                                  |                 |
| A 100 basis point decrease in radio industry growth rates                      | \$ 14.2                          | \$ 0.2          |
| A 100 basis point decrease in cash flow margin                                 | \$ -                             | -               |
| A 100 basis point increase in the applicable discount rate                     | \$ 33.2                          | \$ 1.2          |
| A 5% reduction in the fair value of broadcasting licenses and reporting units  | \$ 3.1                           | -               |
| A 10% reduction in the fair value of broadcasting licenses and reporting units | \$ 16.3                          | \$ 0.9          |
| <b>Hypothetical Change for Reach Media Reporting Unit:</b>                     |                                  |                 |
| A 100 basis point decrease in revenue growth rates                             | Not applicable                   | \$ -            |
| A 100 basis point decrease in cash flow margin                                 | Not applicable                   | -               |
| A 100 basis point increase in the applicable discount rate                     | Not applicable                   | -               |
| A 5% reduction in the fair value of the reporting unit                         | Not applicable                   | -               |
| A 10% reduction in the fair value of the reporting unit                        | Not applicable                   | -               |
| <b>Hypothetical Change for Cable Television Reporting Unit:</b>                |                                  |                 |
| A 100 basis point decrease in revenue growth rates                             | Not applicable                   | \$ -            |
| A 100 basis point decrease in cash flow margin                                 | Not applicable                   | -               |
| A 100 basis point increase in the applicable discount rate                     | Not applicable                   | -               |
| A 5% reduction in the fair value of the reporting unit                         | Not applicable                   | -               |
| A 10% reduction in the fair value of the reporting unit                        | Not applicable                   | -               |
| <b>Hypothetical Change for Internet Reporting Unit:</b>                        |                                  |                 |
| A 100 basis point decrease in revenue growth rates                             | Not applicable                   | \$ 3.9          |
| A 100 basis point decrease in cash flow margin                                 | Not applicable                   | -               |
| A 100 basis point increase in the applicable discount rate                     | Not applicable                   | -               |
| A 5% reduction in the fair value of the reporting unit                         | Not applicable                   | -               |
| A 10% reduction in the fair value of the reporting unit                        | Not applicable                   | -               |

***Impairment of Intangible Assets Excluding Goodwill and Radio Broadcasting Licenses***

Intangible assets, excluding goodwill and radio broadcasting licenses, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be fully recoverable. These events or changes in circumstances may include a significant deterioration of operating results, changes in business plans, or changes in anticipated future cash flows. If an impairment indicator is present, we will evaluate recoverability by a comparison of the carrying amount of the asset or group of assets to future undiscounted net cash flows expected to be generated by the asset or group of assets. Assets are grouped at the lowest level for which there is identifiable cash flows that are largely independent of the cash flows generated by other asset groups. If the assets are impaired, the impairment is measured by the amount by which the carrying amount exceeds the fair value of the assets determined by estimates of discounted cash flows. The discount rate used in any estimate of discounted cash flows would be the rate required for a similar investment of like risk. The Company reviewed certain intangibles for impairment during 2014 and 2013 and determined no impairment charges were necessary. Any changes in the valuation estimates and assumptions or changes in certain events or circumstances could result in changes to the estimated fair values of these intangible assets and may result in future write-downs to the carrying values.

### ***Allowance for Doubtful Accounts***

We must make estimates of the uncollectability of our accounts receivable. We specifically review historical write-off activity by market, large customer concentrations, customer credit worthiness and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. In the past four years, our historical allowance for doubtful accounts has averaged approximately 4.3% of our outstanding trade receivables and has been a reliable method to estimate future allowances. If the financial condition of our customers or markets were to deteriorate, adversely affecting their ability to make payments, additional allowances could be required.

### ***Revenue Recognition***

We recognize revenue for broadcast advertising when the commercial is broadcast and we report revenue net of agency and outside sales representative commissions in accordance with ASC 605, "*Revenue Recognition*." When applicable, agency and outside sales representative commissions are calculated based on a stated percentage applied to gross billing. Generally, advertisers remit the gross billing amount to the agency or outside sales representative, and the agency or outside sales representative remits the gross billing, less their commission, to us.

Interactive One generates the majority of the Company's internet revenue, and derives such revenue principally from advertising services on non-radio station branded websites, including advertising aimed at diversity recruiting and studio services, where Interactive One provides services to other publishers. Advertising services include the sale of banner and sponsorship advertisements. Advertising revenue is recognized either as impressions (the number of times advertisements appear in viewed pages) are delivered, when "click through" purchases are made or leads are generated, or ratably over the contract period, where applicable. In addition, Interactive One derives revenue from its studio operations, which provide top-tier third-party clients with digital platforms and expertise. In the case of the studio operations, revenue is recognized primarily based on fixed contractual monthly fees or as a share of the third party's reported revenue.

TV One derives advertising revenue from the sale of television air time to advertisers and recognizes revenue when the advertisements are run. TV One also derives affiliate fees under the terms of various affiliation agreements based on the most recent subscriber counts reported by the applicable affiliate.

### ***Contingencies and Litigation***

We regularly evaluate our exposure relating to any contingencies or litigation and record a liability when available information indicates that a liability is probable and estimable. We also disclose significant matters that are reasonably possible to result in a loss, or are probable but for which an estimate of the liability is not currently available. To the extent actual contingencies and litigation outcomes differ from amounts previously recorded, additional amounts may need to be reflected.

### ***Estimate of Effective Tax Rates***

We estimate the provision for income taxes, income tax liabilities, deferred tax assets and liabilities, and any valuation allowances in accordance with ASC 740, "*Income Taxes*," as it relates to accounting for income taxes in interim periods. We estimate effective tax rates based on local tax laws and statutory rates, apportionment factors, taxable income for our filing jurisdictions and disallowable items, among other factors. Audits by the Internal Revenue Service or state and local tax authorities could yield different interpretations from our own, and differences between taxes recorded and taxes owed per our filed returns could cause us to record additional taxes.

To address the exposures of unrecognized tax positions, we recognize the impact of a tax position in the financial statements if it is more likely than not that the position would be sustained on audit based on the technical merits of the position. As of December 31, 2014, we had approximately \$5.2 million in unrecognized tax benefits. Future outcomes of our tax positions may be more or less than the currently recorded liability, which could result in recording additional taxes, or reversing some portion of the liability, and recognizing a tax benefit once it is determined the liability is either inadequate or no longer necessary as potential issues get resolved, or as statutes of limitations in various tax jurisdictions close.

#### ***Realizability of Deferred Tax Assets***

The Company maintains a full valuation allowance for its DTAs, primarily attributable to net operating losses (“NOLs”), as we determined that it is more likely than not that the DTAs will not be realized. The Company reached this determination based on its cumulative loss position and the uncertainty of future taxable income. Consistent with that prior realizability assessment, the Company has recorded a full valuation allowance for additional NOLs generated from the tax deductible amortization of indefinite-lived assets, as well as DTAs created by impairment charges on certain indefinite-lived intangibles for the years ended December 31, 2014, 2013 and 2012.

#### ***Redeemable noncontrolling interests***

Redeemable noncontrolling interests are interests in subsidiaries that are redeemable outside of the Company’s control either for cash or other assets. These interests are classified as mezzanine equity and measured at the greater of estimated redemption value at the end of each reporting period or the historical cost basis of the noncontrolling interests adjusted for cumulative earnings allocations. The resulting increases or decreases in the estimated redemption amount are affected by corresponding charges against retained earnings, or in the absence of retained earnings, additional paid-in-capital.

#### ***Fair Value Measurements***

The Company has accounted for an award called for in the CEO’s employment agreement (the “Employment Agreement”) as a derivative instrument. According to the Employment Agreement, executed in April 2008, the CEO is eligible to receive an award amount equal to 8% of any proceeds from distributions or other liquidity events in excess of the return of the Company’s aggregate investment in TV One. The Company’s obligation to pay the award will be triggered only after the Company’s recovery of the aggregate amount of its capital contribution in TV One and only upon actual receipt of distributions of cash or marketable securities or proceeds from a liquidity event with respect to the Company’s membership interest in TV One. The CEO was fully vested in the award upon execution of the agreement, and the award lapses if the CEO voluntarily leaves the Company or is terminated for cause. As noted in our current report on Form 8-K filed October 6, 2014, the Compensation Committee of the Board of Directors of the Company has approved terms for a new employment agreement with the CEO, including a renewal of the TV One Award upon similar terms as in the prior Employment Agreement. While a new Employment Agreement has not been executed as of the date of this report, the CEO is being compensated according to the new terms approved by the Compensation Committee.

The Company estimated the fair value of the award as of December 31, 2014, at approximately \$18.0 million and, accordingly, recorded compensation expense and a liability for that amount. The fair valuation incorporated a number of assumptions and estimates, including but not limited to TV One’s future financial projections, probability factors and the likelihood of various scenarios that would trigger payment of the award. As the Company will measure changes in the fair value of this award at each reporting period as warranted by certain circumstances, different estimates or assumptions may result in a change to the fair value of the award amount previously recorded.

With the assistance of a third-party valuation firm, the Company assesses the fair value of the redeemable noncontrolling interest in Reach Media as of the end of each reporting period. The fair value of the redeemable noncontrolling interests as of December 31, 2014 and 2013, was approximately \$10.8 million and \$12.0 million, respectively. The determination of fair value incorporated a number of assumptions and estimates including, but not limited to, forecasted operating results, discount rates and a terminal value. Different estimates and assumptions may result in a change to the fair value of the redeemable noncontrolling interests amount previously recorded.

### ***Content Assets***

TV One has entered into contracts to acquire entertainment programming rights and programs from distributors and producers. The license periods granted in these contracts generally run from one year to perpetuity. Contract payments are made in installments over terms that are generally shorter than the contract period. Each contract is recorded as an asset and a liability at an amount equal to its gross contractual commitment when the license period begins and the program is available for its first airing. Program rights are recorded at the lower of amortized cost or estimated net realizable value. Program rights are amortized based on the greater of the usage of the program or term of license. Estimated net realizable values are based on the estimated revenues directly associated with the program materials and related expenses.

### **Capital and Commercial Commitments**

#### ***Indebtedness***

We have several debt instruments outstanding within our corporate structure. The total amount incurred under our 2011 Credit Agreement, as amended, was \$411.0 million, initially consisting of a \$386.0 million senior bank term debt that matures on March 31, 2016, and a \$25.0 million revolving loan facility that matures on March 31, 2015. We also have outstanding \$335.0 million in our 9.25% Senior Subordinated Notes due February 2020. Finally, TV One issued \$119.0 million in senior secured notes on February 25, 2011. The notes were issued in connection with the repurchase of its equity interest from certain financial investors and TV One management. The notes bear interest at 10.0%, which is payable monthly, and the entire principal amount is due on March 15, 2016. See "*Liquidity and Capital Resources*."

#### ***Lease obligations***

We have non-cancelable operating leases for office space, studio space, broadcast towers and transmitter facilities that expire over the next 17 years.

#### ***Operating Contracts and Agreements***

We have other operating contracts and agreements including employment contracts, on-air talent contracts, severance obligations, retention bonuses, consulting agreements, equipment rental agreements, programming related agreements, and other general operating agreements that expire over the next four years.

#### ***Royalty Agreements***

Effective December 31, 2009, our radio music license agreements with the two largest performance rights organizations, American Society of Composers, Authors and Publishers ("ASCAP") and Broadcast Music, Inc. ("BMI") expired. The Radio Music License Committee ("RMLC"), which negotiates music licensing fees for most of the radio industry with ASCAP and BMI, at that time, reached an agreement with these organizations on a temporary fee schedule that reflected a provisional discount of 7.0% against 2009 fee levels. The temporary fee reductions became effective in January 2010. In May 2010 and June 2010, the U.S. District Court's judge charged with determining the licenses fees ruled to further reduce interim fees paid to ASCAP and BMI, respectively, down approximately another 11.0% from the previous temporary fees negotiated with the RMLC. In January 2012, the U.S. District Court approved a settlement between RMLC and ASCAP. The settlement determined the amount to be paid to ASCAP for usage through 2016. In addition, stations received a credit for overpayments made in 2010 and 2011 to ASCAP. In June 2012, RMLC and BMI reached a settlement agreement. The settlement covers the period through 2016 and determined a new fee structure based on percentage of revenue. In addition, stations received a credit for overpayments made in 2010 and 2011 to BMI.

The Company has entered into fixed fee and variable share agreements with music performance rights organizations, which expire beginning December 31, 2015, and as late as December 31, 2016. In connection with all performance rights organization agreements, including American Society of Composers, Authors and Publishers ("ASCAP") and Broadcast Music, Inc. ("BMI"), the Company incurred expenses of approximately \$9.2 million, \$9.2 million and \$9.8 million during the years ended December 31, 2014, 2013 and 2012, respectively. The expenses related to discontinued operations associated with these agreements were not significant.



### Reach Media Noncontrolling Interest Shareholders' Put Rights

Beginning on January 1, 2018, the noncontrolling interest shareholders of Reach Media have an annual right to require Reach Media to purchase all or a portion of their shares at the then current fair market value for such shares (the "Put Right"). Beginning in 2018, this annual right is exercisable for a 30-day period beginning January 1 of each year. The purchase price for such shares may be paid in cash and/or registered Class D common stock of Radio One, at the discretion of Radio One.

### Contractual Obligations Schedule

The following table represents our scheduled contractual obligations as of December 31, 2014:

| Contractual Obligations                 | Payments Due by Period |                   |                  |                  |                  |                   | Total               |
|---|------------------------|-------------------|------------------|------------------|------------------|-------------------|---------------------|
|   | 2015                   | 2016              | 2017             | 2018             | 2019             | 2020 and Beyond   |                     |
|   | (In thousands)         |                   |                  |                  |                  |                   |                     |
| 9.25% Senior Subordinated Notes (1)     | \$ 30,988              | \$ 30,988         | \$ 30,988        | \$ 30,988        | \$ 30,988        | \$ 338,443        | \$ 493,383          |
| Credit facilities(2)                    | 31,980                 | 371,677           | —                | —                | —                | —                 | 403,657             |
| Other operating contracts/agreements(3) | 63,209                 | 23,810            | 14,723           | 1,452            | 41               | 81                | 103,316             |
| Operating lease obligations             | 9,840                  | 9,290             | 8,767            | 5,511            | 4,467            | 16,824            | 54,699              |
| Senior Secured Notes(4)                 | 11,900                 | 121,777           | —                | —                | —                | —                 | 133,677             |
| <b>Total</b>                            | <b>\$ 147,917</b>      | <b>\$ 557,542</b> | <b>\$ 54,478</b> | <b>\$ 37,951</b> | <b>\$ 35,496</b> | <b>\$ 355,348</b> | <b>\$ 1,188,732</b> |

- (1) Includes interest obligations based on effective interest rate on senior subordinated notes outstanding as of December 31, 2014.
- (2) Includes interest obligations based on effective interest rate and projected interest expense on credit facilities outstanding as of December 31, 2014.
- (3) Includes employment contracts, severance obligations, on-air talent contracts, consulting agreements, equipment rental agreements, programming related agreements, and other general operating and investment agreements. Also includes contracts that TV One has entered into to acquire entertainment programming rights and programs from distributors and producers. These contracts relate to their content assets as well as prepaid programming related agreements.
- (4) Represents \$119.0 million issued by TV One in senior secured notes on February 25, 2011. The proceeds from the notes were issued to purchase equity interests from certain financial investors and TV One management. The notes bear interest at 10.0% per annum, which is payable monthly, and the entire principal amount is due on March 15, 2016.

### Off-Balance Sheet Arrangements

As of December 31, 2014, we had four standby letters of credit totaling approximately \$1.0 million in connection with our annual insurance policy renewals and real estate leases.

## **ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

As of December 31, 2014, our exposure related to market risk had not changed materially since December 31, 2013.

Both the term loan facility and the revolving facility under our 2011 Credit Agreement, as amended, bear interest, at our option, at a rate equal to either the London Interbank Offered Rate (“LIBOR”), subject to a LIBOR floor plus a margin or the base rate plus a margin. The base rate is equal to the greater of the prime rate, the Federal Funds Effective Rate plus 0.50% and the LIBOR Rate for a one-month period plus 1.00%. The applicable margin on the 2011 Credit Agreement is between (i) 4.50% and 5.50% on the revolving portion of the facility and (ii) 5.00% (with a base rate floor of 2.5% per annum) and 6.00% (with a LIBOR floor of 1.5% per annum) on the term portion of the facility. We also pay a commitment fee of 0.75% per annum on the unused commitment of the revolving facility. We are exposed to interest rate volatility with respect to this variable rate debt. If the borrowing rates under LIBOR were to increase two percentage points above the current rates at December 31, 2014, our interest expense on the term portion of the credit facility would increase approximately \$2.8 million on an annual basis.

The determination of the estimated fair value of our fixed-rate debt is subject to the effects of interest rate risk. The estimated fair value of our 9.25% Senior Subordinated Notes at December 31, 2014 was approximately \$294.8 million, and the carrying amount was \$335.0 million. The estimated fair value of the TV One Notes approximates carrying value.

The estimated fair value of our 12.5%/15% Senior Subordinated Notes at December 31, 2013 was approximately \$328.7 million, and the carrying amount was \$327.0 million. The estimated fair value of the TV One Notes approximates carrying value.

The effect of a hypothetical one percentage point decrease in expected current interest rate yield would be to increase the estimated fair value of our 9.25% Senior Subordinated Notes from approximately \$294.8 million to \$325.8 million at December 31, 2014.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The consolidated financial statements of Radio One required by this item are filed with this report on Pages F-1 to F-42.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## **ITEM 9A. CONTROLS AND PROCEDURES**

### **(a) Evaluation of disclosure controls and procedures**

We have carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer (“CEO”) and the Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, our CEO and CFO concluded that as of such date, our disclosure controls and procedures are effective in timely alerting them to material information required to be included in our periodic SEC reports. Disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, are controls and procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms.

In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Our disclosure controls and procedures are designed to provide a reasonable level of assurance of reaching our desired disclosure controls objective. Our management, including our CEO and CFO, has concluded that our disclosure controls and procedures are effective in reaching that level of reasonable assurance.

**(b) Management’s report on internal control over financial reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our CEO and CFO, we conducted an evaluation of the effectiveness of our internal control over financial reporting. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

Under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, our management conducted an assessment of the effectiveness of internal control over financial reporting as of December 31, 2014 based on the criteria established in Internal Control - Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this assessment, our management has concluded that our internal control over financial reporting was effective as of December 31, 2014.

Our independent registered public accounting firm is engaged to express an opinion on our internal control over financial reporting, as stated in its report which is included in Part IV, Item 15 of this Form 10-K under the caption “Report of Independent Registered Public Accounting Firm—Internal Control Over Financial Reporting.”

**(c) Changes in internal control over financial reporting**

During the year ended December 31, 2014, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. OTHER INFORMATION**

None.

### **PART III**

#### **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT**

The information with respect to directors and executive officers required by this Item 10 is incorporated into this report by reference to the information set forth under the caption “Nominees for Class A Directors,” “Nominees for Other Directors,” “Code of Conduct,” and “Executive Officers” in our proxy statement for the 2015 Annual Meeting of Stockholders, which is expected to be filed with the Commission within 120 days after the close of our fiscal year.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this Item 11 is incorporated into this report by reference to the information set forth under the caption “Compensation of Directors and Executive Officers” in our proxy statement.

#### **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required by this Item 12 is incorporated into this report by reference to the information set forth under the caption “Principal Stockholders” in our proxy statement.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The information required by this Item 13 is incorporated into this report by reference to the information set forth under the caption “Certain Relationships and Related Transactions” in our proxy statement.

#### **ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this Item 14 is incorporated into this report by reference to the information set forth under the caption “Audit Fees” in our proxy statement.

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

#### (a)(1) *Financial Statements*

The following financial statements required by this item are submitted in a separate section beginning on page F-1 of this report:

Report of Independent Registered Public Accounting Firm – Internal Control Over Financial Reporting

Report of Independent Registered Public Accounting Firm – Consolidated Financial Statements

Consolidated Balance Sheets as of December 31, 2014 and 2013

Consolidated Statements of Operations for the years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Comprehensive Loss for the years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Changes in Stockholders' Equity and Noncontrolling Interest for the years ended December 31, 2014, 2013 and 2012

Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012

Notes to Consolidated Financial Statements

Schedule II — Valuation and Qualifying Accounts

Schedules other than those listed above have been omitted from this Form 10-K because they are not required, are not applicable, or the required information is included in the financial statements and notes thereto.

(a)(2) *EXHIBITS AND FINANCIAL STATEMENTS*: The following exhibits are filed as part of this Annual Report, except for Exhibits 32.1 and 32.2, which are furnished, but not filed, with this Annual Report.

| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
| 3.1                       | Amended and Restated Certificate of Incorporation of Radio One, Inc., dated as of May 4, 2000, as filed with the State of Delaware on May 9, 2000 (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended March 31, 2000).  |
| 3.1.1                     | Certificate of Amendment, dated as of September 21, 2000, of the Amended and Restated Certificate of Incorporation of Radio One, Inc., dated as of May 4, 2000, as filed with the State of Delaware on September 21, 2000 (incorporated by reference to Radio One's Current Report on Form 8-K filed October 6, 2000). |
| 3.2                       | Amended and Restated By-laws of Radio One, Inc. amended as of August 7, 2009 (incorporated by reference to Radio One's Current Report on Form 8-K filed August 21, 2009).  |
| 3.3                       | Restated Articles of Incorporation of Bell Broadcasting Company (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).   |
| 3.4                       | Restated Bylaws of Bell Broadcasting Company (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).  |
| 3.5                       | Articles of Organization of Blue Chip Broadcasting Licenses, Ltd. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).   |
| 3.6                       | Operating Agreement of Blue Chip Broadcasting Licenses, Ltd. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).  |

- 3.7 Articles of Organization of Blue Chip Broadcasting, Ltd. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.8 Amended and Restated Operating Agreement of Blue Chip Broadcasting, Ltd. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.9 Certificate of Formation of Charlotte Broadcasting, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.10 Limited Liability Company Agreement of Charlotte Broadcasting, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.11 Certificate of Formation of Distribution One, LLC. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed February 9, 2011).
- 3.12 Limited Liability Company Agreement of Distribution One, LLC. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed February 9, 2011).
- 3.13 Articles of Incorporation of Interactive One, Inc. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed February 9, 2011).
- 3.14 Bylaws of Interactive One, Inc. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed February 9, 2011).
- 3.15 Certificate of Formation of Interactive One, LLC. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed February 9, 2011).
- 3.16 Limited Liability Company Agreement of Interactive One, LLC. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed February 9, 2011).
- 3.17 Certificate of Incorporation of New Mableton Broadcasting Corporation (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.18 Bylaws of New Mableton Broadcasting Corporation (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.19 Certificate of Conversion of Radio One Cable Holdings, Inc. to Radio One Cable Holdings, LLC.\*
- 3.20 Certificate of Conversion of formation of Radio One Cable Holdings, LLC.\*
- 3.21 Certificate of Formation of Radio One Distribution Holdings, LLC. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed February 9, 2011).
- 3.22 Limited Liability Company Agreement of Radio One Cable Holdings, LLC.\*
- 3.23 Limited Liability Company Agreement of Radio One Distribution Holdings, LLC. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed February 9, 2011).
- 3.24 Certificate of Formation of Radio One Licenses, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.25 Limited Liability Company Agreement of Radio One Licenses, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.26 Certificate of Formation of Radio One Media Holdings, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.27 Limited Liability Company Agreement of Radio One Media Holdings, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.28 Certificate of Formation of Radio One of Boston Licenses, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.29 Limited Liability Company Agreement of Radio One of Boston Licenses, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.30 Certificate of Incorporation of Radio One of Boston, Inc. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.31 Bylaws of Radio One of Boston, Inc. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.32 Certificate of Formation of Radio One of Charlotte, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.33 Limited Liability Company Agreement of Radio One of Charlotte, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).

