CITADEL BROADCASTING CORP
Form 10-K
March 14, 2005
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2004

OR

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

Commission file number: 001-31740

CITADEL BROADCASTING CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**51-0405729**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

City Center West, Suite 400

7201 West Lake Mead Blvd.

Las Vegas, Nevada 89128

(Address of principal executive offices and zip code)

(702) 804-5200

(Registrant s telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common stock, par value $0.01 per share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

NONE

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes x No ¨

The aggregate market value of the voting and nonvoting common equity held by nonaffiliates of the registrant on June 30, 2004 was $807.7 million.

As of February 28, 2005, there were 122,780,519 shares of common stock, $.01 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the 2004 Annual Report to Shareholders and the Proxy Statement for the 2005 Annual Meeting of Shareholders are incorporated by reference into Part II and Part III.

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Citadel Broadcasting Corporation

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CERTAIN DEFINITIONS

Unless the context requires otherwise, all references in this report to Citadel, we, us, our and similar terms refer to Citadel Broadcasting Corporation and its consolidated subsidiaries, which would include any variable interest entities that are required to be consolidated by the primary beneficiary under the requirements of Financial Accounting Standards Board (FASB) Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51.*

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains, in addition to historical information, statements by us with regard to our expectations as to financial results and other aspects of our business that involve risks and uncertainties and may constitute forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended.

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Forward-looking statements, including certain pro forma information, are presented for illustrative purposes only and reflect our current expectations concerning future results and events. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, 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 these forward-looking statements by our use of words such as anticipates, believes, continues, expects, intends, likely, n opportunity, plans, potential, project, will, and similar expressions to identify forward-looking statements, whether in the negative or the affirmative. We cannot guarantee that we actually will achieve these plans, intentions or expectations. These forward-looking statements are subject to risks, uncertainties and other factors, some of which are beyond our control, which could cause actual results to differ materially from those forecast or anticipated in such forward-looking statements.

The pro forma information reflects adjustments and is presented for comparative purposes only and does not purport to be indicative of what has occurred or of future operating results or financial position. These risks, uncertainties and factors include, but are not limited to the factors described in Item 1. Business under the heading Risk Factors.

You should not place undue reliance on these forward-looking statements, which reflect our view only as of the date of this report. We undertake no obligation to update these statements or publicly release the result of any revision(s) to these statements to reflect events, whether anticipated, or circumstances after the date of this report.

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PART I

ITEM 1. BUSINESS

Citadel is the fifth largest radio broadcasting company in the United States based on net broadcasting revenue. As of February 28, 2005, we owned and operated 155 FM and 58 AM radio stations in 47 markets located in 24 states across the country. We have a well-clustered radio station portfolio that is diversified by programming formats, geographic regions, audience demographics and advertising clients. We rank first or second in audience share in 31 of our 45 rated markets. Our top 25 markets accounted for approximately 78% of our 2004 revenue.

On August 6, 2003, we completed an initial public offering of 25.3 million shares of our common stock at $19.00 per share, resulting in net proceeds to us of approximately $448.0 million. We used substantially all of the net proceeds from the offering to repay amounts outstanding under our then-existing credit facility.

On February 18, 2004, we completed a public offering of 29,630,000 shares of our common stock, including 9,630,000 primary shares sold by us and 20,000,000 shares sold by certain of our shareholders, at $19.00 per share. On the same date, we completed a private placement of $330.0 million of convertible notes due 2011. We used the approximately $500.0 million of net proceeds we received from these two offerings to redeem all of our outstanding 6% subordinated debentures.

On June 29, 2004, our board of directors authorized us to repurchase up to $100.0 million of our outstanding common stock, and on November 3, 2004, our board of directors authorized us to spend up to an additional $300.0 million to repurchase shares of our outstanding common stock. As of December 31, 2004, we had repurchased 7,650,250 shares of common stock for an aggregate amount of approximately $108.2 million under this program. As of December 31, 2004, net of shares held in treasury, we had 124,869,719 shares of common stock outstanding. (See Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources for more information).

Our Station Portfolio

The table below summarizes the markets in which we owned and operated radio stations as of February 28, 2005.