- 3.34 Certificate of Formation of Radio One of Detroit, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.35 Limited Liability Company Agreement of Radio One of Detroit, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.36 Certificate of Limited Partnership of Radio One of Indiana, L.P. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.37 Limited Partnership Agreement of Radio One of Indiana, L.P. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.38 Certificate of Formation of Radio One of Indiana, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.39 Limited Liability Company Agreement of Radio One of Indiana, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.40 Certificate of Formation of Radio One of North Carolina, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.41 Limited Liability Company Agreement of Radio One of North Carolina, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.42 Certificate of Formation of Radio One of Texas II, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.43 Limited Liability Company Agreement of Radio One of Texas II, LLC (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.44 Certificate of Formation of Satellite One, L.L.C. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.45 Limited Liability Company Agreement of Satellite One, L.L.C. (incorporated by reference to Radio One's Registration Statement on Form S-4, filed August 5, 2005).
- 3.46 Certificate of Formation of IO Acquisition Sub, LLC\*
- 3.47 Limited Liability Company Agreement of IO Acquisition Sub, LLC\*
- 3.48 Certificate of Formation of Radio One Urban Network Holdings, LLC\*
- 3.49 Limited Liability Company Agreement of Radio One Urban Network Holdings, LLC\*
- 3.50 Certificate of Formation of Radio One Entertainment Holdings, LLC\*
- 3.51 Limited Liability Company Agreement of Radio One Entertainment Holdings, LLC\*
- 3.52 Certificate of Conversion of Gaffney Broadcasting, LLC\*
- 3.53 Certificate of Incorporation of Reach Media, Inc.\*
- 3.54 Bylaws of Reach Media, Inc.\*
- 4.1 Indenture, dated as of February 25, 2011, by and among TV One, LLC, TV One Capital Corp., U.S. Bank, National Association, as trustee, and U.S. Bank, National Association, as collateral trustee, relating to the 10% Senior Subordinated Notes due 2016 (incorporated by reference to Radio One's Annual Report on Form 10-K for the period ended December 31, 2010).
- 4.2 Indenture, dated as of February 10, 2014, among Radio One, Inc., the guarantors named therein and Wilmington Trust, National Association, as trustee, relating to the 9.25% Senior Subordinated Notes due 2020 (incorporated by reference to Radio One's Current Report on Form 8-K filed February 10, 2014).
- 4.3 Supplemental Indenture dated as of April 30, 2014, among Gaffney Broadcasting, Incorporated, a subsidiary of Radio One, Inc., Radio One, Inc., the other Guarantors and Wilmington Trust, National Association, as trustee under the Indenture (incorporated by reference to Radio One's Quarterly Report on Form 10-Q filed May 9, 2014).
- 4.4 Second Supplemental Indenture dated as of February 13, 2015, among Radio One Urban Network Holdings, LLC, a Delaware limited liability company, IO Acquisition Sub, LLC, a Delaware limited liability company, each a subsidiary of Radio One, Inc., the other Guarantors and Wilmington Trust, National Association, as trustee under the Indenture.\*

- 10.1 Amended and Restated Stockholders Agreement dated as of September 28, 2004 among Catherine L. Hughes and Alfred C. Liggins, III (incorporated by reference to Radio One's Quarterly Report on Form 10-Q for the period ended June 30, 2005).
- 10.2 Credit Agreement, dated March 31, 2011, by and among Radio One Inc., Various Lenders and Credit Suisse, as administrative agent (incorporated by reference to Radio One's Current Report on Form 8-K filed April 6, 2011).
- 10.3 First Amendment to Credit Agreement dated as of December 19, 2012, is entered into by and among Radio One, Inc., the Subsidiary Guarantors listed on the signature pages hereto, the Lenders party thereto, and Credit Suisse AG as Administrative Agent and as Collateral Agent for the Lenders (incorporated by reference to Radio One's Current Report on Form 8-K filed December 19, 2012).
- 10.4 Second Amendment to Credit Agreement dated as of January 21, 2015, is entered into by and among Radio One, Inc., the Subsidiary Guarantors listed on the signature pages hereto, the Lenders party thereto, and Credit Suisse AG as Administrative Agent and as Collateral Agent for the Lenders (incorporated by reference to Radio One's Current Report on Form 8-K filed January 21, 2015).
- 10.5 Pledge Agreement, dated March 31, 2011, made by Radio One, Inc. and certain Subsidiaries and Credit Suisse (incorporated by reference to Radio One's Current Report on Form 8-K filed April 6, 2011).
- 10.6 Radio One, Inc. 2009 Stock Option and Restricted Stock Grant Plan (incorporated by reference to Radio One's Definitive Proxy on Schedule 14A filed November 6, 2009).
- 10.7 Employment Agreement between Radio One, Inc. and Peter D. Thompson dated October 9, 2014 (incorporated by reference to Radio One's Current Report on Form 8-K filed November 4, 2014).
- 10.6 Employment Agreement between Radio One, Inc. and Alfred C. Liggins, III dated April 16, 2008 (incorporated by reference to Radio One's Current Report on Form 8-K filed April 18, 2008).
- 10.7 Terms of Employment Agreement between Radio One, Inc. and Alfred C. Liggins, III approved September 30, 2014 (incorporated by reference to Radio One's Current Report on Form 8-K filed October 6, 2014).
- 10.8 Employment Agreement between Radio One, Inc. and Catherine L. Hughes dated April 16, 2008 (incorporated by reference to Radio One's Current Report on Form 8-K filed April 18, 2008).
- 10.9 Terms of Employment Agreement between Radio One, Inc. and Catherine L. Hughes approved September 30, 2014 (incorporated by reference to Radio One's Current Report on Form 8-K filed October 6, 2014).
- 10.10 Terms of Employment Agreement between Radio One, Inc. and Linda J. Vilardo approved September 30, 2014 (incorporated by reference to Radio One's Current Report on Form 8-K filed October 6, 2014).
- 10.11 Employment Agreement between Radio One, Inc. and Chris Wegmann dated as of August 24, 2014 (incorporated by reference to Radio One's Current Report on Form 8-K filed October 6, 2014).
- 21.1 Subsidiaries of Radio One, Inc.
- 23.1 Consent of Ernst & Young LLP.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer pursuant to 18 U.S.C § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer pursuant to 18 U.S.C § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101 Financial information from the Annual Report on Form 10-K for the year ended December 31, 2014, formatted in XBRL.

\*Indicates document filed herewith.



SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on February 17, 2015.

RADIO ONE, INC.

By: /s/ Peter D. Thompson  
Name: Peter D. Thompson  
Title: *Chief Financial Officer and Principal Accounting Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities indicated on February 17, 2015.

By: /s/ Catherine L. Hughes

Name: Catherine L. Hughes  
Title: *Chairperson, Director and Secretary*

By: /s/ Alfred C. Liggins, III

Name: Alfred C. Liggins, III  
Title: *Chief Executive Officer, President and Director*

By: /s/ Terry L. Jones

Name: Terry L. Jones  
Title: *Director*

By: /s/ Brian W. McNeill

Name: Brian W. McNeill  
Title: *Director*

By: /s/ Dennis Miller

Name: Dennis Miller  
Title: *Director*

By: /s/ D. Geoffrey Armstrong

Name: D. Geoffrey Armstrong  
Title: *Director*

By: /s/ Ronald E. Blaylock

Name: Ronald E. Blaylock  
Title: *Director*

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**Report of Independent Registered Public Accounting Firm**  
*Internal Control Over Financial Reporting*

The Board of Directors and Stockholders of Radio One, Inc.:

We have audited Radio One, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Radio One, Inc. and subsidiaries' management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Radio One, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Radio One, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity and noncontrolling interest, and cash flows for each of the three years in the period ended December 31, 2014 and our report dated February 17, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Baltimore, Maryland  
February 17, 2015

**Report of Independent Registered Public Accounting Firm**  
*Consolidated Financial Statements*

The Board of Directors and Stockholders of Radio One, Inc.:

We have audited the accompanying consolidated balance sheets of Radio One, Inc. and subsidiaries as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive loss, changes in stockholders' equity and noncontrolling interest, and cash flows for each of the three years in the period ended December 31, 2014. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Radio One, Inc. and subsidiaries at December 31, 2014 and 2013, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Radio One, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated February 17, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Baltimore, Maryland  
February 17, 2015

**RADIO ONE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

|   | As of December 31,                |                     |
|---|-----------------------------------|---------------------|
|   | 2014                              | 2013                |
|   | (In thousands, except share data) |                     |
| <b>ASSETS</b>   |                                   |                     |
| <b>CURRENT ASSETS:</b>  |                                   |                     |
| Cash and cash equivalents   | \$ 67,781                         | \$ 56,676           |
| Short-term investments  | 2,094                             | 2,292               |
| Trade accounts receivable, net of allowance for doubtful accounts of \$3,975 and \$4,393, respectively  | 96,426                            | 98,323              |
| Prepaid expenses  | 6,910                             | 5,467               |
| Current portion of content assets   | 25,615                            | 26,637              |
| Other current assets  | 3,091                             | 3,108               |
| Total current assets  | 201,917                           | 192,503             |
| <b>CONTENT ASSETS, net</b>  | 42,715                            | 36,157              |
| <b>PROPERTY AND EQUIPMENT, net</b>  | 30,977                            | 34,353              |
| <b>GOODWILL</b>   | 275,355                           | 272,037             |
| <b>RADIO BROADCASTING LICENSES</b>  | 666,797                           | 659,824             |
| <b>LAUNCH ASSETS, net</b>   | 2,640                             | 12,563              |
| <b>OTHER INTANGIBLE ASSETS, net</b>   | 174,512                           | 202,593             |
| <b>OTHER ASSETS</b>   | 3,642                             | 4,325               |
| Total assets  | <u>\$ 1,398,555</u>               | <u>\$ 1,414,355</u> |
| <b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS AND EQUITY</b>  |                                   |                     |
| <b>CURRENT LIABILITIES:</b>   |                                   |                     |
| Accounts payable  | \$ 6,602                          | \$ 7,293            |
| Accrued interest  | 12,226                            | 5,831               |
| Accrued compensation and related benefits   | 8,729                             | 13,955              |
| Current portion of content payables   | 15,043                            | 14,359              |
| Other current liabilities   | 16,124                            | 16,176              |
| Current portion of long-term debt   | 3,829                             | 3,840               |
| Current deferred tax liabilities  | —                                 | 1,200               |
| Total current liabilities   | 62,553                            | 62,654              |
| <b>LONG-TERM DEBT, net of current portion and original issue discount</b>   | 816,476                           | 811,795             |
| <b>CONTENT PAYABLES, net of current portion</b>   | 14,579                            | 8,399               |
| <b>OTHER LONG-TERM LIABILITIES</b>  | 21,076                            | 20,288              |
| <b>DEFERRED TAX LIABILITIES, net</b>  | 252,463                           | 214,245             |
| Total liabilities   | <u>1,167,147</u>                  | <u>1,117,381</u>    |
| <b>REDEEMABLE NONCONTROLLING INTERESTS</b>  | 10,836                            | 11,999              |
| <b>STOCKHOLDERS' EQUITY:</b>  |                                   |                     |
| Convertible preferred stock, \$.001 par value, 1,000,000 shares authorized; no shares outstanding at December 31, 2014 and 2013   | —                                 | —                   |
| Common stock — Class A, \$.001 par value, 30,000,000 shares authorized; 2,249,809 and 2,574,291 shares issued and outstanding as of December 31, 2014 and 2013, respectively    | 2                                 | 3                   |
| Common stock — Class B, \$.001 par value, 150,000,000 shares authorized; 2,861,843 shares issued and outstanding as of December 31, 2014 and 2013                               | 3                                 | 3                   |
| Common stock — Class C, \$.001 par value, 150,000,000 shares authorized; 2,928,906 and 3,121,048 shares issued and outstanding as of December 31, 2014 and 2013                 | 3                                 | 3                   |
| Common stock — Class D, \$.001 par value, 150,000,000 shares authorized; 42,102,352 and 39,013,638 shares issued and outstanding as of December 31, 2014 and 2013, respectively | 42                                | 39                  |
| Accumulated other comprehensive loss  | (115)                             | (213)               |
| Additional paid-in capital  | 1,006,635                         | 1,003,116           |
| Accumulated deficit   | (987,672)                         | (925,002)           |
| Total stockholders' equity  | 18,898                            | 77,949              |
| Noncontrolling interest   | 201,674                           | 207,026             |
| Total equity  | 220,572                           | 284,975             |
| Total liabilities, redeemable noncontrolling interests and equity   | <u>\$ 1,398,555</u>               | <u>\$ 1,414,355</u> |

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

**RADIO ONE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

|   | <b>For the Years Ended December 31,</b> |             |             |
|---|---|-------------|-------------|
|   | <b>2014</b>                             | <b>2013</b> | <b>2012</b> |
|   | (In thousands, except share data)       |             |             |
| NET REVENUE   | \$ 441,387                              | \$ 448,700  | \$ 424,573  |
| OPERATING EXPENSES:   |   |             |             |
| Programming and technical   | 141,689                                 | 138,021     | 135,974     |
| Selling, general and administrative, including stock-based compensation of \$137, \$43 and \$67, respectively   | 142,454                                 | 145,261     | 137,843     |
| Corporate selling, general and administrative, including stock-based compensation of \$1,457, \$148, and \$104, respectively                          | 43,257                                  | 39,700      | 40,457      |
| Depreciation and amortization   | 36,822                                  | 37,870      | 38,777      |
| Impairment of long-lived assets   | —                                       | 14,880      | 313         |
| Total operating expenses  | 364,222                                 | 375,732     | 353,364     |
| Operating income  | 77,165                                  | 72,968      | 71,209      |
| INTEREST INCOME   | 366                                     | 245         | 248         |
| INTEREST EXPENSE  | 79,810                                  | 89,196      | 90,797      |
| LOSS ON RETIREMENT OF DEBT  | 5,679                                   | —           | —           |
| OTHER (INCOME) EXPENSE, net   | (32)                                    | (307)       | 1,357       |
| Loss before provision for income taxes, noncontrolling interests in income of subsidiaries and income (loss) from discontinued operations, net of tax | (7,926)                                 | (15,676)    | (20,697)    |
| PROVISION FOR INCOME TAXES  | 34,814                                  | 28,719      | 33,235      |
| Net loss from continuing operations   | (42,740)                                | (44,395)    | (53,932)    |
| INCOME (LOSS) FROM DISCONTINUED OPERATIONS, net of tax  | —                                       | 885         | (184)       |
| CONSOLIDATED NET LOSS   | (42,740)                                | (43,510)    | (54,116)    |
| NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS   | 19,930                                  | 18,471      | 12,749      |
| CONSOLIDATED NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS   | \$ (62,670)                             | \$ (61,981) | \$ (66,865) |
| <b>BASIC AND DILUTED NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS:</b>  |   |             |             |
| Continuing operations   | \$ (1.32)                               | \$ (1.30)   | \$ (1.33)   |
| Discontinued operations   | 0.00                                    | 0.02        | (0.00)      |
| Net loss attributable to common stockholders  | \$ (1.32)                               | \$ (1.28)   | \$ (1.34)*  |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING:</b>   |   |             |             |
| Basic and Diluted   | 47,525,726                              | 48,370,195  | 50,015,252  |

\*Per share amounts do not add due to rounding.

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

**RADIO ONE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

|   | <b>For The Years Ended December 31,</b> |             |             |
|---|---|-------------|-------------|
|   | <b>2014</b>                             | <b>2013</b> | <b>2012</b> |
|   | (In thousands)                          |             |             |
| CONSOLIDATED NET LOSS   | \$ (42,740)                             | \$ (43,510) | \$ (54,116) |
| NET CHANGE IN UNREALIZED GAIN (LOSS) ON INVESTMENT ACTIVITIES       | 98                                      | (111)       | 97          |
| COMPREHENSIVE LOSS  | (42,642)                                | (43,621)    | (54,019)    |
| LESS: COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS | 19,930                                  | 18,471      | 12,749      |
| COMPREHENSIVE LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS              | \$ (62,572)                             | \$ (62,092) | \$ (66,768) |

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

**RADIO ONE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY AND**  
**NONCONTROLLING INTEREST**  
**For The Years Ended December 31, 2012, 2013 and 2014**

|   | Radio One, Inc. Stockholders      |                            |                            |                            |                            |  |                                  |                        |                            |              |
|---|-----------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|--|----------------------------------|------------------------|----------------------------|--------------|
|   | Convertible<br>Preferred<br>Stock | Common<br>Stock<br>Class A | Common<br>Stock<br>Class B | Common<br>Stock<br>Class C | Common<br>Stock<br>Class D | Accumulated<br>Other<br>Comprehensive<br>(Loss) Income | Additional<br>Paid-In<br>Capital | Accumulated<br>Deficit | Noncontrolling<br>Interest | Total Equity |
|   | (In thousands)                    |                            |                            |                            |                            |  |                                  |                        |                            |              |
| BALANCE, as of December 31, 2011  | \$ —                              | \$ 3                       | \$ 3                       | \$ 3                       | \$ 41                      | \$ (199)   | \$ 1,001,840                     | \$ (796,156)           | \$ 205,063                 | \$ 410,598   |
| Consolidated net loss   | —                                 | —                          | —                          | —                          | —                          | —  | —                                | (66,865)               | 13,376                     | (53,489)     |
| Conversion of 12,000 shares of Class A common stock to Class D common stock     | —                                 | —                          | —                          | —                          | —                          | —  | —                                | —                      | —                          | —            |
| Net change in unrealized gain on investment activities, net of taxes            | —                                 | —                          | —                          | —                          | —                          | 97   | —                                | —                      | —                          | 97           |
| Stock-based compensation expense  | —                                 | —                          | —                          | —                          | —                          | —  | 171                              | —                      | —                          | 171          |
| Adjustment of redeemable noncontrolling interests to estimated redemption value | —                                 | —                          | —                          | —                          | —                          | —  | 4,862                            | —                      | —                          | 4,862        |
| Dividends paid to noncontrolling interest                                       | —                                 | —                          | —                          | —                          | —                          | —  | —                                | —                      | (7,741)                    | (7,741)      |
| BALANCE, as of December 31, 2012  | \$ —                              | \$ 3                       | \$ 3                       | \$ 3                       | \$ 41                      | \$ (102)   | \$ 1,006,873                     | \$ (863,021)           | \$ 210,698                 | \$ 354,498   |
| Consolidated net loss   | —                                 | —                          | —                          | —                          | —                          | —  | —                                | (61,981)               | 17,807                     | (44,174)     |
| Net change in unrealized loss on investment activities, net of taxes            | —                                 | —                          | —                          | —                          | —                          | (111)  | —                                | —                      | —                          | (111)        |
| Stock-based compensation expense  | —                                 | —                          | —                          | —                          | —                          | —  | 191                              | —                      | —                          | 191          |
| Repurchase of 32,669 shares of Class A common stock                             | —                                 | —                          | —                          | —                          | —                          | —  | (71)                             | —                      | —                          | (71)         |
| Repurchase of 2,630,574 shares of Class D common stock                          | —                                 | —                          | —                          | —                          | (2)                        | —  | (5,396)                          | —                      | —                          | (5,398)      |
| Adjustment of redeemable noncontrolling interests to estimated redemption value | —                                 | —                          | —                          | —                          | —                          | —  | 1,519                            | —                      | —                          | 1,519        |
| Dividends paid to noncontrolling interest                                       | —                                 | —                          | —                          | —                          | —                          | —  | —                                | —                      | (21,479)                   | (21,479)     |
| BALANCE, as of December 31, 2013  | \$ —                              | \$ 3                       | \$ 3                       | \$ 3                       | \$ 39                      | \$ (213)   | \$ 1,003,116                     | \$ (925,002)           | \$ 207,026                 | \$ 284,975   |
| Consolidated net loss   | —                                 | —                          | —                          | —                          | —                          | —  | —                                | (62,670)               | 19,291                     | (43,379)     |
| Net change in unrealized gain on investment activities, net of taxes            | —                                 | —                          | —                          | —                          | —                          | 98   | —                                | —                      | —                          | 98           |
| Stock-based compensation expense  | —                                 | —                          | —                          | —                          | 2                          | —  | 1,592                            | —                      | —                          | 1,594        |
| Conversion of 324,482 shares of Class A common stock to Class D common stock    | —                                 | (1)                        | —                          | —                          | 1                          | —  | —                                | —                      | —                          | —            |
| Conversion of 192,142 shares of Class C common stock to Class D common stock    | —                                 | —                          | —                          | —                          | —                          | —  | —                                | —                      | —                          | —            |
| Adjustment of redeemable noncontrolling interests to estimated redemption value | —                                 | —                          | —                          | —                          | —                          | —  | 1,802                            | —                      | —                          | 1,802        |
| Exercise of options for 92,040 shares of common stock                           | —                                 | —                          | —                          | —                          | —                          | —  | 125                              | —                      | —                          | 125          |
| Dividends paid to noncontrolling interest                                       | —                                 | —                          | —                          | —                          | —                          | —  | —                                | —                      | (24,643)                   | (24,643)     |
| BALANCE, as of December 31, 2014  | \$ —                              | \$ 2                       | \$ 3                       | \$ 3                       | \$ 42                      | \$ (115)   | \$ 1,006,635                     | \$ (987,672)           | \$ 201,674                 | \$ 220,572   |

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



**RADIO ONE, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

|   | <b>For the Years Ended December 31,</b> |                         |                         |
|---|---|-------------------------|-------------------------|
|   | <b>2014</b>                             | <b>2013</b>             | <b>2012</b>             |
|   | <b>(In thousands)</b>                   |                         |                         |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |   |                         |                         |
| Consolidated net loss   | \$ (42,740)                             | \$ (43,510)             | \$ (54,116)             |
| Adjustments to reconcile consolidated net loss to net cash from operating activities:         |   |                         |                         |
| Depreciation and amortization   | 36,822                                  | 37,870                  | 38,777                  |
| Amortization of debt financing costs  | 4,623                                   | 5,347                   | 3,073                   |
| Amortization of content assets  | 47,086                                  | 50,412                  | 47,328                  |
| Amortization of launch assets   | 9,913                                   | 9,967                   | 9,961                   |
| Deferred income taxes   | 34,256                                  | 27,308                  | 34,728                  |
| Impairment of long-lived assets   | —                                       | 14,880                  | 313                     |
| Stock-based compensation  | 1,594                                   | 191                     | 171                     |
| Non-cash interest   | —                                       | —                       | 15,089                  |
| Loss on retirement of debt  | 5,679                                   | —                       | —                       |
| Effect of change in operating assets and liabilities, net of assets acquired and disposed of: |   |                         |                         |
| Trade accounts receivable   | 1,897                                   | (16,340)                | 1,931                   |
| Prepaid expenses and other assets   | (1,426)                                 | (1,482)                 | 1,300                   |
| Other assets  | 943                                     | 145                     | 340                     |
| Accounts payable  | (691)                                   | 1,859                   | (216)                   |
| Accrued interest  | 6,395                                   | (18)                    | (854)                   |
| Accrued compensation and related benefits   | (5,226)                                 | 2,790                   | 184                     |
| Income taxes payable  | (572)                                   | 893                     | (1,794)                 |
| Other liabilities   | 1,123                                   | 150                     | 4,363                   |
| Payments for content assets   | (45,756)                                | (52,596)                | (54,984)                |
| Net cash flows used in operating activities from discontinued operations                      | —                                       | (837)                   | (147)                   |
| Net cash flows provided by operating activities   | <u>53,920</u>                           | <u>37,029</u>           | <u>45,447</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |   |                         |                         |
| Purchases of property and equipment   | (5,537)                                 | (9,194)                 | (12,485)                |
| Purchase of Reach Media shares  | —                                       | —                       | (2,000)                 |
| Payment of launch support   | —                                       | —                       | (54)                    |
| Proceeds from sale of assets held for sale  | 225                                     | —                       | —                       |
| Proceeds from sales of investment securities  | 482                                     | 1,665                   | 9,122                   |
| Purchases of investment securities  | (930)                                   | (2,544)                 | (2,627)                 |
| Purchase of intangible assets   | (200)                                   | —                       | —                       |
| Proceeds from sale of discontinued operations   | —                                       | 4,000                   | —                       |
| Cash paid for acquisitions  | (9,140)                                 | —                       | —                       |
| Net cash flows used in investing activities   | <u>(15,100)</u>                         | <u>(6,073)</u>          | <u>(8,044)</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |   |                         |                         |
| Proceeds from debt issuance   | 335,000                                 | —                       | —                       |
| Debt refinancing and modification costs   | (4,685)                                 | —                       | (2,557)                 |
| Premium paid on repayment of senior subordinated notes  | (1,554)                                 | —                       | —                       |
| Payment of dividends to noncontrolling interest members of TV One                             | (24,643)                                | (21,479)                | (7,741)                 |
| Repayment of senior subordinated notes  | (327,034)                               | (747)                   | —                       |
| Repayment of credit facility  | (4,924)                                 | (3,840)                 | (5,789)                 |
| Proceeds from exercise of stock options   | 125                                     | —                       | —                       |
| Repurchase of common stock  | —                                       | (5,469)                 | —                       |
| Net cash flows used in financing activities   | <u>(27,715)</u>                         | <u>(31,535)</u>         | <u>(16,087)</u>         |
| <b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                       | <b>11,105</b>                           | <b>(579)</b>            | <b>21,316</b>           |
| <b>CASH AND CASH EQUIVALENTS, beginning of year</b>   | <b>56,676</b>                           | <b>57,255</b>           | <b>35,939</b>           |
| <b>CASH AND CASH EQUIVALENTS, end of year</b>   | <b><u>\$ 67,781</u></b>                 | <b><u>\$ 56,676</u></b> | <b><u>\$ 57,255</u></b> |
| <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>                                      |   |                         |                         |
| Cash paid for:  |   |                         |                         |
| Interest  | <u>\$ 68,536</u>                        | <u>\$ 83,612</u>        | <u>\$ 73,307</u>        |
| Income taxes  | <u>\$ 1,016</u>                         | <u>\$ 513</u>           | <u>\$ 805</u>           |

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

**RADIO ONE, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2014, 2013 and 2012**

**1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**(a) Organization**

Radio One, Inc., a Delaware corporation, and its subsidiaries (collectively, "Radio One," the "Company", "we" and/or "us") is an urban-oriented, multi-media company that primarily targets African-American and urban consumers. Our core business is our radio broadcasting franchise that is the largest radio broadcasting operation that primarily targets African-American and urban listeners. We currently own and/or operate 54 broadcast stations located in 16 urban markets in the United States. While our primary source of revenue is the sale of local and national advertising for broadcast on our radio stations, our strategy is to operate the premier multi-media entertainment and information content provider targeting African-American and urban consumers. Thus, we have diversified our revenue streams by making acquisitions and investments in other complementary media properties. Our other media interests include our approximately 52.1% controlling ownership interest in TV One, an African-American targeted cable television network that we own together with an affiliate of Comcast; our 80.0% controlling ownership interest in Reach Media, which operates the Tom Joyner Morning Show and our other syndicated programming assets, including the Rickey Smiley Morning Show, the Yolanda Adams Morning Show, the Russ Parr Morning Show and the DL Hughley Show. In December 2014, we acquired certain assets of GG Digital, Inc., including the website and brand Global Grind ("Global Grind"). The Global Grind website and brand will be integrated into Interactive One, our wholly owned online platform serving the African-American community through social content, news, information, and entertainment websites, including News One, TheUrbanDaily and HelloBeautiful, and online social networking websites, including BlackPlanet and MiGente. In May 2014, the Company agreed to invest in MGM's development of a world-class casino property, MGM National Harbor, located in Prince George's County, Maryland. Upon completion of the project, currently anticipated to be in the second half of 2016, this investment will further diversify our platform in the entertainment industry while still focusing on our core demographic.

As part of our consolidated financial statements, consistent with our financial reporting structure and how the Company currently manages its businesses, we have provided selected financial information on the Company's four reportable segments: (i) radio broadcasting; (ii) Reach Media; (iii) internet; and (iv) cable television. (See Note 16 – *Segment Information*.)

**(b) Basis of Presentation**

The consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States and require management to make certain estimates and assumptions. These estimates and assumptions may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements. The Company bases these estimates on historical experience, current economic environment or various other assumptions that are believed to be reasonable under the circumstances. However, continuing economic uncertainty and any disruption in financial markets increase the possibility that actual results may differ from these estimates.

**(c) Principles of Consolidation**

The consolidated financial statements include the accounts and operations of Radio One and subsidiaries in which Radio One has a controlling financial interest, which is generally determined when the Company holds a majority voting interest. All significant intercompany accounts and transactions have been eliminated in consolidation. Noncontrolling interests have been recognized where a controlling interest exists, but the Company owns less than 100% of the controlled entity.

**(d) Cash and Cash Equivalents**

Cash and cash equivalents consist of cash, repurchase agreements and money market funds at various commercial banks that have original maturities of 90 days or less. Investments with contractual maturities of 90 days or less from the date of original purchase are classified as cash and cash equivalents. For cash and cash equivalents, cost approximates fair value.

**(e) Trade Accounts Receivable**

Trade accounts receivable are recorded at the invoiced amount. The allowance for doubtful accounts is the Company's estimate of the amount of probable losses in the Company's existing accounts receivable portfolio. The Company determines the allowance based on the aging of the receivables, the impact of economic conditions on the advertisers' ability to pay and other factors. Inactive delinquent accounts that are past due beyond a certain amount of days are written off and often pursued by other collection efforts. Bankruptcy accounts are immediately written off upon receipt of the bankruptcy notice from the courts.

**(f) Goodwill and Radio Broadcasting Licenses**

In connection with past acquisitions, a significant amount of the purchase price was allocated to radio broadcasting licenses, goodwill and other intangible assets. Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible net assets acquired. In accordance with Accounting Standards Codification ("ASC") 350, "*Intangibles - Goodwill and Other*," goodwill and radio broadcasting licenses are not amortized, but are tested annually for impairment at the reporting unit level and unit of accounting level, respectively. We test for impairment annually, on October 1 of each year, or more frequently when events or changes in circumstances or other conditions suggest impairment may have occurred. Impairment exists when the asset carrying values exceed their respective fair values, and the excess is then recorded to operations as an impairment charge. With the assistance of a third-party valuation firm, we test for radio broadcasting license impairment at the unit of accounting level using the income approach, which involves, but is not limited to, judgmental estimates and assumptions about projected revenue growth, future operating margins, discount rates and terminal values. In testing for goodwill impairment, we follow a two-step approach, also relying primarily on the income approach that first estimates the fair value of the reporting unit. If the carrying value of the reporting unit exceeds its fair value, we then determine the implied goodwill after allocating the reporting unit's fair value of assets and liabilities in accordance with ASC 805-10, "*Business Combinations*." Any excess of carrying value of the reporting unit's goodwill balance over its respective implied goodwill is written off as a charge to operations. We then perform a market-based analysis by comparing the average implied multiple arrived at based on our cash flow projections and estimated fair values to multiples for actual recently completed sale transactions and by comparing the total of the estimated fair values of our reporting units to the market capitalization of the Company.

**(g) Impairment of Long-Lived Assets, Excluding Goodwill and Radio Broadcasting Licenses**

The Company accounts for the impairment of long-lived intangible assets, excluding goodwill and radio broadcasting licenses, in accordance with ASC 360, "*Property, Plant and Equipment*." Long-lived intangible assets, excluding goodwill and radio broadcasting licenses, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or group of assets may not be fully recoverable. These events or changes in circumstances may include a significant deterioration in operating results, changes in business plans, or changes in anticipated future cash flows. If an impairment indicator is present, the Company evaluates recoverability by a comparison of the carrying amount of the asset or group of assets to future undiscounted net cash flows expected to be generated by the asset or group of assets. Assets are grouped at the lowest levels for which there are identifiable cash flows that are largely independent of the cash flows generated by other asset groups. If the assets are impaired, the impairment recognized is measured by the amount by which the carrying amount exceeds the fair value of the asset or group of assets. Fair value is generally determined by estimates of discounted future cash flows. The discount rate used in any estimate of discounted cash flows would be the rate of return for a similar investment of like risk. The Company reviewed these long-lived assets during 2014 and 2013 and concluded that no impairment to the carrying value of these assets was required.

**(h) Financial Instruments**

Financial instruments as of December 31, 2014 and 2013, consisted of cash and cash equivalents, investments, trade accounts receivable, long-term debt and redeemable noncontrolling interests. The carrying amounts approximated fair value for each of these financial instruments as of December 31, 2014 and 2013, except for the Company's outstanding senior subordinated notes. Our new 9.25% Senior Subordinated Notes that are due in February 2020 (the "2020 Notes") had a carrying value of approximately \$335.0 million and fair value of approximately \$294.8 million as of December 31, 2014. The fair values of the 2020 Notes, classified as Level 2 instruments, were determined based on the trading values of these instruments in an inactive market as of the reporting date. The 12.5%/15% Senior Subordinated Notes which were due May 2016, but repurchased or redeemed in full in the first quarter of 2014, had a carrying value of approximately \$327.0 million and a fair value of approximately \$328.7 million as of December 31, 2013. The fair values of the Senior Subordinated Notes, classified as Level 2 instruments, were determined based on the trading values of these instruments in an inactive market as of the reporting date. The Company's 10% Senior Secured TV One Notes due March 2016 (as further described in Note 10 – *Long-Term Debt*) are classified as Level 3 since they are not market traded financial instruments.

**(i) Derivative Financial Instruments**

The Company recognizes all derivatives at fair value in the consolidated balance sheet as either an asset or liability. The accounting for changes in the fair value of a derivative, including certain derivative instruments embedded in other contracts, depends on the intended use of the derivative and the resulting designation. If the derivative is designated as a fair value hedge, the changes in the fair value of the derivative and the hedged item are recognized in the statement of operations. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in other comprehensive income and are recognized in the statement of operations when the hedged item affects net income. If a derivative does not qualify as a hedge, it is marked to fair value through the statement of operations. (See Note 9 – *Derivative Instruments*.)

**(j) Revenue Recognition**

Within our radio broadcasting and Reach Media segments, the Company recognizes revenue for broadcast advertising when a commercial is broadcast and is reported, net of agency and outside sales representative commissions, in accordance with Accounting Standards Codification ("ASC") 605, "*Revenue Recognition*." Agency and outside sales representative commissions are calculated based on a stated percentage applied to gross billing. Generally, clients remit the gross billing amount to the agency or outside sales representative, and the agency or outside sales representative remits the gross billing, less their commission, to the Company. For our radio broadcasting segment, agency and outside sales representative commissions were approximately \$30.8 million, \$32.4 million and \$35.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Interactive One generates the majority of the Company's internet revenue, and derives such revenue principally from advertising services on non-radio station branded websites, including advertising aimed at diversity recruiting, and studio services, where Interactive One provides services to other publishers. Advertising services include the sale of banner and sponsorship advertisements. Advertising revenue is recognized either as impressions (the number of times advertisements appear in viewed pages) are delivered, when "click through" purchases are made or leads are generated, or ratably over the contract period, where applicable. In addition, Interactive One derives revenue from its studio operations, which provide top-tier third-party clients with digital platforms and expertise. In the case of the studio operations, revenue is recognized primarily based on fixed contractual monthly fees or as a share of the third party's reported revenue.

TV One derives advertising revenue from the sale of television air time to advertisers and recognizes revenue when the advertisements are run. TV One also derives affiliate fees under the terms of various affiliation agreements based on the most recent subscriber counts reported by the applicable affiliate. For our cable television segment, agency and outside sales representative commissions were approximately \$14.4 million, \$13.9 million and \$11.6 million for the years ended December 31, 2014, 2013 and 2012, respectively.

**(k) Launch Support**

TV One has entered into certain affiliate agreements requiring various payments by TV One for launch support. Launch support assets are used to initiate carriage under new affiliation agreements and are amortized over the term of the respective contracts. Amortization is recorded as a reduction to revenue to the extent that revenue is recognized from the vendor, and any excess amortization is recorded as launch support amortization expense. The weighted-average amortization period for launch support was approximately 10.9 years as of each of December 31, 2014, and 2013. The remaining weighted-average amortization period for launch support is 0.9 years and 1.4 years as of December 31, 2014, and 2013, respectively. For the years ended December 31, 2014 and 2013, launch support asset amortization of approximately \$9.9 million and \$10.0 million, respectively, was recorded as a reduction of revenue.

The gross value and accumulated amortization of the launch assets is as follows:

|                                | As of December 31, |                  |
|--------------------------------|--------------------|------------------|
|                                | 2014               | 2013             |
| (In thousands)                 |                    |                  |
| Launch assets                  | \$ 39,597          | \$ 39,597        |
| Less: Accumulated amortization | (36,957)           | (27,034)         |
| Launch assets, net             | <u>\$ 2,640</u>    | <u>\$ 12,563</u> |

Future estimated launch support amortization expense or revenue reduction related to launch assets for years 2015 through 2016 is as follows:

|      | (In thousands) |       |
|------|----------------|-------|
| 2015 | \$             | 2,610 |
| 2016 | \$             | 30    |

**(l) Barter Transactions**

The Company provides broadcast advertising time in exchange for programming content and certain services and accounts for these exchanges in accordance with ASC 605, "Revenue Recognition." The terms of these exchanges generally permit the Company to preempt such broadcast time in favor of advertisers who purchase time in exchange for cash. The Company includes the value of such exchanges in both broadcasting net revenue and station operating expenses. The valuation of barter time is based upon the fair value of the network advertising time provided for the programming content and services received. For the years ended December 31, 2014, 2013 and 2012, barter transaction revenues were approximately \$3.2 million, \$2.6 million and \$3.0 million, respectively. Additionally, barter transaction costs were reflected in programming and technical expenses and selling, general and administrative expenses of approximately \$3.1 million, \$2.4 million and \$2.7 million, and \$162,000, \$169,000 and \$308,000, for the years ended December 31, 2014, 2013 and 2012, respectively.

**(m) Network Affiliation Agreements**

The Company has network affiliation agreements classified as Other Intangible Assets. These agreements are amortized over their useful lives. Losses on contract terminations are determined based on the specific terms of each contract in accordance with ASC 920-350, "Entertainment Broadcasters." (See Note 5 — Goodwill, Radio Broadcasting Licenses and Other Intangible Assets.)

**(n) Advertising and Promotions**

The Company expenses advertising and promotional costs as incurred. Total advertising and promotional expenses for continuing operations, for the years ended December 31, 2014, 2013 and 2012, were approximately \$16.9 million, \$17.4 million and \$13.1 million, respectively. Advertising and promotional expenses related to discontinued operations were not significant.

**(o) Income Taxes**

The Company accounts for income taxes in accordance with ASC 740, "Income Taxes." Under ASC 740, deferred tax assets or liabilities are computed based upon the difference between financial statement and income tax bases of assets and liabilities using the enacted marginal tax rate. The Company has provided a valuation allowance on its net deferred tax assets where it is more likely than not such assets will not be realized. The Company maintains certain deferred tax liabilities that cannot be used to offset deferred tax assets and, therefore, does not consider these attributes in evaluating the realizability of its deferred tax assets. Deferred income tax expense or benefits are based upon the changes in the asset or liability from period to period.

**(p) Stock-Based Compensation**

The Company accounts for stock-based compensation for stock options and restricted stock grants in accordance with ASC 718, “*Compensation - Stock Compensation*.” Under the provisions of ASC 718, stock-based compensation cost for stock options is estimated at the grant date based on the award’s fair value as calculated by the Black-Scholes (“BSM”) valuation option-pricing model and is recognized as expense ratably over the requisite service period. The BSM incorporates various highly subjective assumptions including expected stock price volatility, for which historical data is heavily relied upon, expected life of options granted, forfeiture rates and interest rates. Compensation expense for restricted stock grants is measured based on the fair value on the date of grant less estimated forfeitures. Compensation expense for restricted stock grants is recognized ratably during the vesting period. (See Note 12 – *Stockholders’ Equity*.)

**(q) Segment Reporting and Major Customers**

In accordance with ASC 280, “*Segment Reporting*,” and given its diversification strategy, the Company has determined it has four reportable segments: (i) radio broadcasting; (ii) Reach Media; (iii) internet; and (iv) cable television. These four segments operate in the United States and are consistently aligned with the Company’s management of its businesses and its financial reporting structure.

The radio broadcasting segment consists of all radio broadcast results of operations. The Reach Media segment consists of the results of operations for the Tom Joyner Morning Show and related activities in addition to other syndicated radio shows including the Rickey Smiley Morning Show, the Yolanda Adams Morning Show, the Russ Parr Morning Show and the DL Hughley Show. The internet segment includes the results of our online business. The cable television segment consists of TV One’s results of operations. Corporate/Eliminations/Other represents financial activity associated with our corporate staff and offices and intercompany activity among the four segments. Intercompany revenue earned and expenses charged between segments are recorded at fair value and eliminated in consolidation.

No single customer accounted for over 10% of our consolidated net revenues during the years ended December 31, 2014, 2013 and 2012.

**(r) Earnings Per Share**

Basic earnings per share is computed on the basis of the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed on the basis of the weighted average number of shares of common stock plus the effect of potential dilutive common shares outstanding during the period using the treasury stock method.

The Company’s potentially dilutive securities include stock options and unvested restricted stock. Diluted earnings per share considers the impact of potentially dilutive securities except in periods in which there is a net loss, as the inclusion of the potentially dilutive common shares would have an anti-dilutive effect.

**(s) Discontinued Operations**

For those businesses where management has committed to a plan to divest or discontinue operations, and for which disposition is probable within the next 12 months, each business is valued at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value, a loss is recognized. The fair values are estimated using accepted valuation techniques such as a discounted cash flow model, valuations performed by third parties, earnings multiples, or indicative bids, when available. A number of significant estimates and assumptions are involved in the application of these techniques, including the forecasting of markets and market share, revenues, costs and expenses, and multiple other factors. Management considers historical experience and all available information at the time the estimates are made. However, the fair values that are ultimately realized upon the sale of the businesses to be divested may differ from the estimated fair values reflected in the consolidated financial statements.

Businesses to be divested or operationally cease are classified in the consolidated financial statements as discontinued operations. For businesses classified as discontinued operations, the balance sheet amounts and statement of operations results are reclassified from their historical presentation to assets and liabilities of discontinued operations on the consolidated balance sheets and to discontinued operations in the consolidated statements of operations for all periods presented. The gains or losses associated with these divested or ceased businesses are recorded in income or loss from discontinued operations on the consolidated statements of operations. The consolidated statements of cash flows are also reclassified for discontinued operations for all periods presented. For businesses reclassified as discontinued, management does not expect any continuing involvement with these businesses after the disposition of these businesses.

**(t) Fair Value Measurements**

We report our financial and non-financial assets and liabilities measured at fair value on a recurring and non-recurring basis under the provisions of ASC 820, "Fair Value Measurements and Disclosures." ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

*Level 1:* Inputs are unadjusted quoted prices in active markets for identical assets and liabilities that can be accessed at the measurement date.

*Level 2:* Observable inputs other than those included in Level 1 (i.e., quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets).

*Level 3:* Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value instrument.