	Market Revenue	Number of Owned and Operated Commercial Stations in the Market		Number of Our Stations(1)(2)		Number of Station Owners in	Our Station Group Audience Share		Our Station Group Revenue
	Rank	FM	AM	FM	AM	the Market	Share	Rank(3)	Rank(4)
Salt Lake City, UT	34	27	21	5	3	19	16.5	3	2

Nashville, TN	38	22	25	2	-	30	12.0	4	4
New Orleans, LA	40	19	17	5	-	19	15.4	3	3
Buffalo, NY	42	13	13	3	2	12	21.4	3	3
Memphis, TN	45	20	20	4	-	14	18.1	2	2
Providence, RI	49	14	15	4	2	16	21.5	2	2
Birmingham, AL	50	18	21	3	2	20	18.8	3	2
Oklahoma City, OK	54	18	13	5	2	13	23.7	1	3
Grand Rapids, MI	58	15	13	3	1	11	12.9	3	3
Tucson, AZ	62	15	14	3	2	12	19.7	2	3
Albuquerque, NM	63	23	15	5	3	14	30.3	1	1
Knoxville, TN	66	16	21	4	1	19	32.6	1	1
Harrisburg/Carlisle/York, PA	68	12	11	3	1	12	9.8	3	3
Syracuse, NY	69	18	12	3	1	7	19.0	2	2
Little Rock, AR	71	21	14	7	3	17	36.7	1	1
Baton Rouge, LA	73	13	8	4	2	7	31.4	1	2

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	Market Revenue Rank	Number of Owned and Operated Commercial Stations in the Market FM	AM	Number of Our Stations(1)(2) FM	AM	Number of Station Owners in the Market	Our Station Group Audience Share Share	Rank(3)	Our Station Group Revenue Rank(4)
Columbia, SC	75	15	9	3	1	9	18.4	3	3
Colorado Springs, CO	76	14	8	3	2	11	20.5	2	1
Allentown/Bethlehem, PA	78	6	10	2	-	8	19.4	2	2
Des Moines, IA	79	14	9	4	1	7	28.7	2	3
Wilkes-Barre/Scranton, PA	80	21	18	5	1	13	22.7	2	2
Charleston, SC	82	19	10	5	2	10	27.3	1	1
Reno, NV	85	17	11	3	1	12	16.8	3	1
Chattanooga, TN	86	14	14	3	1	15	19.5	2	2
Lansing/East Lansing, MI	89	10	7	4	2	7	38.6	1	1
Boise, ID	93	18	9	4	2	8	30.6	1	1
Spokane, WA	95	18	10	4	3	9	23.4	3	2
Saginaw/Bay City, MI	97	14	5	5	-	8	26.2	2	1
Springfield, MA	98	9	10	1	1	8	9.3	3	3
Modesto, CA	104	13	6	5	1	8	26.1	1	1
Johnson City/Kingsport/Bristol, TN	112	13	22	2	3	18	21.5	2	2
Lafayette, LA	112	18	11	4	1	11	31.6	1	2
Portland, ME	114	16	8	6	-	6	27.0	1	2
Flint, MI	119	9	8	1	1	8	8.3	3	3
Portsmouth/Dover/Rochester, NH	122	10	6	4	-	7	11.1	2	2
Worcester, MA	144	4	7	3	-	7	15.5	1	2
Lancaster, PA	153	4	4	1	1	6	9.7	1	1
Binghamton, NY	164	11	5	3	2	7	37.5	1	1
Erie, PA	172	8	6	3	1	6	33.4	2	2
New London, CT	183	8	2	3	1	3	15.4	3	1
Stockton, CA	191	5	4	2	-	5	13.5	1	1
Muncie-Marion, IN	232	6	4	1	1	4	14.4	2	3
New Bedford, MA	257	2	4	1	1	4	12.1	1	1
Augusta/Waterville, ME	265	7	5	2	2	4	16.3	2	2
Ithaca, NY	273	4	3	1	1	4	7.8	3	2
Other(5)	N/A	N/A	N/A	4	-	N/A	N/R	N/R	N/A
Total				155	58				

N/R Not rated.

N/A Information not available.

(1) The market assignments on this table reflect the way we cluster our regional station groups for accounting and operational purposes and do not necessarily mean that the station is located in the market as defined by Arbitron or the FCC. Compliance with the FCC s local radio ownership limits is measured by reference to the number of stations a company holds in a particular market as that market is defined by the FCC. For a discussion of the impact of the new FCC rules on us and our station clusters, see Federal Regulation of Radio Broadcasting Multiple Ownership Rules and Federal Regulation of Radio Broadcasting Time Brokerage .

(2) In addition to the stations listed in this table, we entered into an option agreement on November 5, 2002 to acquire one FM station serving the Oklahoma City, OK market and are currently operating this station under a local marketing agreement. On July 2, 2003, we entered into a local marketing agreement related to a radio station in Knoxville, TN. On December 1, 2004, we entered into local marketing agreements to operate four

stations in the Muskegon, MI market pending the completion of our acquisition of those stations. On January 19, 2005, we entered into a local marketing agreement to operate one station in the Birmingham, AL market and six stations in the Tuscaloosa, AL market commencing March 1, 2005 pending the completion of our acquisition of those stations. Some of our local marketing agreements and joint sales agreements do not comply with the FCC s new ownership limits. We will be required to terminate these agreements or otherwise come into compliance with the FCC s ownership rules no later than two years after the FCC s new rules become effective. We do not believe that termination of these agreements or our actions to come into compliance with the new rules with respect to these agreements will have a material impact on our business or our results of operations.