As of December 31, 2014 and 2013, the fair values of our financial assets and liabilities measured at fair value on a recurring basis are categorized as follows:

|  | <u>Total</u>     | <u>Level 1</u>  | <u>Level 2</u> | <u>Level 3</u>   |
|--|------------------|-----------------|----------------|------------------|
|  | (In thousands)   |                 |                |                  |
| <b>As of December 31, 2014</b>                                 |                  |                 |                |                  |
| Assets subject to fair value measurement:                      |                  |                 |                |                  |
| Corporate debt securities (a)                                  | \$ 805           | \$ 805          | \$ —           | \$ —             |
| Government sponsored enterprise mortgage-backed securities (a) | 102              | —               | 102            | —                |
| Mutual funds (a)   | 2,004            | 2,004           | —              | —                |
| Total  | <u>\$ 2,911</u>  | <u>\$ 2,809</u> | <u>\$ 102</u>  | <u>\$ —</u>      |
| Liabilities subject to fair value measurement:                 |                  |                 |                |                  |
| Incentive award plan (b)                                       | \$ 1,044         | \$ —            | \$ —           | \$ 1,044         |
| Employment agreement award (c)                                 | 17,993           | —               | —              | 17,993           |
| Total  | <u>\$ 19,037</u> | <u>\$ —</u>     | <u>\$ —</u>    | <u>\$ 19,037</u> |
| Mezzanine equity subject to fair value measurement:            |                  |                 |                |                  |
| Redeemable noncontrolling interests (d)                        | <u>\$ 10,836</u> | <u>\$ —</u>     | <u>\$ —</u>    | <u>\$ 10,836</u> |
| <b>As of December 31, 2013</b>                                 |                  |                 |                |                  |
| Assets subject to fair value measurement:                      |                  |                 |                |                  |
| Corporate debt securities (a)                                  | \$ 147           | \$ 147          | \$ —           | \$ —             |
| Mutual funds (a)   | 2,315            | 2,315           | —              | —                |
| Total  | <u>\$ 2,462</u>  | <u>\$ 2,462</u> | <u>\$ —</u>    | <u>\$ —</u>      |
| Liabilities subject to fair value measurement:                 |                  |                 |                |                  |
| Incentive award plan (b)                                       | \$ 2,114         | \$ —            | \$ —           | \$ 2,114         |
| Employment agreement award (c)                                 | 13,688           | —               | —              | 13,688           |
| Total  | <u>\$ 15,802</u> | <u>\$ —</u>     | <u>\$ —</u>    | <u>\$ 15,802</u> |
| Mezzanine equity subject to fair value measurement:            |                  |                 |                |                  |
| Redeemable noncontrolling interests (d)                        | <u>\$ 11,999</u> | <u>\$ —</u>     | <u>\$ —</u>    | <u>\$ 11,999</u> |

(a) Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, fair values are estimated using pricing models, quoted prices of securities with similar characteristics or discounted cash flows.

(b) These balances are measured based on the estimated enterprise fair value of TV One. Significant inputs to the discounted cash flow analysis include forecasted operating results, discount rate and a terminal value. A third-party valuation firm assisted the Company in estimating TV One's fair value.

(c) Pursuant to an employment agreement (the "Employment Agreement") executed in April 2008, the Chief Executive Officer ("CEO") is eligible to receive an award amount equal to 8% of any proceeds from distributions or other liquidity events in excess of the return of the Company's aggregate investment in TV One. The Company reviews the factors underlying this award at the end of each quarter including the valuation of TV One. There are probability factors included in the calculation of the award related to the likelihood that the award will be realized. The Company's obligation to pay the award will be triggered only after the Company's recovery of the aggregate amount of its capital contribution in TV One and only upon actual receipt of distributions of cash or marketable securities or proceeds from a liquidity event with respect to the Company's membership interest in TV One. The CEO was fully vested in the award upon execution of the Employment Agreement, and the award lapses if the CEO voluntarily leaves the Company or is terminated for cause. A third-party valuation firm assisted the Company in estimating TV One's fair value. Significant inputs to the discounted cash flow analysis include forecasted operating results, discount rate and a terminal value. As noted in our current report on Form 8-K filed October 6, 2014, the Compensation Committee of the Board of Directors of the Company has approved terms for a new employment agreement with the CEO, including a renewal of the TV One Award upon similar terms as in the prior Employment Agreement. While a new Employment Agreement has not been executed as of the date of this report, the CEO is being compensated according to the new terms approved by the Compensation Committee.

(d) The redeemable noncontrolling interest in Reach Media is measured at fair value using a discounted cash flow methodology. A third-party valuation firm assisted the Company in estimating the fair value. Significant inputs to the discounted cash flow analysis include forecasted operating results, discount rate and a terminal value.

There were no transfers in or out of Level 1, 2, or 3 during the year ended December 31, 2014. The following table presents the changes in Level 3 liabilities measured at fair value on a recurring basis for the years ended December 31, 2013 and 2014:

|  | <u>Incentive<br/>Award Plan</u> | <u>Employment<br/>Agreement<br/>Award</u> | <u>Redeemable<br/>Noncontrolling<br/>Interests</u> |
|--|---------------------------------|---|--|
|  | (In thousands)                  |   |  |
| Balance at December 31, 2012   | \$ 5,345                        | \$ 11,374                                 | \$ 12,853  |
| Net income attributable to noncontrolling interests  | —                               | —   | 665  |
| Distribution   | (3,219)                         | —   | —  |
| Change in fair value   | (12)                            | 2,314                                     | (1,519)  |
| Balance at December 31, 2013   | <u>\$ 2,114</u>                 | <u>\$ 13,688</u>                          | <u>\$ 11,999</u>                                   |
| Net income attributable to noncontrolling interests  | —                               | —   | 639  |
| Distribution   | (1,370)                         | —   | —  |
| Change in fair value   | 300                             | 4,305                                     | (1,802)  |
| Balance at December 31, 2014   | <u><u>\$ 1,044</u></u>          | <u><u>\$ 17,993</u></u>                   | <u><u>\$ 10,836</u></u>                            |
| The amount of total losses for the period included in earnings attributable to the change in unrealized losses relating to assets and liabilities still held at the reporting date | <u><u>\$ (300)</u></u>          | <u><u>\$ (4,305)</u></u>                  | <u><u>\$ —</u></u>                                 |



Losses included in earnings were recorded in the consolidated statement of operations as corporate selling, general and administrative expenses for the years ended December 31, 2014 and 2013.

For Level 3 assets and liabilities measured at fair value on a recurring basis, the significant unobservable inputs used in the fair value measurements were as follows:

| Level 3 liabilities                | Valuation Technique  | Significant Unobservable Inputs | As of                                | As of                                |
|------------------------------------|----------------------|---------------------------------|--------------------------------------|--------------------------------------|
|                                    |                      |                                 | December 31, 2014                    | December 31, 2013                    |
|                                    |                      |                                 | Significant Unobservable Input Value | Significant Unobservable Input Value |
| Incentive award plan               | Discounted Cash Flow | Discount Rate                   | 10.4%                                | 10.8%                                |
| Incentive award plan               | Discounted Cash Flow | Long-term Growth Rate           | 3.0%                                 | 3.0%                                 |
| Employment agreement award         | Discounted Cash Flow | Discount Rate                   | 10.4%                                | 10.8%                                |
| Employment agreement award         | Discounted Cash Flow | Long-term Growth Rate           | 3.0%                                 | 3.0%                                 |
| Redeemable noncontrolling interest | Discounted Cash Flow | Discount Rate                   | 12.0%                                | 12.5%                                |
| Redeemable noncontrolling interest | Discounted Cash Flow | Long-term Growth Rate           | 1.5%                                 | 1.5%                                 |

Any significant increases or decreases in discount rate or long-term growth rate inputs could result in significantly higher or lower fair value measurements.

Certain assets and liabilities are measured at fair value on a non-recurring basis using Level 3 inputs as defined in ASC 820. These assets are not measured at fair value on an ongoing basis but are subject to fair value adjustments only in certain circumstances. Included in this category are goodwill, radio broadcasting licenses and other intangible assets, net, that are written down to fair value when they are determined to be impaired, as well as content assets that are periodically written down to net realizable value. The Company concluded that these assets were not impaired at December 31, 2014 and December 31, 2013, and, therefore, were reported at carrying value as opposed to fair value.

As of December 31, 2014, the total recorded carrying values of goodwill and radio broadcasting licenses were approximately \$275.4 million and \$666.8 million, respectively. Pursuant to ASC 350, "Intangibles – Goodwill and Other," for the year ended December 31, 2013, the Company recorded impairment charges totaling approximately \$14.9 million related to our Boston, Philadelphia, Cincinnati and Cleveland radio broadcasting licenses. For the year ended December 31, 2012, the Company recorded an impairment charge of \$313,000. A description of the Level 3 inputs and the information used to develop the inputs is discussed in Note 5 — *Goodwill, Radio Broadcasting Licenses and Other Intangible Assets*.

**(u) Software and Web Development Costs**

The Company capitalizes direct internal and external costs incurred to develop internal-use computer software during the application development stage pursuant to ASC 350-40, "Intangibles – Goodwill and Other." Internal-use software is amortized under the straight-line method using an estimated life of three years. All web development costs incurred in connection with operating our websites are accounted for under the provisions of ASC 350-40 and ASC 350-50, *Website Development Costs*, unless a plan exists or is being developed to market the software externally. The Company has no plans to market software externally.

**(v) Redeemable noncontrolling interests**

Redeemable noncontrolling interests are interests in subsidiaries that are redeemable outside of the Company's control either for cash or other assets. These interests are classified as mezzanine equity and measured at the greater of estimated redemption value at the end of each reporting period or the historical cost basis of the noncontrolling interests adjusted for cumulative earnings allocations. The resulting increases or decreases in the estimated redemption amount are affected by corresponding charges against retained earnings, or in the absence of retained earnings, additional paid-in-capital.

**(w) Investments**

*Investment Securities*

Investments consist primarily of corporate fixed maturity securities and mutual funds.

Investments with original maturities in excess of three months and less than one year are classified as short-term investments. Long-term investments have original maturities in excess of one year.

Debt securities are classified as "available-for-sale" and reported at fair value. Investments in available-for-sale fixed maturity securities are classified as either current or noncurrent assets based on their contractual maturities. Fixed maturity securities are carried at estimated fair value based on quoted market prices for the same or similar instruments. Investment income is recognized when earned and reported net of investment expenses. Unrealized gains and losses are excluded from earnings and are reported as a separate component of accumulated other comprehensive income (loss) until realized, unless the losses are deemed to be other than temporary. Realized gains or losses, including any provision for other-than-temporary declines in value, are included in the statements of operations. For purposes of computing realized gains and losses, the specific-identification method of determining cost was used.

*Evaluating Investments for Other than Temporary Impairments*

The Company periodically performs evaluations, on a lot-by-lot and security-by-security basis, of its investment holdings in accordance with its impairment policy to evaluate whether any declines in the fair value of investments are other than temporary. This evaluation consists of a review of several factors, including but not limited to: length of time and extent that a security has been in an unrealized loss position, the existence of an event that would impair the issuer's future earnings potential, and the near-term prospects for recovery of the market value of a security. Any credit-related impairment of fixed maturity securities that the Company does not intend to sell, and is not likely to be required to sell, is recognized in the consolidated statements of operations, with the noncredit-related impairment recognized in accumulated other comprehensive income (loss).

The Company believes that it has adequately reviewed its investment securities for other than temporary impairment ("OTTI") and that its investment securities are carried at fair value. However, over time, the economic and market environment (including any ratings change for any such securities, including US treasuries and corporate bonds) may provide additional insight regarding the fair value of certain securities, which could change management's judgment regarding OTTI. This could result in realized losses relating to other than temporary declines being charged against future income. Given the judgments involved, there is a continuing risk that declines in fair value may occur and material OTTI may be recorded in future periods.

**(x) Content Assets**

TV One has entered into contracts to acquire entertainment programming rights and programs from distributors and producers. The Company also has programming for which the Company has engaged third parties to develop and produce, and it owns most or all rights. The license periods granted in these contracts generally run from one year to perpetuity. Contract payments are made in installments over terms that are generally shorter than the contract period. Each contract is recorded as an asset and a liability at an amount equal to its gross contractual commitment when the license period begins and the program is available for its first airing.

Program rights are recorded at the lower of amortized cost or estimated net realizable value. Program rights are amortized based on the greater of the anticipated usage of the program or term of license. Estimated net realizable values are based on the estimated revenues directly associated with the program materials and related expenses. The Company recorded additional amortization expense of \$58,000 and approximately \$6.2 million as a result of evaluating its contracts for recoverability for the years ended December 31, 2014 and 2013, respectively. All produced and licensed content is classified as a long-term asset, except for the portion of the unamortized content balance that is expected to be amortized within one year which is classified as a current asset.

Tax incentives state and local governments offer that are directly measured based on production activities are recorded as reductions in production costs.

**(y) Impact of Recently Issued Accounting Pronouncements**

In July 2012, the FASB issued Accounting Standards Update (“ASU”) 2012-02, which provides companies the option to perform a qualitative assessment to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired rather than calculating the fair value of the indefinite-lived intangible asset. ASU 2012-02 is effective prospectively for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted. The Company adopted this guidance on January 1, 2013, and elected to not apply the qualitative assessment as allowed by ASU 2012-02.

In February 2013, the FASB issued ASU 2013-02, “*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*,” which adds new disclosure requirements for items reclassified out of accumulated other comprehensive income. ASU 2013-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The Company adopted this guidance on January 1, 2013, and it did not have a significant impact on the Company’s financial statements.

In July 2013, the FASB issued ASU 2013-11, “*Income Taxes (Topic 740) Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*,” which adds new disclosure requirements for taxes. ASU 2013-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The adoption of this guidance did not have a material impact on the Company’s financial statements.

In April 2014, the FASB issued ASU No. 2014-08, “*Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360)—Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*” (“ASU No. 2014-08”). ASU No. 2014-08 changes the requirements for reporting discontinued operations. Under ASU No. 2014-08, only disposals representing a strategic shift in operations and having a major effect on the entity’s operations and financial results should be presented as discontinued operations. Additionally, ASU No. 2014-08 requires expanded disclosures about discontinued operations. ASU No. 2014-08 is effective prospectively for fiscal years beginning after December 15, 2014, with early adoption permitted for disposals that have not been reported in financial statements previously issued. The Company will apply the provisions of ASU No. 2014-08 to future reporting of disposals.

In May 2014, the FASB issued ASU 2014-09, “*Revenue from Contracts with Customers*,” which supersedes the revenue recognition requirements in ASC 605, “Revenue Recognition” and most industry-specific guidance throughout the codification. The standard requires that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU is effective for fiscal years beginning after December 15, 2016, and for interim periods within those fiscal years. The Company has not yet completed its assessment of the impact of the new standard, including possible transition alternatives, on its financial statements.

**2. ACQUISITIONS:**

As of June 2011, our remaining Boston radio station was made the subject of a time brokerage agreement (“TBA”), similar in operation to a local marketing agreement (“LMA”), whereby, we have made available, for a fee, air time on this station to another party. On February 3, 2014, the Company executed a new TBA, effective December 1, 2013, for its remaining station in Boston. The TBA has a three-year term, and at the conclusion of the TBA, the Company’s remaining Boston station will be conveyed to Radio Boston Broadcasting, Inc., an affiliate of Pacific Media International, LLC. As a result, that station’s radio broadcasting license was classified as a long-term other asset as of December 31, 2014 and 2013, and is being amortized through the anticipated conveyance date.

On October 20, 2011, we entered into a TBA with WGPR, Inc. (“WGPR”). Pursuant to the TBA, beginning October 24, 2011, we began to broadcast programs produced, owned or acquired by Radio One on WGPR’s Detroit radio station, WGPR-FM. We pay certain operating costs of WGPR-FM, and in exchange we retain all revenues from the sale of the advertising within the programming we provide. The original term of the TBA was through December 31, 2014; however, in September 2014, we entered into an amendment to the TBA to extend the term of the TBA through December 31, 2019. Under the terms of the TBA, WGPR has also granted us certain rights of first negotiation and first refusal, with respect to the sale of WGPR-FM by WGPR and with respect to any potential time brokerage agreement for WGPR-FM covering any time period subsequent to the term of the TBA.

On December 31, 2012, the Company, through its wholly-owned subsidiary Radio One Media Holdings, LLC (“ROMH”), completed the purchase of additional shares of Reach Media from certain of its minority shareholders. In addition to \$2.0 million in cash consideration paid to increase the Company’s ownership in Reach Media from approximately 53.5% to 80%, effective January 1, 2013, the radio broadcasting segment contributed the assets and operations of its Syndication One urban programming line-up to Reach Media. We consolidated our syndication operations within Reach Media to leverage that platform to create the leading syndicated radio network targeted to the African-American audience.

On February 27, 2014, the Company completed the acquisition of Gaffney Broadcasting, Incorporated (“Gaffney”), which consisted of an AM and FM station (WOSF-FM) in the Charlotte market. Total consideration paid for the two stations was approximately \$7.7 million, which included a deposit that was paid in a prior period. In connection with the acquisition, the Company added Gaffney as a party to the agreements governing its outstanding notes and its senior credit facility. At the February 27, 2014 acquisition date, the AM station assets were classified as assets held for sale in the amount of \$225,000. On March 31, 2014, the AM station assets held for sale were sold for \$225,000. The Company’s purchase accounting to reflect the fair value of assets acquired and liabilities assumed consisted of approximately \$426,000 to fixed assets, \$7.0 million to radio broadcasting licenses, \$2.7 million to goodwill, \$44,000 to other definite-lived intangible assets and \$2.7 million to deferred tax liabilities.

On December 17 2014, the Company acquired certain assets of GG Digital, Inc., including the website and brand Global Grind. The Global Grind website and brand will be integrated into Interactive One. Total consideration paid was approximately \$2.0 million. The Company’s preliminary purchase accounting to reflect the fair value of assets acquired consisted of approximately \$900,000 to content, \$606,000 to goodwill, \$446,000 to brand, \$29,000 to mobile software application and \$11,000 to trademarks, trade names and domain names.

### **3. DISPOSITION OF ASSETS AND DISCONTINUED OPERATIONS:**

*Columbus:* In November 2012, our Columbus, Ohio radio station operating under the call letters WJKR was made the subject of an LMA. On February 15, 2013, the Company closed on the previously announced sale of the assets of one of its Columbus, Ohio radio stations, WJKR-FM (The Jack, 98.9 FM), to Salem Media of Ohio, Inc., a subsidiary of Salem Communications (“Salem”). The Company sold the assets of WJKR for \$4.0 million and recognized a gain on the sale of \$893,000 during the year ended December 31, 2013. The remaining assets and liabilities of the Columbus station have been classified as discontinued operations as of December 31, 2013, and the results from operations of this station for the years ended December 31, 2013 and 2012, have been classified as discontinued operations in the accompanying consolidated financial statements.

The following table summarizes the operating results for the station sold and is classified as discontinued operations for all periods presented:

|  | For the Years Ended |        |          |
|--|---------------------|--------|----------|
|  | December 31,        |        |          |
|  | 2014                | 2013   | 2012     |
|  | (In thousands)      |        |          |
| Net revenue  | \$ —                | \$ —   | \$ 260   |
| Operating expenses                                     | —                   | —      | (444)    |
| Gain on sale of assets                                 | —                   | 885    | —        |
| Income (loss) before income taxes                      | —                   | 885    | (184)    |
| Income (loss) from discontinued operations, net of tax | \$ —                | \$ 885 | \$ (184) |

#### 4. PROPERTY AND EQUIPMENT:

Property and equipment are carried at cost less accumulated depreciation and amortization. Depreciation is calculated using the straight-line method over the related estimated useful lives. Property and equipment consists of the following:

|   | As of December 31, |           | Estimated<br>Useful Lives |
|---|--------------------|-----------|---------------------------|
|   | 2014               | 2013      |                           |
|   | (In thousands)     |           |                           |
| Land and improvements                           | \$ 3,777           | \$ 3,777  | —                         |
| Buildings                                       | 1,554              | 1,554     | 31 years                  |
| Transmitters and towers                         | 39,837             | 38,680    | 7-15 years                |
| Equipment                                       | 54,034             | 52,508    | 3-7 years                 |
| Furniture and fixtures                          | 8,997              | 8,643     | 6 years                   |
| Software and web development                    | 20,918             | 18,862    | 3 years                   |
| Leasehold improvements                          | 23,228             | 22,611    | Lease Term                |
| Construction-in-progress                        | 919                | 666       | —                         |
|   | 153,264            | 147,301   |                           |
| Less: Accumulated depreciation and amortization | (122,287)          | (112,948) |                           |
| Property and equipment, net                     | \$ 30,977          | \$ 34,353 |                           |

Repairs and maintenance costs are expensed as incurred.

#### 5. GOODWILL, RADIO BROADCASTING LICENSES AND OTHER INTANGIBLE ASSETS:

##### *Impairment Testing*

In the past, we have made acquisitions whereby a significant amount of the purchase price was allocated to radio broadcasting licenses, goodwill and other intangible assets. In accordance with ASC 350, "Intangibles - Goodwill and Other," we do not amortize our radio broadcasting licenses and goodwill. Instead, we perform a test for impairment annually across all reporting units, or on an interim basis when events or changes in circumstances or other conditions suggest impairment may have occurred in any given reporting unit. Other intangible assets continue to be amortized on a straight-line basis over their useful lives. We perform our annual impairment test as of October 1 of each year. For the years ended December 31, 2014, 2013 and 2012, we recorded impairment charges against radio broadcasting licenses and goodwill collectively, of approximately \$0, \$14.9 million and \$313,000, respectively.

##### *2014 Interim Impairment Testing*

For the first, second and third quarters in 2014, the total market revenue growth for certain markets in which we operate was below that used in our prior year annual impairment testing. In each quarter, we deemed that to be an impairment indicator that warranted interim impairment testing of certain markets' radio broadcasting licenses, which we performed as of March 31, 2014, June 30, 2014 and September 30, 2014. There was no impairment identified as part of this testing in 2014. During the third quarter of 2014, the Company performed interim impairment testing on the valuation of goodwill associated with Reach Media. Upon review of the results of this testing, the Company concluded that the carrying value of goodwill attributable to Reach Media had not been impaired.

#### *2014 Annual Impairment Testing*

We completed our annual impairment assessment as of October 1, 2014. Our 2014 annual impairment testing indicated the carrying values for our radio broadcasting licenses, radio market goodwill and goodwill attributable to Reach Media, TV One and Interactive One were not impaired.

#### *2013 Interim Impairment Testing*

During 2013, the total market revenue growth for certain markets in which we operate was below that used in our 2012 annual impairment testing. We deemed that to be an impairment indicator that warranted interim impairment testing of certain market's radio broadcasting licenses, which we performed as of March 31, 2013, June 30, 2013 and September 30, 2013. The Company recorded an impairment charge of approximately \$1.4 million related to our Cincinnati FCC radio broadcasting licenses during the first quarter of 2013. In addition, the Company recorded an impairment charge of approximately \$9.8 million related to our Philadelphia, Cincinnati and Cleveland radio broadcasting licenses during the second quarter of 2013. Finally, the Company recorded an impairment charge of approximately \$3.7 million related to our Boston and Cleveland radio broadcasting licenses during the third quarter of 2013. The remaining radio broadcasting licenses that were tested during 2013 were not impaired. Due to the fact that there were impairment charges recognized for certain FCC licenses during 2013, we deemed that to be a goodwill impairment indicator and, as such, we performed an interim analysis for certain radio markets' goodwill as of June 30, 2013, and September 30, 2013. There were no interim impairment indicators identified for any of our other reporting units during 2013.

#### *2013 Annual Impairment Testing*

We completed our annual impairment assessment as of October 1, 2013. Our 2013 annual impairment testing indicated the carrying values for our radio broadcasting licenses, radio market goodwill and goodwill attributable to Reach Media, TV One and Interactive One were not impaired.

#### *2012 Interim Impairment Testing*

During 2012, the total market revenue growth for certain markets was below that used in our 2011 annual impairment testing. We deemed that to be an impairment indicator that warranted interim impairment testing of certain of our radio broadcasting licenses, which we performed as of June 30, 2012. The Company recorded an impairment charge of \$313,000 related to our Charlotte radio broadcasting licenses. The remaining radio broadcasting licenses that were tested during the second quarter of 2012 were not impaired.

In addition, Reach Media did not meet its budgeted operating cash flow for the third and fourth quarters of 2012, and as a result, we performed interim impairment assessments at September 30, 2012 and December 31, 2012. With the assistance of a third-party valuation firm, the Company completed a valuation of the Reach Media reporting unit and concluded that although Reach Media had not met its budget, the carrying value of goodwill attributable to Reach Media had not been impaired.

Finally, for the third and fourth quarters of 2012, the Company performed interim impairment testing on the valuation of goodwill associated with Interactive One. Interactive One net revenues and cash flows declined for the third quarter and year to date 2012 and full year internal projections were revised. As a result of the testing, despite the revised projections, the Company concluded no impairment to the carrying value of goodwill had occurred.

#### *2012 Annual Impairment Testing*

We completed our annual impairment assessment as of October 1, 2012. Our October 1, 2012 annual impairment testing indicated the carrying values for our radio broadcasting licenses, radio market goodwill and goodwill attributable to Reach Media, TV One and Interactive One were not impaired.

#### *2012 Year-End Impairment Testing*

With the assistance of a third-party valuation firm, the Company assessed the fair value of the redeemable noncontrolling interest in Reach Media at December 31, 2012. Upon review of the results of the year-end impairment tests, the Company concluded that the carrying value of goodwill attributable to Reach Media had not been impaired.

### Valuation of Broadcasting Licenses

We utilize the services of a third-party valuation firm to provide independent analysis when evaluating the fair value of our radio broadcasting licenses. Fair value is estimated to be the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. We use the income approach to test for impairment of radio broadcasting licenses. A projection period of 10 years is used, as that is the time horizon in which operators and investors generally expect to recover their investments. When evaluating our radio broadcasting licenses for impairment, the testing is done at the unit of accounting level as determined by ASC 350, "Intangibles - Goodwill and Other." In our case, each unit of accounting is a cluster of radio stations into one of our 16 geographical markets. Broadcasting license fair values are based on the discounted future cash flows of the applicable unit of accounting assuming an initial hypothetical start-up operation which possesses FCC licenses as the only asset. Over time, it is assumed the operation acquires other tangible assets such as advertising and programming contracts, employment agreements and going concern value, and matures into an average performing operation in a specific radio market. The income approach model incorporates several variables, including, but not limited to: (i) radio market revenue estimates and growth projections; (ii) estimated market share and revenue for the hypothetical participant; (iii) likely media competition within the market; (iv) estimated start-up costs and losses incurred in the early years; (v) estimated profit margins and cash flows based on market size and station type; (vi) anticipated capital expenditures; (vii) probable future terminal values; (viii) an effective tax rate assumption; and (ix) a discount rate based on the weighted-average cost of capital for the radio broadcast industry. In calculating the discount rate, we considered: (i) the cost of equity, which includes estimates of the risk-free return, the long-term market return, small stock risk premiums and industry beta; (ii) the cost of debt, which includes estimates for corporate borrowing rates and tax rates; and (iii) estimated average percentages of equity and debt in capital structures.

Our methodology for valuing broadcasting licenses has been consistent for all periods presented. Below are some of the key assumptions used in the income approach model for estimating the broadcasting license and goodwill fair values for the annual impairment testing performed since October 2012.

| <b>Radio Broadcasting Licenses</b>                        | <b>October 1,<br/>2014</b> | <b>October 1,<br/>2013</b> | <b>October 1,<br/>2012</b> |
|---|----------------------------|----------------------------|----------------------------|
| Impairment charge (in millions)                           | \$ —                       | \$ —                       | \$ —                       |
| Discount Rate   | 9.5%                       | 10.0%                      | 10.0%                      |
| Year 1 Market Revenue Growth Rate Range                   | 0.3% – 1.0%                | 0.0% – 2.0%                | 1.0% -2.0%                 |
| Long-term Market Revenue Growth Rate Range (Years 6 – 10) | 1.0% – 2.0%                | 1.0% – 2.0%                | 1.0% -2.0%                 |
| Mature Market Share Range                                 | 6.9% – 25.2%               | 6.4% – 26.9%               | 0.7% - 27.4%               |
| Operating Profit Margin Range                             | 30.0% – 48.4%              | 30.8% – 47.8%              | 19.6% - 47.7%              |

### Broadcasting Licenses Valuation Results

The Company's total broadcasting licenses carrying value is approximately \$666.8 million as of December 31, 2014. The units of accounting reflected in the table below are not disclosed on a specific market basis so as to not make sensitive information publicly available that could be competitively harmful to the Company.

| Unit of Accounting    | Radio Broadcasting Licenses<br>Carrying Balances |                             |                               |
|-----------------------|--|-----------------------------|-------------------------------|
|                       | As of<br>December<br>31, 2013                    | Additions<br>(In thousands) | As of<br>December<br>31, 2014 |
|                       |  |                             |                               |
| Unit of Accounting 2  | \$ 3,086   | \$ –                        | \$ 3,086                      |
| Unit of Accounting 4  | 9,169  | 6,973                       | 16,142                        |
| Unit of Accounting 5  | 16,687   | –                           | 16,687                        |
| Unit of Accounting 7  | 16,165   | –                           | 16,165                        |
| Unit of Accounting 14 | 20,434   | –                           | 20,434                        |
| Unit of Accounting 15 | 20,886   | –                           | 20,886                        |
| Unit of Accounting 11 | 21,135   | –                           | 21,135                        |
| Unit of Accounting 9  | 34,270   | –                           | 34,270                        |
| Unit of Accounting 6  | 22,642   | –                           | 22,642                        |
| Unit of Accounting 16 | 52,965   | –                           | 52,965                        |
| Unit of Accounting 13 | 52,556   | –                           | 52,556                        |
| Unit of Accounting 8  | 66,715   | –                           | 66,715                        |
| Unit of Accounting 12 | 50,179   | –                           | 50,179                        |
| Unit of Accounting 1  | 93,394   | –                           | 93,394                        |
| Unit of Accounting 10 | 179,541  | –                           | 179,541                       |
| Total                 | <u>\$ 659,824</u>                                | <u>\$ 6,973</u>             | <u>\$ 666,797</u>             |

Our licenses expire at various dates through August 1, 2022.

#### Valuation of Goodwill

The impairment testing of goodwill is performed at the reporting unit level. We had 20 reporting units as of our October 2014 annual impairment assessment, consisting of the 16 radio markets and four business divisions. In testing for the impairment of goodwill, we primarily rely on the income approach. The approach involves a 10-year model with similar variables as described above for broadcasting licenses, except that the discounted cash flows are based on the Company's estimated and projected market revenue, market share and operating performance for its reporting units, instead of those for a hypothetical participant.

Based on current economic conditions, we included modest improvement estimates and projections in our 2014 annual assessment compared to our 2013 annual assessment. We have not made any changes to the methodology for valuing or allocating goodwill when determining the fair values of the reporting units. Due to the fact that there were impairment charges recognized for certain FCC licenses during 2013, we deemed to that to be an impairment indicator and, as such, we performed an interim analysis for certain radio markets' goodwill as of June 30, 2013, and September 30, 2013. We did not identify any goodwill impairment during the years ended December 31, 2014, 2013 and 2012.

Below are some of the key assumptions used in the income approach model for estimating reporting unit fair values for all annual impairment assessments performed since October 2012.

| Goodwill (Radio Market Reporting Units)                   | October 1, 2014 (a) | October 1, 2013 (a) | October 1, 2012 (a) |
|---|---------------------|---------------------|---------------------|
| Impairment charge (in millions)                           | \$ –                | \$ –                | \$ 14.5             |
| Discount Rate   | 9.5%                | 10.0%               | 10.0%               |
| Year 1 Market Revenue Growth Rate Range                   | 0.3% – 1.0%         | 0.0% -2.0%          | 1.0% -2.0%          |
| Long-term Market Revenue Growth Rate Range (Years 6 – 10) | 1.0% - 2.0%         | 1.0% - 2.0%         | 1.5% - 2.0%         |
| Mature Market Share Range                                 | 7.2% - 19.5%        | 7.1% - 19.8%        | 6.7% - 20.8%        |
| Operating Profit Margin Range                             | 26.4% - 52.2%       | 28.4% - 56.4%       | 29.3% - 58.5%       |

(a) Reflects the key assumptions for testing only those radio markets with remaining goodwill.



Below are some of the key assumptions used in the income approach model for estimating the fair value for Reach Media for the annual assessments since October 2012. When compared to the discount rates used for assessing radio market reporting units, the higher discount rates used in these assessments reflect a premium for a riskier and broader media business, with a heavier concentration and significantly higher amount of programming content related intangible assets that are highly dependent on the on-air personality Tom Joyner. As a result of our impairment assessments, the Company concluded no impairment for the goodwill value had occurred.

| <b>Reach Media Segment Goodwill</b> | <b>October 1, 2014</b> | <b>October 1, 2013</b> | <b>October 1, 2012</b> |
|-------------------------------------|------------------------|------------------------|------------------------|
| Impairment charge (in millions)     | \$ -                   | \$ -                   | \$ -                   |
| Discount Rate                       | 12.0%                  | 13.0%                  | 12.0%                  |
| Year 1 Revenue Growth Rate          | 1.5%                   | 1.5%                   | 2.0%                   |
| Long-term Revenue Growth Rate Range | 0.1% - 2.0%            | (4.5)% - 2.6%          | (4.7)% - 2.8%          |
| Operating Profit Margin Range       | 10.0% - 14.9%          | 11.5% - 21.5%          | 4.6% - 19.8%           |

Below are some of the key assumptions used in the income approach model for determining the fair value of our internet reporting unit since October 2012. When compared to discount rates for the radio reporting units, the higher discount rate used to value the reporting unit is reflective of discount rates applicable to internet media businesses. As a result of the testing performed, the Company concluded no impairment to the carrying value of goodwill had occurred. We did not make any changes to the methodology for valuing or allocating goodwill when determining the carrying value.

| <b>Internet Segment Goodwill</b>        | <b>October 1, 2014</b> | <b>October 1, 2013</b> | <b>October 1, 2012</b> |
|---|------------------------|------------------------|------------------------|
| Impairment charge (in millions)         | \$ -                   | \$ -                   | \$ -                   |
| Discount Rate                           | 13.5%                  | 14.5%                  | 13.5%                  |
| Year 1 Revenue Growth Rate              | 11.8%                  | 10.0%                  | 13.8%                  |
| Long-term Revenue Growth Rate (Year 10) | 2.5%                   | 2.5%                   | 2.5%                   |
| Operating Profit Margin Range           | 9.1% - 25.6%           | 5.4% - 24.8%           | (4.8)% - 24.2%         |

Below are some of the key assumptions used in the income approach model for determining the fair value of our cable television reporting unit since October 2012. As a result of the testing performed in 2014, 2013 and 2012, the Company concluded no impairment to the carrying value of goodwill had occurred.

| <b>Cable Television Segment Goodwill</b> | <b>October 1, 2014</b> | <b>October 1, 2013</b> | <b>October 1, 2012</b> |
|--|------------------------|------------------------|------------------------|
| Impairment charge (in millions)          | \$ -                   | \$ -                   | \$ -                   |
| Discount Rate                            | 10.4%                  | 10.8%                  | 10.8%                  |
| Year 1 Revenue Growth Rate               | 11.5%                  | 12.1%                  | 11.2%                  |
| Long-term Revenue Growth Rate Range      | 0.3% - 7.7%            | 1.1% - 12.1%           | 2.5% - 12.2%           |
| Operating Profit Margin Range            | 29.8% - 36.1%          | 30.6% - 35.7%          | 33.3% - 36.2%          |

The above four goodwill tables reflect some of the key valuation assumptions used for 13 of our 20 reporting units. The other seven remaining reporting units had no goodwill carrying value balances as of December 31, 2014 and 2013.

#### *Goodwill Valuation Results*

The table below presents the Company's goodwill carrying values for its four reportable segments.

| Reporting Unit             | Goodwill Carrying Balances |                   |                      |
|----------------------------|----------------------------|-------------------|----------------------|
|                            | As of                      | Increase          | As of                |
|                            | December<br>31, 2013       | (Decrease)        | December<br>31, 2014 |
|                            |                            | (In<br>thousands) |                      |
| Radio Broadcasting Segment | \$ 70,823                  | \$ 2,712          | \$ 73,535            |
| Reach Media Segment        | 14,354                     | —                 | 14,354               |
| Internet Segment           | 21,816                     | 606               | 22,422               |
| Cable Television Segment   | 165,044                    | —                 | 165,044              |
| Total                      | \$ 272,037                 | \$ 3,318          | \$ 275,355           |

In arriving at the estimated fair values for radio broadcasting licenses and goodwill, we also performed an analysis by comparing our overall average implied multiple based on our cash flow projections and fair values to recently completed sales transactions, and by comparing our estimated fair values to the market capitalization of the Company. The results of these comparisons confirmed that the fair value estimates resulting from our annual assessments in 2014 were reasonable.

#### Intangible Assets Excluding Goodwill and Radio Broadcasting Licenses

Other intangible assets, excluding goodwill and radio broadcasting licenses, are being amortized on a straight-line basis over various periods. Other intangible assets consist of the following:

|   | As of December 31, |            | Period of Amortization |
|---|--------------------|------------|------------------------|
|   | 2014               | 2013       |                        |
|   | (In thousands)     |            |                        |
| Trade names                             | \$ 17,344          | \$ 17,133  | 2-5 Years              |
| Talent agreement                        | —                  | 19,549     | 10 Years               |
| Debt financing and modification costs   | 13,846             | 19,021     | Term of debt           |
| Intellectual property                   | 9,531              | 14,151     | 4-10 Years             |
| Affiliate agreements                    | 178,986            | 186,755    | 1-10 Years             |
| Acquired income leases                  | 44                 | 1,282      | 3-9 Years              |
| Non-compete agreements                  | —                  | 1,260      | 1-3 Years              |
| Advertiser agreements                   | 44,871             | 47,688     | 2-7 Years              |
| Favorable office and transmitter leases | 2,097              | 3,358      | 2-60 Years             |
| Brand names                             | 2,539              | 2,539      | 2.5 Years              |
| Brand names - unamortized               | 40,134             | 39,688     | Indefinite             |
| Other intangibles                       | 1,053              | 3,662      | 1-5 Years              |
|   | 310,445            | 356,086    |                        |
| Less: Accumulated amortization          | (135,933)          | (153,493)  |                        |
| Other intangible assets, net            | \$ 174,512         | \$ 202,593 |                        |

Amortization expense of intangible assets for the years ended December 31, 2014, 2013 and 2012 was approximately \$27.1 million, \$27.7 million and \$28.4 million, respectively. The amortization of deferred financing costs was charged to interest expense for all periods presented. The amount of deferred financing costs included in interest expense for the years ended December 31, 2014, 2013 and 2012 was approximately \$4.6 million, \$5.3 million and \$4.5 million, respectively.

The following table presents the Company's estimate of amortization expense for the years 2015 through 2019 for intangible assets, excluding deferred financing costs:

|      | <b>(In thousands)</b> |        |
|------|-----------------------|--------|
| 2015 | \$                    | 26,053 |
| 2016 | \$                    | 25,895 |
| 2017 | \$                    | 25,891 |
| 2018 | \$                    | 25,854 |
| 2019 | \$                    | 25,848 |

Actual amortization expense may vary as a result of future acquisitions and dispositions.

## 6. CONTENT ASSETS:

The gross value and accumulated amortization of content assets is as follows:

|                                   | <b>As of December 31,</b> |                  | <b>Period of Amortization</b> |
|-----------------------------------|---------------------------|------------------|-------------------------------|
|                                   | <b>2014</b>               | <b>2013</b>      |                               |
|                                   | <b>(In thousands)</b>     |                  |                               |
| Produced content assets:          |                           |                  |                               |
| Completed                         | \$ 123,015                | \$ 91,667        |                               |
| In-production                     | 10,862                    | 4,906            |                               |
| Licensed content assets acquired: |                           |                  |                               |
| Acquired                          | <u>103,352</u>            | <u>94,653</u>    |                               |
| Content assets, at cost           | 237,229                   | 191,226          | 1-9 Years                     |
| Less: Accumulated amortization    | <u>(168,899)</u>          | <u>(128,432)</u> |                               |
| Content assets, net               | 68,330                    | 62,794           |                               |
| Current portion                   | <u>(25,615)</u>           | <u>(26,637)</u>  |                               |
| Noncurrent portion                | <u>\$ 42,715</u>          | <u>\$ 36,157</u> |                               |

Future estimated content amortization expense related to agreements entered into as of December 31, 2014, for years 2015 through 2019 is as follows:

|      | <b>(In thousands)</b> |        |
|------|-----------------------|--------|
| 2015 | \$                    | 25,615 |
| 2016 | \$                    | 17,857 |
| 2017 | \$                    | 9,457  |
| 2018 | \$                    | 2,220  |
| 2019 | \$                    | 647    |

Future minimum content payments required under agreements entered into as of December 31, 2014, are as follows:

|      | <b>(In thousands)</b> |        |
|------|-----------------------|--------|
| 2015 | \$                    | 15,043 |
| 2016 | \$                    | 8,122  |
| 2017 | \$                    | 5,318  |
| 2018 | \$                    | 1,139  |

## 7. INVESTMENTS:

The Company's investments (short-term and long-term) consist of the following:

|  | Amortized Cost<br>Basis | Gross<br>Unrealized<br>Losses | Gross<br>Unrealized<br>Gains | Fair<br>Value   |
|--|-------------------------|-------------------------------|------------------------------|-----------------|
| (In thousands)   |                         |                               |                              |                 |
| <b>December 31, 2014</b>                                   |                         |                               |                              |                 |
| Corporate debt securities                                  | \$ 789                  | \$ (1)                        | \$ 17                        | \$ 805          |
| Government-sponsored enterprise mortgage-backed securities | 102                     | —                             | —                            | 102             |
| Mutual funds   | 2,135                   | (131)                         | —                            | 2,004           |
| Total investments  | <u>\$ 3,026</u>         | <u>\$ (132)</u>               | <u>\$ 17</u>                 | <u>\$ 2,911</u> |

|                           | Amortized Cost<br>Basis | Gross<br>Unrealized<br>Losses | Gross<br>Unrealized<br>Gains | Fair<br>Value   |
|---------------------------|-------------------------|-------------------------------|------------------------------|-----------------|
| (In thousands)            |                         |                               |                              |                 |
| <b>December 31, 2013</b>  |                         |                               |                              |                 |
| Corporate debt securities | \$ 147                  | \$ (2)                        | \$ 2                         | \$ 147          |
| Mutual funds              | 2,528                   | (213)                         | —                            | 2,315           |
| Total investments         | <u>\$ 2,675</u>         | <u>\$ (215)</u>               | <u>\$ 2</u>                  | <u>\$ 2,462</u> |

The following tables show the gross unrealized losses and fair value of the Company's investments with unrealized losses that are not deemed to be other-than-temporarily impaired, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

|  | Fair<br>Value<br>< 1 Year | Unrealized<br>Losses<br>< 1 Year | Fair<br>Value<br>> 1 Year | Unrealized<br>Losses<br>> 1 Year | Total<br>Unrealized<br>Losses |
|--|---------------------------|----------------------------------|---------------------------|----------------------------------|-------------------------------|
| (In thousands)   |                           |                                  |                           |                                  |                               |
| <b>December 31, 2014</b>                                   |                           |                                  |                           |                                  |                               |
| Corporate debt securities                                  | \$ 374                    | \$ (1)                           | \$ 341                    | \$ —                             | \$ (1)                        |
| Government-sponsored enterprise mortgage-backed securities | —                         | —                                | 100                       | —                                | —                             |
| Mutual funds   | —                         | —                                | 2,004                     | (131)                            | (131)                         |
| Total investments  | <u>\$ 374</u>             | <u>\$ (1)</u>                    | <u>\$ 2,445</u>           | <u>\$ (131)</u>                  | <u>\$ (132)</u>               |

|                           | Fair<br>Value<br>< 1 Year | Unrealized<br>Losses<br>< 1 Year | Fair<br>Value<br>> 1 Year | Unrealized<br>Losses<br>> 1 Year | Total<br>Unrealized<br>Losses |
|---------------------------|---------------------------|----------------------------------|---------------------------|----------------------------------|-------------------------------|
| (In thousands)            |                           |                                  |                           |                                  |                               |
| <b>December 31, 2013</b>  |                           |                                  |                           |                                  |                               |
| Corporate debt securities | \$ 119                    | \$ (2)                           | \$ —                      | \$ —                             | \$ (2)                        |
| Mutual funds              | 765                       | (27)                             | 1,477                     | (186)                            | (213)                         |
| Total investments         | <u>\$ 884</u>             | <u>\$ (29)</u>                   | <u>\$ 1,477</u>           | <u>\$ (186)</u>                  | <u>\$ (215)</u>               |

The Company's investments in debt securities are sensitive to interest rate fluctuations, which impact the fair value of individual securities. The Company has analyzed the unrealized losses on the 23 and 12 securities that were in an unrealized loss position as of December 31, 2014, and 2013, respectively, and believe that they do not meet the criteria for an OTTI. The Company has not decided to sell the affected securities and it is not more likely than not that the Company will be required to sell before a recovery of the amortized cost of the affected securities. However, given the judgmental nature of the Company's analysis, there is a continuing risk that further declines in fair value may occur. These declines could result in OTTI losses in future periods.