(3) The Station Group Audience Share Rank is the ranking of our station group among all station groups within the demographic of people ages 25-54, listening Monday through Sunday, 6 a.m. to 12 midnight based upon the total station group s audience share in that market.

(4) The Station Group Revenue Rank is the ranking, by station group market revenue, of our station group among all station groups in that market.

(5) Includes radio stations in our Kokomo, IN and Presque Isle, ME markets, which are not rated by Arbitron.

Market and Industry Data

We based or derived the station and market data we present in this Form 10-K from third-party sources. Unless otherwise indicated:

- we derived all audience share data and audience ranking information from surveys of people ages 25-54, listening Monday through Sunday, 6 a.m. to 12 midnight, pertaining to each market, based on the Fall 2004 Market Report published by The Arbitron Ratings Company; and

- we derived our station group revenue ranking information for the full year 2003, our 2003 market revenue rank, the number of owned and operated stations in the market and the number of station groups in the market from BIA Financial Network, Inc. s BIAfn s MEDIA Access Pro as of January 3, 2005.

While we believe these industry publications are reliable, we have not independently verified them.

Operating Strategy

Operate and Develop Leading Station Clusters. We believe that it is important to own multiple stations in each of the markets in which we operate in order to maximize our ability to achieve leadership positions, increase operating efficiencies and compete more effectively with other forms of local media. We rank first or second in audience share in 31 of our 45 rated markets. Our stations cover a wide range of programming formats, geographic regions, audience demographics and advertising clients.

Emphasize Programming. We analyze market research and competitive factors to identify the key programming attributes that we believe will best position each station to develop a distinctive identity, or a local brand, and to maximize its appeal to local audiences and advertisers. Our programming strategy includes developing or contracting with significant on-air talent, creating recognizable brand names for selected stations.

We believe this strategy significantly enhances the presence, marketability and competitiveness of our stations, leading to greater audience share and consequently higher revenues and operating income excluding non-cash expenses (depreciation, amortization and amortization of non-cash stock compensation).

Build Geographic, Format and Customer Diversity. We seek to diversify our portfolio of radio stations in many respects. Our stations are located in markets throughout the country and serve diverse target demographics through a broad range of programming formats such as rock, country, adult contemporary, oldies, urban and sports/news/talk. This diversity reduces our dependence on any particular local economy, market, station, format, on-air personality or advertiser. Similarly, we seek to develop a broad base of local and regional advertisers. During the year ended December 31, 2004, we generated approximately 85% of our net broadcasting revenue from local and regional advertising and approximately 15% from the sale of national advertising. No single advertiser accounted for more than 10% of our net broadcasting revenue.

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Apply Improved Sales and Marketing to Capture Greater Share of Advertising Revenues. The development of a high-quality local sales organization in each of our markets is critical to our success. We rank first or second in revenue market share in 33 of our 45 ranked markets. In each market, we assess our station portfolio, the local market environment and the strength of our sales personnel to determine whether to pursue a cluster sale strategy or to create a separate sales force for each station. We place significant emphasis on recruiting quality sales people, setting clear financial and sales goals and rewarding achievement of those goals with generous commissions and bonus compensation. We also target regional sales, which we define as sales in regions surrounding our markets to companies that advertise in our markets, through our local sales force. We reach national advertisers in partnership with a national representative firm, offering advertising time on individual stations or across our overall network of stations.

Participate in Local Communities. As a local sales and advertising medium, we place significant emphasis on serving the local community. We believe our active involvement reinforces our position in the local communities and significantly improves the marketability of our radio broadcast time to advertisers who are targeting these communities.

Optimize Technical Capabilities. We believe that a strong signal is an important component of a station s success. We seek to operate stations with the strongest signals in their respective markets and view signal strength as an important consideration in any acquisitions we make.

Acquisition Strategy

Our current acquisition strategy focuses on identifying and acquiring radio stations that would expand our station clusters in existing and contiguous markets, as well as provide us entry into new markets that generally rank in the top 100 based on total market revenue. We seek to implement effective operating strategies and apply our infrastructure across all existing and acquired stations to improve the operating income excluding non-cash expenses of acquired stations compared to their performance under prior ownership. We also seek to gradually dispose of non-core radio stations that do not complement our overall strategy. In analyzing acquisition opportunities, we consider the following criteria:

- our ability to improve the operating performance of the stations;
- our ability to acquire a new or improve an existing cluster of stations towards achieving a higher share of revenue in the market;
- the number and quality of competing commercial radio signals, as well as the number and nature of competitors, in the market;
- the power and quality of the stations broadcasting signals; and
- the general economic conditions in the market.