The amortized cost and estimated fair value of debt securities at December 31, 2014, by contractual maturity, are shown below.

|                                | <b>Amortized<br/>Cost Basis</b> | <b>Fair Value</b> |
|--------------------------------|---------------------------------|-------------------|
|                                | <b>(In thousands)</b>           |                   |
| Within 1 year                  | \$ 106                          | \$ 106            |
| After 1 year through 5 years   | 376                             | 384               |
| After 5 years through 10 years | 307                             | 315               |
| After 10 years                 | —                               | —                 |
| <b>Total debt securities</b>   | <b>\$ 789</b>                   | <b>\$ 805</b>     |

A primary objective in the management of the fixed maturity portfolios is to maximize total return relative to underlying liabilities and respective liquidity needs. In achieving this goal, assets may be sold to take advantage of market conditions or other investment opportunities, as well as tax considerations. Sales will generally produce realized gains or losses. In the ordinary course of business, the Company may sell securities for a number of reasons, including, but not limited to: (i) changes to the investment environment; (ii) expectation that the fair value could deteriorate further; (iii) desire to reduce exposure to an issuer or an industry; (iv) changes in credit quality; and (v) changes in expected cash flow. Available-for-sale securities were sold as follows:

|                       | <b>Year Ended December 31,</b> |             |
|-----------------------|--------------------------------|-------------|
|                       | <b>2014</b>                    | <b>2013</b> |
|                       | <b>(In thousands)</b>          |             |
| Proceeds from sales   | \$ 482                         | \$ 1,665    |
| Gross realized gains  | —                              | —           |
| Gross realized losses | 4                              | —           |

#### 8. OTHER CURRENT LIABILITIES:

Other current liabilities consist of the following:

|                                      | <b>As of December 31,</b> |                  |
|--------------------------------------|---------------------------|------------------|
|                                      | <b>2014</b>               | <b>2013</b>      |
|                                      | <b>(In thousands)</b>     |                  |
| Deferred revenue                     | \$ 5,957                  | \$ 4,760         |
| Deferred barter revenue              | 1,471                     | 1,511            |
| Deferred rent                        | 643                       | 587              |
| Employment Agreement award           | 1,458                     | —                |
| Accrued national representative fees | 718                       | 807              |
| Accrued miscellaneous taxes          | 563                       | 661              |
| Income taxes payable                 | 475                       | 893              |
| Tenant allowance                     | 346                       | 461              |
| Other current liabilities            | 4,493                     | 6,496            |
| <b>Other current liabilities</b>     | <b>\$ 16,124</b>          | <b>\$ 16,176</b> |

#### 9. DERIVATIVE INSTRUMENTS:

The Company has accounted for an award called for in the CEO's employment agreement (the "Employment Agreement") as a derivative instrument in accordance with ASC 815, "Derivatives and Hedging." The Company estimated the fair value of the award as of December 31, 2014 and 2013, at approximately \$18.0 million and \$13.7 million, respectively. The long-term portion is recorded in other long-term liabilities and the current portion is recorded in other current liabilities in the consolidated balance sheets. The expense associated with the Employment Agreement was recorded in the consolidated statement of operations as corporate selling, general and administrative expenses for the years ended December 31, 2014 and 2013.

The Company's obligation to pay the award will be triggered only after the Company's recovery of the aggregate amount of its capital contribution in TV One and only upon actual receipt of distributions of cash or marketable securities or proceeds from a liquidity event with respect to the Company's membership interest in TV One. The CEO was fully vested in the award upon execution of the Employment Agreement, and the award lapses if the CEO voluntarily leaves the Company, or is terminated for cause. The Compensation Committee of the Board of Directors of the Company has approved terms for a new employment agreement with the CEO, including a renewal of the TV One award upon similar terms as in the prior Employment Agreement. While a new Employment Agreement has not been executed as of the date of this report, the CEO is being compensated according to the new terms approved by the Compensation Committee.

#### 10. LONG-TERM DEBT:

Long-term debt consists of the following:

|   | As of December 31, |                   |
|---|--------------------|-------------------|
|   | 2014               | 2013              |
| (In thousands)                                    |                    |                   |
| Senior bank term debt                             | \$ 368,532         | \$ 373,456        |
| 9.25% Senior Subordinated Notes due February 2020 | 335,000            | —                 |
| 12.5%/15% Senior Subordinated Notes due May 2016  | —                  | 327,034           |
| 10% Senior Secured TV One Notes due March 2016    | 119,000            | 119,000           |
| <b>Total debt</b>                                 | <b>822,532</b>     | <b>819,490</b>    |
| Less: current portion                             | 3,829              | 3,840             |
| Less: original issue discount                     | 2,227              | 3,855             |
| <b>Long-term debt, net</b>                        | <b>\$ 816,476</b>  | <b>\$ 811,795</b> |

#### *Credit Facilities*

##### *Current Credit Facilities*

On March 31, 2011, the Company entered into a senior secured credit facility (the "2011 Credit Agreement") with a syndicate of banks, and simultaneously borrowed \$386.0 million to retire all outstanding obligations under the Company's previous amended and restated credit agreement and to fund our obligation with respect to a capital call initiated by TV One. The total amount available under the 2011 Credit Agreement was \$411.0 million, initially consisting of a \$386.0 million term loan facility that matures on March 31, 2016, and a \$25.0 million revolving loan facility that matures on March 31, 2015. Borrowings under the credit facilities are subject to compliance with certain covenants including, but not limited to, certain financial covenants. Proceeds from the credit facilities can be used for working capital, capital expenditures made in the ordinary course of business, its common stock repurchase program, permitted direct and indirect investments and other lawful corporate purposes. On December 19, 2012, the Company entered into an amendment to the 2011 Credit Agreement (the "December 2012 Amendment"). The December 2012 Amendment: (i) modified financial covenant levels with respect to the Company's total-leverage, secured-leverage, and interest-coverage ratios; (ii) increased the amount of cash the Company can net for determination of its net indebtedness tests; and (iii) extended the time for certain of the 2011 Credit Agreement's call premium while reducing the time for its later and lower premium. On January 21, 2015, the Company entered into its second amendment to the 2011 Credit Agreement, which modified certain financial covenants. The financial ratios below reflect the changes from the most recent amendment which are effective as of March 31, 2015.

The 2011 Credit Agreement, as amended on December 19, 2012 and January 21, 2015, contains affirmative and negative covenants that the Company is required to comply with, including:

- (a) maintaining an interest coverage ratio of no less than:
  - 1.10 to 1.00 on December 31, 2012 and the last day of each fiscal quarter through December 31, 2013;
  - 1.20 to 1.00 on March 31, 2014 and the last day of each fiscal quarter through September 30, 2014;
  - 1.25 to 1.00 on December 31, 2014 and the last day of each fiscal quarter through September 30, 2015; and
  - 1.25 to 1.00 on December 31, 2015 and the last day of each fiscal quarter thereafter.
- (b) maintaining a senior secured leverage ratio of no greater than:

- 4.50 to 1.00 on September 30, 2012 and the last day of each fiscal quarter through December 31, 2013;
- 4.25 to 1.00 on March 31, 2014 and the last day of each fiscal quarter through June 30, 2014;
- 4.00 to 1.00 on September 30, 2014;
- 3.75 to 1.00 on December 31, 2014;
- 4.25 to 1.00 on March 31, 2015 and June 30, 2015;
- 4.00 to 1.00 on September 30, 2015; and
- 4.00 to 1.00 on December 31, 2015 and the last day of each fiscal quarter thereafter.

- (c) maintaining a total leverage ratio of no greater than:
- 8.50 to 1.00 on December 31, 2012 and the last day of each fiscal quarter through December 31, 2013;
  - 8.25 to 1.00 on March 31, 2014 and June 30, 2014;
  - 8.00 to 1.00 on September 30, 2014;
  - 7.50 to 1.00 on December 31, 2014;
  - 8.00 to 1.00 on March 31, 2015 and the last day of each fiscal quarter through September 30, 2015; and
  - 8.00 to 1.00 on December 31, 2015 and the last day of each fiscal quarter thereafter.

- (d) limitations on:
- liens;
  - sale of assets;
  - payment of dividends; and
  - mergers.

As of December 31, 2014, ratios calculated in accordance with the 2011 Credit Agreement, as amended, were as follows:

|   | <u>As of<br/>December<br/>31, 2014</u> | <u>Covenant<br/>Limit</u> | <u>Excess<br/>Coverage</u> |
|---|--|---------------------------|----------------------------|
| Pro Forma Last Twelve Months Covenant EBITDA (In millions)  | \$ 95.4                                |                           |                            |
| Pro Forma Last Twelve Months Interest Expense (In millions) | \$ 60.6                                |                           |                            |
| Senior Debt (In millions)                                   | \$ 334.5                               |                           |                            |
| Total Debt (In millions)                                    | \$ 669.5                               |                           |                            |
| <b>Interest Coverage</b>                                    |  |                           |                            |
| Covenant EBITDA / Interest Expense                          | 1.57x                                  | 1.25x                     | 0.32x                      |
| <b>Senior Secured Leverage</b>                              |  |                           |                            |
| Senior Secured Debt / Covenant EBITDA                       | 3.51x                                  | 3.75x                     | 0.24x                      |
| <b>Total Leverage</b>                                       |  |                           |                            |
| Total Debt / Covenant EBITDA                                | 7.02x                                  | 7.50x                     | 0.48x                      |

EBITDA - Earnings before interest, taxes, depreciation and amortization

In accordance with the 2011 Credit Agreement, as amended, the calculations for the ratios above do not include the operating results or related debt of TV One, but rather include our proportionate share of cash dividends received from TV One for periods presented.

As of December 31, 2014, the Company was in compliance with all of its financial covenants under the 2011 Credit Agreement, as amended.

Under the terms of the 2011 Credit Agreement, as amended, interest on base rate loans is payable quarterly and interest on LIBOR loans is payable monthly or quarterly. The base rate is equal to the greater of: (i) the prime rate; (ii) the Federal Funds Effective Rate plus 0.50%; or (iii) the LIBOR Rate for a one-month period plus 1.00%. The applicable margin on the 2011 Credit Agreement is between (i) 4.50% and 5.50% on the revolving portion of the facility and (ii) 5.00% (with a base rate floor of 2.5% per annum) and 6.00% (with a LIBOR floor of 1.5% per annum) on the term portion of the facility. The average interest rate was 7.50% for 2014 and 2013. Quarterly installments of 0.25%, or \$957,000, of the principal balance on the term loan are payable on the last day of each March, June, September and December.

As of December 31, 2014, the Company had approximately \$24.0 million of borrowing capacity under its revolving credit facility, after adjusting for outstanding letters of credit. After taking into consideration the financial covenants under the 2011 Credit Agreement, as amended, including adjusting for the outstanding letters of credit, approximately \$21.0 million was available to be borrowed. The revolving credit facility expires on March 31, 2015. The Company does not anticipate entering into a new revolving credit facility upon expiration.

As of December 31, 2014, the Company had outstanding approximately \$368.5 million on its term credit facility. During the year ended December 31, 2014, the Company repaid approximately \$4.9 million under the 2011 Credit Agreement, as amended. The original issue discount is being reflected as an adjustment to the carrying amount of the debt obligation and amortized to interest expense over the term of the credit facility. According to the terms of the Credit Agreement, as amended, the Company made an excess cash flow payment of approximately \$1.1 million in April 2014. According to the terms of the Credit Agreement, as amended, the Company anticipates making an excess cash flow payment of between \$0 and approximately \$2.0 million in April 2015, depending on the level of acceptance by our syndicate of lenders.

On January 21, 2015, the Company entered into a second amendment to the 2011 Credit Agreement (the "Second Amendment") with its lenders. The provisions of the 2011 Credit Agreement relating to the call premium were revised by the Second Amendment to extend the call protection from April 1, 2015 until maturity. The Second Amendment provides a call premium of 101.5% if the 2011 Credit Agreement is refinanced with proceeds from a notes offering and 100.5% if the 2011 Credit Agreement is refinanced with proceeds from any other repayment, including proceeds from a new term loan. The call premium is payable at the earlier of any refinancing or final maturity.

The Second Amendment also excludes any "going concern" or qualified audit opinion solely as a result of the upcoming revolver or term loan maturities from the Event of Default provisions of the 2011 Credit Agreement. Next, the Second Amendment provides for the ability to "amend and extend" both the term loan and the revolving credit facility provided for by the 2011 Credit Agreement and adds a \$2 million lien basket for letters of credit not issued under the 2011 Credit Agreement.

Finally, beginning with the quarter ending March 31, 2015, the Second Amendment implements certain changes to the financial covenants the Company must comply with in order to remain in compliance with the terms of the 2011 Credit Agreement. The Interest Coverage Ratio set forth in the 2011 Credit Agreement is revised to provide that the Company will not permit the Interest Expense Coverage Ratio for any Test Period ending on the last day of any Fiscal Quarter of the Company to be less than 1.25:1. The Total Leverage Ratio has been revised to provide that the Company will not permit the Total Leverage Ratio to be greater than 8.0:1 on the last day of any Fiscal Quarter of the Company. Lastly, the Senior Secured Leverage Ratio has been revised to provide that the Company will not permit the Senior Secured Leverage Ratio to be greater than 4.25:1 through the quarter ending June 30, 2015 and 4.0:1 for the quarter ending September 30, 2015 and the last day of each Fiscal Quarter of the Company thereafter.

#### ***Senior Subordinated Notes***

On November 24, 2010, we issued \$286.8 million of our 12.5%/15% Senior Subordinated Notes due May 2016 (the "2016 Notes") in a private placement and exchanged and then cancelled approximately \$97.0 million of \$101.5 million in aggregate principal amount outstanding of our 8<sup>7</sup>/<sub>8</sub>% senior subordinated notes due 2011 (the "2011 Notes") and approximately \$199.3 million of \$200.0 million in aggregate principal amount outstanding of our 6<sup>3</sup>/<sub>8</sub>% Senior Subordinated Notes that matured in February 2013 (the "2013 Notes" and the 2013 Notes together with the 2011 Notes, the "Prior Notes"). Subsequently, we repurchased or redeemed all remaining Prior Notes pursuant to the terms of their respective indentures. Effective March 13, 2014, the Company repurchased or otherwise redeemed all of the amounts outstanding under the 2016 Notes using proceeds from our 2020 Notes (defined below). The Company recorded a loss on retirement of debt of approximately \$5.7 million during the first quarter of 2014. This amount included a write-off of approximately \$4.1 million of previously capitalized debt financing costs and approximately \$1.6 million associated with the net premium paid to retire the 2016 Notes.



Interest on the 2016 Notes, that the Company repurchased or otherwise redeemed in March 2014, was initially payable in cash, or at our election, partially in cash and partially through the issuance of additional 2016 Notes (a "PIK Election") on a quarterly basis in arrears on February 15, May 15, August 15 and November 15, commencing on February 15, 2011. We made a PIK Election with respect to interest accruing up to but not including May 15, 2012. Beginning on May 15, 2012, interest accrued at a rate of 12.5% and was payable wholly in cash and the Company no longer had an option to pay any portion of its interest through the issuance of PIK Notes. During the period the PIK Election was in effect, the interest paid in cash and the interest paid-in-kind ("PIK") by issuance of additional 2016 Notes accrued for such quarterly period at 6.0% cash per annum and 9.0% PIK per annum.

On February 10, 2014, the Company closed a private placement offering of \$335.0 million aggregate principal amount of 9.25% senior subordinated notes due 2020 (the "2020 Notes"). The 2020 Notes were offered at an original issue price of 100.0% plus accrued interest from February 10, 2014. The 2020 Notes mature on February 15, 2020. Interest accrues at the rate of 9.25% per annum and is payable semiannually in arrears on February 15 and August 15 in the amount of approximately \$15.5 million, commencing on August 15, 2014. The 2020 Notes are guaranteed by certain of the Company's existing and future domestic subsidiaries and any other subsidiaries that guarantee the existing senior credit facility or any of the Issuer's other syndicated bank indebtedness or capital markets securities. The Company used the net proceeds from the offering to repurchase or otherwise redeem all of the amounts currently outstanding under its 2016 Notes and to pay the related accrued interest, premiums, fees and expenses associated therewith. During the year ended December 31, 2014, the Company capitalized approximately \$4.5 million of costs associated with our 2020 Notes.

The indenture that governs the 2020 Notes contains covenants that restrict, among other things, the ability of the Company to incur additional debt, purchase common stock, make capital expenditures, make investments or other restricted payments, swap or sell assets, engage in transactions with related parties, secure non-senior debt with assets, or merge, consolidate or sell all or substantially all of its assets.

The Company conducts a portion of its business through its subsidiaries. Certain of the Company's subsidiaries had fully and unconditionally guaranteed the Company's 2020 Notes and the Company's obligations under the 2011 Credit Agreement, as amended.

#### **TV One Senior Secured Notes**

TV One issued \$119.0 million in senior secured notes on February 25, 2011. The proceeds from the notes were used to purchase equity interests from certain financial investors and TV One management. The notes bear interest at 10.0% per annum, which is payable monthly, and the entire principal amount is due on March 15, 2016.

Future scheduled minimum principal payments of debt as of December 31, 2014, are as follows:

|                   | <u>Credit Facility</u> | <u>Senior Subordinated Notes due 2020</u> | <u>TV One Senior Secured Notes</u> | <u>Total</u>      |
|-------------------|------------------------|---|------------------------------------|-------------------|
| 2015              | \$ 3,829               | \$ —                                      | \$ —                               | \$ 3,829          |
| 2016              | 364,703                | —   | 119,000                            | 483,703           |
| 2017              | —                      | —   | —                                  | —                 |
| 2018              | —                      | —   | —                                  | —                 |
| 2019              | —                      | —   | —                                  | —                 |
| 2020              | —                      | 335,000                                   | —                                  | 335,000           |
| <b>Total Debt</b> | <u>\$ 368,532</u>      | <u>\$ 335,000</u>                         | <u>\$ 119,000</u>                  | <u>\$ 822,532</u> |

We continually evaluate opportunities based upon market conditions to refinance our outstanding indebtedness in order to reduce our borrowing costs, extend maturities and/or increase our operating flexibility. There can be no guarantee that any such refinancing opportunities will be available on acceptable terms or at all.

## 11. INCOME TAXES:

A reconciliation of the statutory federal income taxes to the recorded provision for income taxes from continuing operations is as follows:

|   | <b>For the Years Ended December 31,</b> |                  |                  |
|---|---|------------------|------------------|
|   | <b>2014</b>                             | <b>2013</b>      | <b>2012</b>      |
|   | <b>(In thousands)</b>                   |                  |                  |
| Statutory tax (@ 35% rate)                    | \$ (2,775)                              | \$ (5,486)       | \$ (7,244)       |
| Effect of state taxes, net of federal benefit | (719)                                   | (189)            | (450)            |
| Effect of state rate and tax law changes      | 600                                     | 145              | 407              |
| Other permanent items                         | 206                                     | 214              | 149              |
| Disallowed interest                           | 799                                     | 5,632            | 5,364            |
| Non-deductible officer's compensation         | 2,369                                   | 1,453            | 1,012            |
| Valuation allowance                           | 35,951                                  | 42,845           | 34,644           |
| Noncontrolling interest                       | (6,752)                                 | (16,229)         | —                |
| NOL adjustments                               | 4,724                                   | —                | —                |
| Expiring NOLs and charitable carryovers       | 156                                     | 64               | 137              |
| Forfeiture of stock-based compensation        | 61                                      | 512              | 163              |
| Uncertain tax positions                       | 153                                     | —                | (709)            |
| Other   | 41                                      | (242)            | (238)            |
| Provision for income taxes                    | <u>\$ 34,814</u>                        | <u>\$ 28,719</u> | <u>\$ 33,235</u> |

The components of the provision for income taxes from continuing operations are as follows:

|                            | <b>For the Years Ended</b> |                  |                  |
|----------------------------|----------------------------|------------------|------------------|
|                            | <b>December 31,</b>        |                  |                  |
|                            | <b>2014</b>                | <b>2013</b>      | <b>2012</b>      |
|                            | <b>(In thousands)</b>      |                  |                  |
| Federal:                   |                            |                  |                  |
| Current                    | \$ —                       | \$ 92            | \$ (639)         |
| Deferred                   | 31,402                     | 21,084           | 29,120           |
| State:                     |                            |                  |                  |
| Current                    | 558                        | 1,319            | (649)            |
| Deferred                   | 2,854                      | 6,224            | 5,403            |
| Provision for income taxes | <u>\$ 34,814</u>           | <u>\$ 28,719</u> | <u>\$ 33,235</u> |

The significant components of the Company's deferred tax assets and liabilities are as follows:

|   | <b>As of December 31,</b> |                     |
|---|---------------------------|---------------------|
|   | <b>2014</b>               | <b>2013</b>         |
|   | <b>(In thousands)</b>     |                     |
| Deferred tax assets:  |                           |                     |
| Allowance for doubtful accounts                                 | \$ 1,315                  | \$ 1,417            |
| Accruals  | 1,974                     | 2,200               |
| Total current deferred tax assets before valuation allowance    | 3,289                     | 3,617               |
| Valuation allowance   | (3,117)                   | (4,683)             |
| Total current deferred tax assets (liabilities), net            | 172                       | (1,066)             |
| Fixed assets  | 901                       | 477                 |
| Stock-based compensation  | 1,200                     | 890                 |
| Net operating loss carryforwards                                | 336,020                   | 309,546             |
| Other   | 563                       | 696                 |
| Total noncurrent deferred tax assets before valuation allowance | 338,684                   | 311,609             |
| Valuation allowance   | (355,299)                 | (317,782)           |
| Net noncurrent deferred tax liabilities                         | (16,615)                  | (6,173)             |
| Total deferred tax liabilities                                  | <u>\$ (16,443)</u>        | <u>\$ (7,239)</u>   |
| Deferred tax liabilities:                                       |                           |                     |
| Prepaid expenses  | (122)                     | (134)               |
| Total current deferred tax liability                            | (122)                     | (134)               |
| Intangible assets   | (209,278)                 | (170,673)           |
| Partnership interests   | (26,039)                  | (36,895)            |
| Other   | (531)                     | (504)               |
| Total noncurrent deferred tax liabilities                       | (235,848)                 | (208,072)           |
| Total deferred tax liabilities                                  | (235,970)                 | (208,206)           |
| Net current deferred tax asset (liability)                      | 50                        | (1,200)             |
| Net noncurrent deferred tax liability                           | (252,463)                 | (214,245)           |
| Net deferred tax liability                                      | <u>\$ (252,413)</u>       | <u>\$ (215,445)</u> |

As of December 31, 2014, the Company had federal and state net operating loss (“NOL”) carryforward amounts of approximately \$862.5 million and \$914.1 million, respectively. The state NOLs are applied separately from the federal NOL as the Company generally files separate state returns for each subsidiary. Additionally, the amount of the state NOLs may change if future apportionment factors differ from current factors. The NOLs may be subject to limitation under Internal Revenue Code Section 382. The NOLs begin to expire as early as 2015, with the final expirations in 2034.

Deferred income taxes reflect the impact of temporary differences between the assets and liabilities recognized for financial reporting purposes and amounts recognized for tax purposes. Deferred taxes are based on tax laws as currently enacted.

The Company had unrecognized tax benefits of approximately \$5.2 million related to state NOLs of approximately \$57.2 million as of December 31, 2014.

The Company concluded it was more likely than not that the benefit from certain of its deferred tax assets (“DTAs”) would not be realized. The Company considered its historically profitable jurisdictions, its sources of future taxable income and tax planning strategies in determining the amount of valuation allowance recorded. As part of that assessment, the Company also determined that it was not appropriate under generally accepted accounting principles to benefit its DTAs with deferred tax liabilities (“DTLs”) related to indefinite-lived intangibles that cannot be scheduled to reverse in the same requisite period. Because the DTL in this case would not reverse until some future indefinite period when the intangibles are either sold or impaired, any resulting temporary differences cannot be considered a source of future taxable income to support realization of the DTAs. As a result of the assessment, and given the current total three year cumulative loss position, the uncertainty of future taxable income and the feasibility of tax planning strategies, the Company recorded a valuation allowance of approximately \$358.4 million, \$322.5 million and \$279.6 million as of December 31, 2014, 2013 and 2012, respectively.

The nature of the uncertainties pertaining to the Company’s income taxes is primarily due to various state NOL positions. As of December 31, 2014, the Company had unrecognized tax benefits of approximately \$5.2 million, of which a net amount of approximately \$3.4 million, if recognized, would impact the effective tax rate if there was no valuation allowance. The Company estimates no change to its unrecognized tax benefits prior to the NOL expiration. The Company recognizes accrued interest and penalties related to unrecognized tax benefits as a component of tax expense. Accordingly, we recorded \$21,000 of interest and penalties for the year ended December 31, 2014. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

|   | <u>2014</u>     | <u>2013</u><br>(In thousands) | <u>2012</u>     |
|---|-----------------|-------------------------------|-----------------|
| Balance as of January 1   | \$ 5,071        | \$ 5,071                      | \$ 5,780        |
| Additions for tax positions related to prior years  | 153             | —                             | —               |
| Reductions for tax positions as a result of the lapse of applicable statutes of limitations | —               | —                             | (600)           |
| Reductions for tax positions as a result of tax settlements                                 | —               | —                             | (109)           |
| Balance as of December 31   | <u>\$ 5,224</u> | <u>\$ 5,071</u>               | <u>\$ 5,071</u> |

As of December 31, 2014, Radio One is under examination by the state of New York for the tax years ended December 31, 2009, 2010, and 2011. The Company's open tax years for federal income tax examinations include the tax years ended December 31, 2011 through 2014. Additionally, prior years are open to the extent of the amount of the net operating loss from that year. For state and local purposes, the open years for tax examinations include the tax years ended December 31, 2010 through 2014.

## 12. STOCKHOLDERS' EQUITY:

### *Common Stock*

The Company has four classes of common stock, Class A, Class B, Class C and Class D. Generally, the shares of each class are identical in all respects and entitle the holders thereof to the same rights and privileges. However, with respect to voting rights, each share of Class A common stock entitles its holder to one vote and each share of Class B common stock entitles its holder to ten votes. The holders of Class C and Class D common stock are not entitled to vote on any matters. The holders of Class A common stock can convert such shares into shares of Class C or Class D common stock. Subject to certain limitations, the holders of Class B common stock can convert such shares into shares of Class A common stock. The holders of Class C common stock can convert such shares into shares of Class A common stock. The holders of Class D common stock have no such conversion rights.

### *Stock Repurchase Program*

In January 2013, the Company's Board of Directors authorized a repurchase of shares of the Company's Class A and Class D common stock (the "January 2013 Repurchase Authorization"). Under the January 2013 Repurchase Authorization, the Company is authorized, but is not obligated, to repurchase up to \$2.0 million worth of its Class A and/or Class D common stock. Subsequently, in May 2013, the Company's Board of Directors authorized a further \$1.5 million worth of stock repurchases (the "May 2013 Repurchase Authorization"). Thus, the aggregate amount authorized between the January 2013 Repurchase Authorization and the May 2013 Repurchase Authorization was \$3.5 million. As of December 31, 2014, the Company had \$57,000 remaining between the two authorizations with respect to its Class A and D common stock. Repurchases may be made from time to time in the open market or in privately negotiated transactions in accordance with applicable laws and regulations. The timing and extent of any repurchases will depend upon prevailing market conditions, the trading price of the Company's Class A and/or Class D common stock and other factors, and subject to restrictions under applicable law. The Company executes upon the stock repurchase program in a manner consistent with market conditions and the interests of the stockholders, including maximizing stockholder value. During the year ended December 31, 2014, the Company did not repurchase any Class A common stock or Class D common stock. During the year ended December 31, 2013, the Company repurchased 2,630,574 shares of Class D common stock in the amount of approximately \$5.4 million at an average price of \$2.05 per share and 32,669 shares of Class A common stock in the amount of \$71,000 at an average price of \$2.17 per share. During the year ended December 31, 2012, the Company did not repurchase any Class A Common Stock or Class D Common Stock. During the year ended December 31, 2013, shares repurchased included repurchases from a prior authorization.

### *Stock Option and Restricted Stock Grant Plan*

Under the Company's 1999 Stock Option and Restricted Stock Grant Plan ("Plan"), the Company had the authority to issue up to 10,816,198 shares of Class D common stock and 1,408,099 shares of Class A common stock. The Plan expired March 10, 2009. The options previously issued under this plan are exercisable in installments determined by the compensation committee of the Company's Board of Directors at the time of grant. These options expire as determined by the compensation committee, but no later than ten years from the date of the grant. The Company uses an average life for all option awards. The Company settles stock options upon exercise by issuing stock.

A stock option and restricted stock plan (“the 2009 Stock Plan”) was approved by the stockholders at the Company’s annual meeting on December 16, 2009. The terms of the 2009 Stock Plan are substantially similar to the prior Plan. The Company had the authority to issue up to 8,250,000 shares of Class D Common Stock under the 2009 Stock Plan. On September 26, 2013, the Board of Directors adopted, and our stockholders approved on November 14, 2013, certain amendments to and restatement of the 2009 Stock Plan (the “Amended and Restated 2009 Stock Plan”). The amendments under the Amended and Restated 2009 Stock Plan primarily affected (i) the number of shares with respect to which options and restricted stock grants may be granted under the 2009 Stock Plan and (ii) the maximum number of shares that can be awarded to any individual in any one calendar year. The Amended and Restated 2009 Stock Plan increased the authorized plan shares remaining available for grant to 7,000,000 shares of Class D common stock after giving effect to the issuances prior to the amendment. Prior to the amendment, under the 2009 Plan, in any one calendar year, the compensation committee could not grant to any one participant options to purchase, or grants of, a number of shares of Class D common stock in excess of 1,000,000. Under the Amended and Restated 2009 Stock Plan, this limitation was eliminated. The purpose of eliminating this limitation is to provide the compensation committee with maximum flexibility in setting executive compensation. As of December 31, 2014, 3,414,950 shares of Class D common stock were available for grant under the Amended and Restated 2009 Stock Plan.

On September 30, 2014, the Compensation Committee (“Compensation Committee”) of the Board of Directors of the Company approved the principal terms of new employment agreements for each of the Company’s named executive officers which included the granting of restricted shares and stock options under a long-term incentive plan (“LTIP”) as follows, effective October 6, 2014:

Cathy Hughes, Founder and Executive Chairperson was awarded 456,000 restricted shares of the Company’s Class D common stock and stock options to purchase 293,000 shares of the Company’s Class D common stock, all vesting in approximately equal 1/3 tranches on April 6, 2015, December 31, 2015 and December 31, 2016.

Alfred C. Liggins, President and Chief Executive Officer of Radio One, Inc. and TV One, LLC was awarded 913,000 restricted shares of the Company’s Class D common stock and stock options to purchase 587,000 shares of the Company’s Class D common stock, all vesting in approximately equal 1/3 tranches on April 6, 2015, December 31, 2015 and December 31, 2016.

Peter Thompson, Executive Vice President and Chief Financial Officer was awarded 350,000 restricted shares of the Company’s Class D common stock with 200,000 shares vesting on April 6, 2015 and with the remaining shares vesting in equal 75,000 share tranches on December 31, 2015 and December 31, 2016, and stock options to purchase 225,000 shares of the Company’s Class D common stock vesting in equal 112,500 share tranches on December 31, 2015 and December 31, 2016.

Linda Vilardo, Executive Vice President and Chief Administrative Officer was awarded 225,000 restricted shares of the Company’s Class D common stock vesting in equal 75,000 share tranches on April 6, 2015, December 31, 2015 and December 31, 2016.

Christopher Wegmann, President, radio division, was awarded 70,000 restricted shares of the Company’s Class D common stock vesting in approximately equal 1/3 tranches on April 6, 2015, December 31, 2015 and December 31, 2016.

Also on September 30, 2014, the Compensation Committee awarded 410,000 shares of restricted stock to certain employees pursuant to the Company’s LTIP. The grants were effective October 6, 2014, and will vest in three installments, with the first installment of 33% vesting on April 6, 2015. The remaining two installments will vest equally on December 31, 2015 and December 31, 2016. Pursuant to the terms of the 2009 Stock Option and Restricted Stock Grant Plan, as amended and restated as of December 31, 2013, and subject to the Company’s insider trading policy, a portion of each recipient’s vested shares may be sold in the open market for tax purposes on or about the vesting dates.

The Company measures compensation cost for all stock-based awards at fair value on date of grant and recognizes the related expense over the service period for awards expected to vest. These stock-based awards do not participate in dividends until fully vested. The fair value of stock options is determined using the Black-Scholes (“BSM”) valuation model. Such fair value is recognized as an expense over the service period, net of estimated forfeitures, using the straight-line method. Estimating the number of stock awards that will ultimately vest requires judgment, and to the extent actual forfeitures differ substantially from our current estimates, amounts will be recorded as a cumulative adjustment in the period the estimated number of stock awards are revised. We consider many factors when estimating expected forfeitures, including the types of awards, employee classification and historical experience. Actual forfeitures may differ substantially from our current estimate.

The Company's use of the BSM valuation model to calculate the fair value of stock-based awards incorporates various assumptions including volatility, expected life, and interest rates. For options granted, the BSM option-pricing model determines: (i) the term by using the simplified "plain-vanilla" method as allowed under SAB No. 110; (ii) a historical volatility over a period commensurate with the expected term, with the observation of the volatility on a daily basis; and (iii) a risk-free interest rate that was consistent with the expected term of the stock options and based on the U.S. Treasury yield curve in effect at the time of the grant.

Stock-based compensation expense for the years ended December 31, 2014, 2013 and 2012, was approximately \$1.6 million, \$191,000, and \$171,000, respectively

The Company granted 1,105,000 and 150,600 stock options during the years ended December 31, 2014 and 2012, respectively. The Company did not grant any stock options during the year ended December 31, 2013. The per share weighted-average fair value of options granted during the years ended December 31, 2014 and 2012 was \$2.40 and \$0.73, respectively.

These fair values were derived using the BSM with the following weighted-average assumptions:

|                                 | <b>For the Years Ended December 31,</b> |             |             |
|---------------------------------|---|-------------|-------------|
|                                 | <b>2014</b>                             | <b>2013</b> | <b>2012</b> |
| Average risk-free interest rate | 1.94%                                   | —           | 0.62%       |
| Expected dividend yield         | 0.00%                                   | —           | 0.00%       |
| Expected lives                  | 6.00 years                              | —           | 6.00 years  |
| Expected volatility             | 121.1%                                  | —           | 127.5%      |

Transactions and other information relating to stock options for the years December 31, 2014, 2013 and 2012 are summarized below:

|  | <b>Number<br/>of<br/>Options</b> | <b>Weighted-<br/>Average<br/>Exercise<br/>Price</b> | <b>Weighted-<br/>Average<br/>Remaining<br/>Contractual<br/>Term (In<br/>Years)</b> | <b>Aggregate<br/>Intrinsic<br/>Value</b> |
|--|----------------------------------|---|--|--|
| Outstanding at December 31, 2011                 | 4,811,000                        | \$ 8.60   | —  | —  |
| Grants   | 151,000                          | \$ 0.83   |  |  |
| Exercised  | —                                | \$ —  |  |  |
| Forfeited/cancelled/expired                      | (332,000)                        | \$ 11.05  |  |  |
| Outstanding at December 31, 2012                 | 4,630,000                        | \$ 8.17   | —  | —  |
| Grants   | —                                | \$ —  |  |  |
| Exercised  | —                                | \$ —  |  |  |
| Forfeited/cancelled/expired                      | (330,000)                        | \$ 17.43  |  |  |
| Outstanding at December 31, 2013                 | 4,300,000                        | \$ 7.46   | —  | —  |
| Grants   | 1,105,000                        | \$ 2.75   |  |  |
| Exercised  | (92,000)                         | \$ 1.36   |  |  |
| Forfeited/cancelled/expired                      | (1,576,000)                      | \$ 14.81  |  |  |
| Outstanding at December 31, 2014                 | 3,737,000                        | \$ 3.12   | 5.18   | \$ 629,440                               |
| Vested and expected to vest at December 31, 2014 | 3,629,000                        | \$ 3.13   | 5.04   | \$ 629,440                               |
| Unvested at December 31, 2014                    | 1,105,000                        | \$ 2.75   | 9.77   | \$ —                                     |
| Exercisable at December 31, 2014                 | 2,632,000                        | \$ 3.28   | 3.26   | \$ 629,440                               |

The aggregate intrinsic value in the table above represents the difference between the Company's stock closing price on the last day of trading during the year ended December 31, 2014, and the exercise price, multiplied by the number of shares that would have been received by the holders of in-the-money options had all the option holders exercised their in-the-money options on December 31, 2014. This amount changes based on the fair market value of the Company's stock.

The number of options that were exercised during the year ended December 31, 2014 was 92,000. There were no options exercised during the year ended December 31, 2013. The number of options that vested during the year ended December 31, 2014 was 75,300. The number of options that vested during the year ended December 31, 2013 was 108,725.

As of December 31, 2014, approximately \$2.3 million of total unrecognized compensation cost related to stock options is expected to be recognized over a weighted-average period of 14 months. The stock option weighted-average fair value per share was \$1.96 at December 31, 2014.

The Company granted 2,480,050 and 109,645 shares, respectively, of restricted stock during the years ended December 31, 2014 and 2013. As noted above, during the year ended December 31, 2014, 2,424,000 restricted shares were issued to the Company's Executives and LTIP participants. During the years ended December 31, 2014 and 2013, respectively, 56,050 and 109,645 shares of restricted stock were issued to the Company's non-executive directors as a part of their 2013 and 2014 compensation packages. Each of the five non-executive directors received 11,210 shares of restricted stock or \$50,000 worth of restricted stock based upon the closing price of the Company's Class D common stock on June 14, 2014 and 21,929 shares of restricted stock or \$50,000 worth of restricted stock based upon the closing price of the Company's Class D common stock on June 14, 2013. Both of the grants vest over a two-year period in equal 50% installments.

Transactions and other information relating to restricted stock grants for the years ended December 31, 2014, 2013 and 2012 are summarized below:

|                               | <b>Shares</b>    | <b>Average<br/>Fair<br/>Value at<br/>Grant<br/>Date</b> |
|-------------------------------|------------------|---|
| Unvested at December 31, 2011 | 144,000          | \$ 1.10   |
| Grants                        | —                | \$ —  |
| Vested                        | (62,000)         | \$ 1.09   |
| Forfeited/cancelled/expired   | —                | \$ —  |
| Unvested at December 31, 2012 | 82,000           | \$ 1.11   |
| Grants                        | 110,000          | \$ 2.28   |
| Vested                        | (62,000)         | \$ 1.09   |
| Forfeited/cancelled/expired   | —                | \$ —  |
| Unvested at December 31, 2013 | 130,000          | \$ 2.11   |
| Grants                        | 2,480,000        | \$ 2.79   |
| Vested                        | (75,000)         | \$ 1.99   |
| Forfeited/cancelled/expired   | —                | \$ —  |
| Unvested at December 31, 2014 | <u>2,535,000</u> | <u>\$ 2.78</u>  |

The restricted stock grants were included in the Company's outstanding share numbers on the effective date of grant. As of December 31, 2014, approximately \$5.9 million of total unrecognized compensation cost related to restricted stock grants was expected to be recognized over the weighted-average period of 13 months.

### 13. PROFIT SHARING AND EMPLOYEE SAVINGS PLAN:

The Company maintains a profit sharing and employee savings plan under Section 401(k) of the Internal Revenue Code. This plan allows eligible employees to defer allowable portions of their compensation on a pre-tax basis through contributions to the savings plan. The Company may contribute to the plan at the discretion of its Board of Directors. The Company does not match employee contributions. The Company did not make any contributions to the plan during the years ended December 31, 2014, 2013 and 2012.

#### **14. COMMITMENTS AND CONTINGENCIES:**

##### ***Radio Broadcasting Licenses***

Each of the Company's radio stations operates pursuant to one or more licenses issued by the Federal Communications Commission that have a maximum term of eight years prior to renewal. The Company's radio broadcasting licenses expire at various times through August 1, 2022. Although the Company may apply to renew its radio broadcasting licenses, third parties may challenge the Company's renewal applications. The Company is not aware of any facts or circumstances that would prevent the Company from having its current licenses renewed.

##### ***Royalty Agreements***

Effective December 31, 2009, our radio music license agreements with the two largest performance rights organizations, American Society of Composers, Authors and Publishers ("ASCAP") and Broadcast Music, Inc. ("BMI") expired. The Radio Music License Committee ("RMLC"), which negotiates music licensing fees for most of the radio industry with ASCAP and BMI, at that time, reached an agreement with these organizations on a temporary fee schedule that reflected a provisional discount of 7.0% against 2009 fee levels. The temporary fee reductions became effective in January 2010. In May 2010 and June 2010, the U.S. District Court's judge charged with determining the licenses fees ruled to further reduce interim fees paid to ASCAP and BMI, respectively, down approximately another 11.0% from the previous temporary fees negotiated with the RMLC. In January 2012, the U.S. District Court approved a settlement between RMLC and ASCAP. The settlement determined the amount to be paid to ASCAP for usage through 2016. In addition, stations received a credit for overpayments made in 2010 and 2011 to ASCAP. In June 2012, RMLC and BMI reached a settlement agreement. The settlement covers the period through 2016 and determined a new fee structure based on percentage of revenue. In addition, stations received a credit for overpayments made in 2010 and 2011 to BMI.

The Company has entered into fixed fee and variable share agreements with music performance rights organizations, which expire beginning December 31, 2015, and as late as December 31, 2016. In connection with all performance rights organization agreements, including American Society of Composers, Authors and Publishers ("ASCAP") and Broadcast Music, Inc. ("BMI"), the Company incurred expenses of approximately \$9.2 million, \$9.2 million and \$9.8 million, during the years ended December 31, 2014, 2013 and 2012, respectively. The expenses related to discontinued operations associated with these agreements were not significant.

##### ***Leases and Other Operating Contracts and Agreements***

The Company has noncancelable operating leases for office space, studio space, broadcast towers and transmitter facilities that expire over the next 17 years. The Company's leases for broadcast facilities generally provide for a base rent plus real estate taxes and certain operating expenses related to the leases. Certain of the Company's leases contain renewal options, escalating payments over the life of the lease and rent concessions. Scheduled rent increases and rent concessions are being amortized over the terms of the agreements using the straight-line method, and are included in other liabilities in the accompanying consolidated balance sheets. The future rentals under non-cancelable leases as of December 31, 2014, are shown below.

The Company has other operating contracts and agreements including employment contracts, on-air talent contracts, severance obligations, retention bonuses, consulting agreements, equipment rental agreements, programming related agreements, and other general operating agreements that expire over the next four years. The amounts the Company is obligated to pay for these agreements are shown below.



|                           | <b>Operating<br/>Lease<br/>Payments</b> | <b>Other<br/>Operating<br/>Contracts<br/>and<br/>Agreements</b> |
|---------------------------|---|---|
|                           | <b>(In thousands)</b>                   |   |
| Years ending December 31: |   |   |
| 2015                      | \$ 9,840                                | \$ 63,209   |
| 2016                      | 9,290                                   | 23,810  |
| 2017                      | 8,767                                   | 14,723  |
| 2018                      | 5,511                                   | 1,452   |
| 2019                      | 4,467                                   | 41  |
| 2020 and thereafter       | 16,824                                  | 81  |
| Total                     | <u>\$ 54,699</u>                        | <u>\$ 103,316</u>   |

Rent expense included in continuing operations for the years ended December 31, 2014, 2013 and 2012 was approximately \$10.9 million, \$10.3 million and \$10.6 million, respectively. Rent expense related to discontinued operations were not significant.

#### ***Reach Media Noncontrolling Interest Shareholders' Put Rights***

Beginning on January 1, 2018, the noncontrolling interest shareholders of Reach Media have an annual right to require Reach Media to purchase all or a portion of their shares at the then current fair market value for such shares (the "Put Right"). Beginning in 2018, this annual right is exercisable for a 30-day period beginning January 1 of each year. The purchase price for such shares may be paid in cash and/or registered Class D common stock of Radio One, at the discretion of Radio One.

#### ***Letters of Credit***

As of December 31, 2014, we had four standby letters of credit totaling approximately \$1.0 million in connection with our annual insurance policy renewals and real estate leases.

#### ***Other Contingencies***

The Company has been named as a defendant in several legal actions arising in the ordinary course of business. It is management's opinion, after consultation with its legal counsel, that the outcome of these claims will not have a material adverse effect on the Company's financial position or results of operations.

#### **15. QUARTERLY FINANCIAL DATA (UNAUDITED):**

|   | <b>Quarters Ended</b>                    |                   |                     |                    |
|---|--|-------------------|---------------------|--------------------|
|   | <b>March 31</b>                          | <b>June 30</b>    | <b>September 30</b> | <b>December 31</b> |
|   | <b>(In thousands, except share data)</b> |                   |                     |                    |
| 2014:   |  |                   |                     |                    |
| Net revenue   | \$ 111,072                               | \$ 108,414        | \$ 112,171          | \$ 109,730         |
| Operating income  | 15,831                                   | 22,350            | 19,560              | 19,424             |
| Net loss  | (20,302)                                 | (5,408)           | (8,758)             | (8,272)            |
| Consolidated net loss attributable to common stockholders           | (25,183)                                 | (10,816)          | (13,220)            | (13,451)           |
| <b>BASIC NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>           |  |                   |                     |                    |
| Net loss per share  | \$ (0.53)                                | \$ (0.23)         | \$ (0.28)           | \$ (0.28)          |
| Consolidated net loss per share attributable to common stockholders | <u>\$ (0.53)</u>                         | <u>\$ (0.23)</u>  | <u>\$ (0.28)</u>    | <u>\$ (0.28)</u>   |
| <b>DILUTED NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>         |  |                   |                     |                    |
| Net loss per share  | \$ (0.53)                                | \$ (0.23)         | \$ (0.28)           | \$ (0.28)          |
| Consolidated net loss per share attributable to common stockholders | <u>\$ (0.53)</u>                         | <u>\$ (0.23)</u>  | <u>\$ (0.28)</u>    | <u>\$ (0.28)</u>   |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>                          |  |                   |                     |                    |
| Weighted average shares outstanding — basic and diluted             | <u>47,441,175</u>                        | <u>47,465,653</u> | <u>47,601,371</u>   | <u>47,608,038</u>  |

|  | <b>Quarters Ended</b> |                    |                        |                    |
|--|-----------------------|--------------------|------------------------|--------------------|
|  | <b>March 31 (a)</b>   | <b>June 30 (a)</b> | <b>September 30(a)</b> | <b>December 31</b> |
| <b>(In thousands, except share data)</b>                                     |                       |                    |                        |                    |
| <b>2013:</b>   |                       |                    |                        |                    |
| Net revenue  | \$ 99,112             | \$ 119,602         | \$ 118,391             | \$ 111,595         |
| Operating income   | 15,455                | 18,330             | 21,795                 | 17,388             |
| Net loss from continuing operations  | (13,305)              | (8,555)            | (8,904)                | (13,631)           |
| Income (loss) from discontinued operations                                   | 890                   | 3                  | —                      | (8)                |
| Consolidated net loss attributable to common stockholders                    | (18,106)              | (14,214)           | (13,221)               | (16,440)           |
| <b>BASIC NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>           |                       |                    |                        |                    |
| Net (loss) income from continuing operations per share                       | \$ (0.38)             | \$ (0.29)          | \$ (0.28)              | \$ (0.35)          |
| Net (loss) income from discontinued operations per share                     | 0.02                  | 0.00               | —                      | (0.00)             |
| Consolidated net (loss) income per share attributable to common stockholders | <u>\$ (0.36)</u>      | <u>\$ (0.29)</u>   | <u>\$ (0.28)</u>       | <u>\$ (0.35)</u>   |
| <b>DILUTED NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>         |                       |                    |                        |                    |
| Net (loss) income from continuing operations per share                       | \$ (0.38)             | \$ (0.29)          | \$ (0.28)              | \$ (0.35)          |
| Net (loss) income from discontinued operations per share                     | 0.02                  | 0.00               | —                      | (0.00)             |
| Consolidated net (loss) income per share attributable to common stockholders | <u>\$ (0.36)</u>      | <u>\$ (0.29)</u>   | <u>\$ (0.28)</u>       | <u>\$ (0.35)</u>   |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>                                   |                       |                    |                        |                    |
| Weighted average shares outstanding — basic and diluted                      | <u>49,861,964</u>     | <u>48,737,941</u>  | <u>47,443,031</u>      | <u>47,441,175</u>  |

(a) The net loss from continuing operations for the quarters ended March 31, 2013, June 30, 2013 and September 30, 2013 includes approximately \$1.4 million, \$9.8 million and \$3.7 million, respectively of impairment charges.

|  | <b>Quarters Ended</b> |                    |                     |                    |
|--|-----------------------|--------------------|---------------------|--------------------|
|  | <b>March 31</b>       | <b>June 30 (a)</b> | <b>September 30</b> | <b>December 31</b> |
| <b>(In thousands, except share data)</b>                                     |                       |                    |                     |                    |
| <b>2012:</b>   |                       |                    |                     |                    |
| Net revenue  | \$ 102,964            | \$ 105,830         | \$ 109,894          | \$ 105,885         |
| Operating income   | 13,725                | 21,385             | 21,498              | 14,601             |
| Net (loss) income from continuing operations                                 | (75,156)              | 46,452             | (10,215)            | (15,013)           |
| (Loss) income from discontinued operations                                   | (29)                  | 13                 | (40)                | (128)              |
| Consolidated net (loss) income attributable to common stockholders           | (79,242)              | 42,668             | (13,064)            | (17,227)           |
| <b>BASIC NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>           |                       |                    |                     |                    |
| Net (loss) income from continuing operations per share                       | \$ (1.58)             | \$ 0.85            | \$ (0.26)           | \$ (0.34)          |
| Net (loss) income from discontinued operations per share                     | (0.00)                | 0.00               | (0.00)              | (0.00)             |
| Consolidated net (loss) income per share attributable to common stockholders | <u>\$ (1.58)</u>      | <u>\$ 0.85</u>     | <u>\$ (0.26)</u>    | <u>\$ (0.34)</u>   |
| <b>DILUTED NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCKHOLDERS</b>         |                       |                    |                     |                    |
| Net (loss) income from continuing operations per share                       | \$ (1.58)             | \$ 0.85            | \$ (0.26)           | \$ (0.34)          |
| Net (loss) income from discontinued operations per share                     | (0.00)                | 0.00               | (0.00)              | (0.00)             |
| Consolidated net (loss) income per share attributable to common stockholders | <u>\$ (1.58)</u>      | <u>\$ 0.85</u>     | <u>\$ (0.26)</u>    | <u>\$ (0.34)</u>   |
| <b>WEIGHTED AVERAGE SHARES OUTSTANDING</b>                                   |                       |                    |                     |                    |
| Weighted average shares outstanding — basic                                  | 49,994,974            | 50,006,008         | 50,019,048          | 50,042,751         |
| Weighted average shares outstanding — diluted                                | <u>49,994,974</u>     | <u>50,124,418</u>  | <u>50,019,048</u>   | <u>50,042,751</u>  |

(a) The net income from continuing operations for the quarter ended June 30, 2012, includes \$313,000 of impairment charges.

## 16. SEGMENT INFORMATION:

The Company has four reportable segments: (i) radio broadcasting; (ii) Reach Media; (iii) internet; and (iv) cable television. These segments operate in the United States and are consistently aligned with the Company's management of its businesses and its financial reporting structure.

The radio broadcasting segment consists of all broadcast results of operations. The Company aggregates the broadcast markets in which it operates into the radio broadcasting segment. The Reach Media segment consists of the results of operations for the Tom Joyner Morning Show and related activities and operations of other syndicated shows. Effective, January 1, 2013, we consolidated our syndication network programming within Reach Media to leverage that platform to create the leading syndicated radio network targeted to the African-American audience. The internet segment includes the results of our online business, including the operations of Interactive One. The cable television segment consists of TV One's results of operations. Corporate/Eliminations/Other represents financial activity associated with our corporate staff and offices and intercompany activity among the four segments.

Operating loss or income represents total revenues less operating expenses, depreciation and amortization, and impairment of long-lived assets. Intercompany revenue earned and expenses charged between segments are recorded at fair value and eliminated in consolidation.

The accounting policies described in the summary of significant accounting policies in Note 1 – *Organization and Summary of Significant Accounting Policies* are applied consistently across the segments.

Detailed segment data for the years ended December 31, 2014, 2013 and 2012 is presented in the following table:

|   | <b>For the Years Ended December 31,</b> |                   |                   |
|---|---|-------------------|-------------------|
|   | <b>2014</b>                             | <b>2013</b>       | <b>2012</b>       |
|   | (In thousands)                          |                   |                   |
| <b>Net Revenue:</b>   |   |                   |                   |
| Radio Broadcasting  | \$ 213,037                              | \$ 222,544        | \$ 223,404        |
| Reach Media   | 52,543                                  | 56,741            | 55,154            |
| Internet  | 24,337                                  | 25,639            | 19,852            |
| Cable Television  | 157,086                                 | 149,472           | 131,178           |
| Corporate/Eliminations/Other  | (5,616)                                 | (5,696)           | (5,015)           |
| <b>Consolidated</b>   | <b>\$ 441,387</b>                       | <b>\$ 448,700</b> | <b>\$ 424,573</b> |
| <b>Operating Expenses (including stock-based compensation and excluding depreciation and amortization and impairment of long-lived assets):</b> |   |                   |                   |
| Radio Broadcasting  | \$ 126,842                              | \$ 128,001        | \$ 129,843        |
| Reach Media   | 50,849                                  | 50,833            | 54,168            |
| Internet  | 22,998                                  | 25,319            | 21,179            |
| Cable Television  | 104,210                                 | 100,117           | 91,361            |
| Corporate/Eliminations/Other  | 22,501                                  | 18,712            | 17,723            |
| <b>Consolidated</b>   | <b>\$ 327,400</b>                       | <b>\$ 322,982</b> | <b>\$ 314,274</b> |
| <b>Depreciation and Amortization:</b>   |   |                   |                   |
| Radio Broadcasting  | \$ 5,039                                | \$ 6,071          | \$ 6,308          |
| Reach Media   | 1,146                                   | 1,242             | 1,302             |
| Internet  | 2,422                                   | 2,490             | 3,210             |
| Cable Television  | 26,115                                  | 26,324            | 26,864            |
| Corporate/Eliminations/Other  | 2,100                                   | 1,743             | 1,093             |
| <b>Consolidated</b>   | <b>\$ 36,822</b>                        | <b>\$ 37,870</b>  | <b>\$ 38,777</b>  |
| <b>Impairment of Long-Lived Assets:</b>   |   |                   |                   |
| Radio Broadcasting  | \$ —                                    | \$ 14,880         | \$ 313            |
| Reach Media   | —                                       | —                 | —                 |
| Internet  | —                                       | —                 | —                 |
| Cable Television  | —                                       | —                 | —                 |
| Corporate/Eliminations/Other  | —                                       | —                 | —                 |
| <b>Consolidated</b>   | <b>\$ —</b>                             | <b>\$ 14,880</b>  | <b>\$ 313</b>     |
| <b>Operating income (loss):</b>   |   |                   |                   |
| Radio Broadcasting  | \$ 81,156                               | \$ 73,592         | \$ 86,940         |
| Reach Media   | 548                                     | 4,666             | (316)             |
| Internet  | (1,083)                                 | (2,170)           | (4,537)           |
| Cable Television  | 26,761                                  | 23,031            | 12,953            |
| Corporate/Eliminations/Other  | (30,217)                                | (26,151)          | (23,831)          |
| <b>Consolidated</b>   | <b>\$ 77,165</b>                        | <b>\$ 72,968</b>  | <b>\$ 71,209</b>  |

|                              | As of                |                      |
|------------------------------|----------------------|----------------------|
|                              | December 31,<br>2014 | December 31,<br>2013 |
| (In thousands)               |                      |                      |
| Total Assets:                |                      |                      |
| Radio Broadcasting           | \$ 814,621           | \$ 798,900           |
| Reach Media                  | 36,376               | 39,700               |
| Internet                     | 33,375               | 34,123               |
| Cable Television             | 464,661              | 495,766              |
| Corporate/Eliminations/Other | 49,522               | 45,866               |
| Consolidated                 | <u>\$ 1,398,555</u>  | <u>\$ 1,414,355</u>  |

## 17. SUBSEQUENT EVENTS:

On January 21, 2015, the Company entered into a Second Amendment to the 2011 Credit Agreement with its lenders. See Note 10 –*Long-Term Debt* for further information on the Second Amendment.

As reported on the current report on Form 8-K filed February 12, 2015, on February 11, 2015, the Company, by and through its wholly owned subsidiary, Radio One Cable Holdings, Inc. (“ROCH” and, together with the Company, “Radio One”) entered into a Unit Purchase Agreement (the “Purchase Agreement”) with TV One, LLC (“TV One”) and Comcast Programming Ventures V, LLC (“Comcast”) providing for ROCH’s acquisition of all of Comcast’s membership interest in TV One (the “Comcast Buyout”). Upon completion of the Comcast Buyout, Radio One will own approximately 99.6% percent of the membership interests of TV One after giving effect to certain membership interests held by employees. The purchase price for the Comcast interest will be based upon a Five Hundred and Fifty Million Dollars (\$550,000,000) enterprise valuation, subject to adjustment as provided in the agreement. As Comcast’s interest in TV One is approximately 47.5%, the effective purchase price will be approximately Two Hundred and Twenty Million Dollars (\$220,000,000). Completion of the Comcast Buyout is subject to customary closing conditions as well as Radio One having received debt, equity and/or other financing sufficient to consummate the transaction on terms and conditions acceptable to Radio One (the “Required Financing”). The Agreement may be terminated, (i) at any time, by mutual written agreement of Radio One and Comcast; (ii) by Radio One, if its Board of Directors in the exercise of its fiduciary duties concludes that the Required Financing is not available on commercially reasonable terms and conditions; or (iii) by written notice by either Radio One or Comcast to the other parties, at any time after June 30, 2015, if the closing shall not have occurred on or prior to such date.

Simultaneously upon execution of the Purchase Agreement, Comcast Cable Communication, LLC (an affiliate of Comcast) and TV One also entered into a multi-year extension of their previous affiliation agreement (“Affiliation Agreement Amendment”) regarding the distribution of the television programming service of TV One.

On February 13, 2015, Radio One Urban Network Holdings, LLC and IO Acquisition Sub, LLC executed a certain Second Supplemental Indenture by and among Radio One Urban Network Holdings, LLC, IO Acquisition Sub, LLC, and Wilmington Trust Company, as trustee under the Indenture dated as of February 10, 2014, providing for the Company’s issuance of 9.25% Senior Subordinated Notes due 2020.

**RADIO ONE, INC. AND SUBSIDIARIES**

**SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS**  
**For the Years Ended December 31, 2014, 2013 and 2012**

| <u>Description</u>               | <u>Balance at Beginning of Year</u> | <u>Additions Charged to Expense</u> | <u>Acquired from Acquisitions</u><br>(In thousands) | <u>Deductions</u> | <u>Balance at End of Year</u> |
|----------------------------------|-------------------------------------|-------------------------------------|---|-------------------|-------------------------------|
| Allowance for Doubtful Accounts: |                                     |                                     |   |                   |                               |
| 2014                             | \$ 4,393                            | \$ 1,921                            | \$ —  | \$ 2,339          | \$ 3,975                      |
| 2013                             | 3,631                               | 2,124                               | —   | 1,362             | 4,393                         |
| 2012                             | 3,719                               | 1,504                               | —   | 1,592             | 3,631                         |

| <u>Description</u>                           | <u>Balance at Beginning of Year</u> | <u>Additions Charged to Expense</u> | <u>Acquired from Acquisitions</u><br>(In thousands) | <u>Deductions</u> | <u>Balance at End of Year</u> |
|--|-------------------------------------|-------------------------------------|---|-------------------|-------------------------------|
| Valuation Allowance for Deferred Tax Assets: |                                     |                                     |   |                   |                               |
| 2014   | \$ 322,465                          | \$ 36,107                           | \$ —  | \$ 156            | \$ 358,416                    |
| 2013   | 279,620                             | 42,845                              | —   | —                 | 322,465                       |
| 2012   | 244,927                             | 34,868                              | —   | 175               | 279,620                       |

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**SUBSIDIARIES OF RADIO ONE, INC.**  
**As of December 31, 2014**

Radio One Licenses, LLC, a Delaware limited liability company, is a restricted subsidiary of Radio One, Inc. and is the licensee of the following stations:

|         |         |         |         |
|---------|---------|---------|---------|
| KBFB-FM | WFXC-FM | WNNL-FM | WRNB-FM |
| KBXX-FM | WFXK-FM | WOL-AM  | WTPS-AM |
| KMJQ-FM | WHHL-FM | WOLB-AM | WWIN-AM |
| KROI-FM | WHTA-FM | WPHI-FM | WWIN-FM |
| KSOC-FM | WKJM-FM | WPPZ-FM | WYCB-AM |
| WCDX-FM | WKJS-FM | WPRS-FM | WAMJ-FM |
| WERQ-FM | WKYS-FM | WPZZ-FM | WUMJ-FM |
| WFUN-FM | WMMJ-FM | WQOK-FM |         |

Bell Broadcasting Company (“Bell”), a Michigan corporation, is a wholly owned restricted subsidiary of Radio One, Inc. Radio One of Detroit, LLC (“Radio One of Detroit”) is a Delaware limited liability company, the sole member of which is Bell. Radio One of Detroit is the licensee of the following stations:

|         |         |         |
|---------|---------|---------|
| WCHB-AM | WDMK-FM | WPZR-FM |
|---------|---------|---------|

Radio One of Charlotte, LLC (“Radio One of Charlotte”), a Delaware limited liability company, the sole member of which is Radio One, Inc., is a restricted subsidiary of Radio One, Inc. Charlotte Broadcasting, LLC (“Charlotte Broadcasting”) is a Delaware limited liability company, the sole member of which is Radio One of Charlotte. Radio One of North Carolina, LLC (“Radio One of North Carolina”) is a Delaware limited liability company, the sole member of which is Charlotte Broadcasting. Radio One of North Carolina is the licensee of the following stations:

WPZS-FM  
WQNC-FM

Radio One of Charlotte, LLC (“Radio One of Charlotte”), a Delaware limited liability company, the sole member of which is Radio One, Inc., is a restricted subsidiary of Radio One, Inc. Charlotte Broadcasting, LLC (“Charlotte Broadcasting”) is a Delaware limited liability company, the sole member of which is Radio One of Charlotte. Gaffney Broadcasting, LLC (“Gaffney Broadcasting”) is a South Carolina limited liability company, the sole member of which is Charlotte Broadcasting. Gaffney Broadcasting is the licensee of the following station:

WOSF-FM

Radio One of Boston, Inc. (“Radio One of Boston”), a Delaware corporation, is a wholly owned restricted subsidiary of Radio One, Inc. Radio One of Boston Licenses, LLC (“Boston Licenses”) is a Delaware limited liability company, the sole member of which is Radio One of Boston. Boston Licenses is the licensee of the following station:

WILD-AM

Blue Chip Broadcasting, Ltd. (“BCB Ltd.”), an Ohio limited liability company, the sole member of which is Radio One, Inc., and which is a restricted subsidiary of Radio One, Inc. Blue Chip Broadcasting Licenses, Ltd. (BC Licenses”) is an Ohio limited liability company, the sole member of which is BCB Ltd. BC Licenses is the licensee of the following stations:

|         |         |         |
|---------|---------|---------|
| WIZF-FM | WOSL-FM | WDBZ-AM |
| WENZ-FM | WCKX-FM | WXMG-FM |
| WERE-AM | WJMO-AM | WZAK-FM |

Radio One of Texas II, LLC, a Delaware limited liability company, the sole member of which is Radio One, Inc., and it is a restricted subsidiary of Radio One, Inc.

Radio One of Indiana, L.P. is a Delaware limited partnership. Radio One, Inc. is the general partner and 99% owner of Radio One of Indiana, L.P. Charlotte Broadcasting, LLC is the limited partner and 1% owner of Radio One of Indiana, L.P. Radio One of Indiana, LLC is a Delaware limited liability company, the sole member of which is Radio One of Indiana, L.P. Radio One of Indiana, LLC is the licensee of the following stations:

|         |         |         |
|---------|---------|---------|
| WDNI-CD | WHHH-FM | WTLC-AM |
| WTLC-FM | WNOW-FM |         |

Satellite One, LLC is a Delaware limited liability company, the sole member of which is Radio One, Inc.

New Mableton Broadcasting Corporation, a Delaware corporation, is a wholly owned subsidiary of Radio One, Inc. and is the licensee of the following station:

WPZE-FM

Radio One Cable Holdings, LLC, a Delaware limited liability company, is a wholly owned subsidiary of Radio One, Inc. Radio One Cable Holdings, LLC holds a 51.9% interest in TV One, LLC, a Delaware limited liability company.

Radio One Media Holdings, LLC is a Delaware limited liability company, the sole member of which is Radio One, Inc. Radio One Media Holdings, LLC owns 80.0% of the common stock of Reach Media, Inc., a Texas corporation.

Radio One Distribution Holdings, LLC is a Delaware limited liability company, the sole member of which is Radio One, Inc. Radio One Distribution Holdings, LLC is the sole member of Distribution One, LLC is a Delaware limited liability company.

Interactive One, Inc., a Delaware corporation, is a wholly owned subsidiary of Radio One, Inc. and the sole member of Interactive One, LLC.

Interactive One, LLC, is a Delaware limited liability company, the sole member of which is Interactive One, Inc.

Radio One Urban Network Holdings, LLC, is a Delaware limited liability company, the sole member of which is Radio One, Inc.

IO Acquisition Sub, LLC, is a Delaware limited liability company, the sole member of which is Radio One, Inc.



**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

**Registration Statement on Form S-3**

| <u>Registration Number</u> | <u>Date Filed</u> |
|----------------------------|-------------------|
| 333-195224                 | April 11, 2014    |

**Registration Statements on Form S-8**

| <u>Name</u>  | <u>Registration Number</u> | <u>Date Filed</u> |
|--|----------------------------|-------------------|
| 1999 Stock Option and Restricted Stock Plan                      | 333-78123                  | May 10, 1999      |
| 1999 Stock Option and Restricted Stock Plan                      | 333-42342                  | July 27, 2000     |
| 1999 Stock Option and Restricted Stock Plan                      | 333-62718                  | June 11, 2001     |
| 1999 Stock Option and Restricted Stock Plan                      | 333-100711                 | October 24, 2002  |
| Amended and Restated 1999 Stock Option and Restricted Stock Plan | 333-116805                 | June 24, 2004     |
| 2009 Stock Option and Restricted Stock Plan                      | 333-164354                 | January 15, 2010  |

of our reports dated February 17, 2015, with respect to the consolidated financial statements and schedule of Radio One, Inc. and subsidiaries, and the effectiveness of internal control over financial reporting of Radio One, Inc. and subsidiaries included in this Annual Report (Form 10-K) of Radio One, Inc. for the year ended December 31, 2014.

/s/ Ernst & Young LLP

Baltimore, Maryland  
February 17, 2015

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I, Alfred C. Liggins, III, certify that:

1. I have reviewed this annual report on Form 10-K of Radio One, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2015

By: /s/ Alfred C. Liggins, III

Alfred C. Liggins, III

President and Chief Executive Officer

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I, Peter D. Thompson, certify that:

1. I have reviewed this annual report on Form 10-K of Radio One, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of this report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 17, 2015

By: /s/ Peter D. Thompson

Peter D. Thompson

Executive Vice President, Chief Financial Officer

and Principal Accounting Officer

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Radio One, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 17, 2015

By: /s/ Alfred C. Liggins, III

Name: Alfred C. Liggins, III

Title: President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to Radio One, Inc. and will be retained by Radio One, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Radio One, Inc. (the "Company") hereby certifies, to such officer's knowledge, that:

- (i) the accompanying Annual Report on Form 10-K of the Company for the year ended December 31, 2014 (the "Report") fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 17, 2015

By: /s/ Peter D. Thompson

Name: Peter D. Thompson

Title: Executive Vice President, Chief Financial Officer and Principal Accounting Officer

A signed original of this written statement required by Section 906 has been provided to Radio One, Inc. and will be retained by Radio One, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

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