We believe our acquisition strategy affords a number of benefits, including:

- the development of a broad, geographically diversified footprint that allows us to deliver advertising on a local, regional and national basis, to create revenue diversity;

- improved margins through the improvement of operations of acquired stations, the consolidation of facilities and the elimination of redundant expenses;

- enhanced revenues by offering advertisers a broad range of advertising packages, by clustering our stations; and

- enhanced appeal to more skilled industry management talent as we achieve market-leading positions and national scale.

All of our acquisitions have been accounted for using the purchase method of accounting. As such, the results of operations of the acquired stations have been included in our results of operations from the date of acquisition. (For acquisitions during 2002, 2003 and 2004, see Note 3 in the notes to the consolidated financial statements in Part II of this report.)

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Competition

We operate in a highly competitive industry. Our radio stations compete for audiences and advertising revenue directly with other radio stations as well as with other media, such as broadcast television, newspapers, magazines, cable television, satellite television, satellite radio, the Internet, outdoor advertising and direct mail, within their respective markets. Our audience ratings and market shares are subject to change and any adverse change in a particular market could have a material adverse effect on our revenue in that market and possibly adversely affect our revenue in other markets.

Our radio stations compete for listeners and advertising revenue directly with other radio stations within their respective markets. Radio stations compete for listeners primarily on the basis of program content that appeals to a particular demographic group. By building a strong listener base consisting of a specific demographic group in each of our markets, we are able to attract advertisers seeking to reach those listeners. From time to time, competitors may change their stations format or programming to compete directly with our stations for audiences and advertisers, or may engage in aggressive promotional campaigns, which could result in lower ratings and advertising revenue or increased promotion and other expenses and, consequently, lower earnings and cash flow for us. Audience preferences as to format or programming in a particular market may also shift due to demographic or other reasons.

Factors that are material to a radio station s competitive position include management experience, the station s audience rank in its local market, transmitter power, assigned frequency, audience characteristics, local program acceptance and the number and characteristics of other radio stations in the market area. We attempt to improve our competitive position in each market by researching stations programming, implementing advertising and promotional campaigns aimed at the demographic groups for which our stations program and managing our sales efforts to attract a larger share of advertising revenue. We also compete with other radio station groups to purchase additional stations.

Although the radio broadcasting industry is highly competitive, barriers to entry do exist (which can be mitigated to some extent by, among other things, changing existing radio station formats and upgrading power). The operation of a radio station requires a license or other authorization from the FCC (Federal Communications Commission), and the number of radio stations that can operate in a given market is limited by the availability of FM and AM radio frequencies allotted by the FCC to communities in that market. In addition, the FCC s multiple ownership rules have historically limited the number of stations that may be owned or controlled by a single entity in a given market. Changes in the FCC s multiple ownership rules resulting from the Telecommunications Act of 1996 created opportunities for us to acquire and consolidate radio stations in our markets. On June 2, 2003, the FCC concluded an omnibus rulemaking proceeding in which it examined all broadcast ownership rules, including the local radio ownership rule, the broadcast-newspaper ownership rule, the radio-television cross-ownership rule, the local television ownership rule, the national television ownership rule and the dual network rule. The FCC adopted new rules that significantly change how the FCC reviews radio station transactions. Although the FCC made no change to the local radio ownership limits themselves (*i.e.*, in a market with 45 or more radio stations, a company may own eight stations in a single market, but no more than five in the same service, AM or FM), the FCC changed how it defines and counts the number of stations in a market. The rule change has the effect in some instances of both (i) decreasing the number of radio stations deemed to be in the market overall, thereby lowering the applicable ownership tier, and (ii) increasing the number of radio stations that we are deemed to own in the market. Under the new rule, our existing station portfolio will exceed the applicable ownership limit in nine markets. Existing ownership combinations, however, are grandfathered, meaning the FCC will not require us to divest stations that we currently own in order to come into compliance with the new rules. The new rule also affects our ability to expand our ownership in certain markets. We may be required to divest one station or obtain a waiver in order to obtain FCC approval to consummate a pending transaction in one market. We do not believe this divestiture, if required, would be material to our business or acquisition strategy.

The new rules were to become effective on September 4, 2003, but were stayed by the U.S. Court of Appeals for the Third Circuit on September 3, 2003 pending the outcome of appeals filed by several entities. A number of parties also filed requests with the FCC seeking reconsideration of certain aspects of the new rules. On

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September 3, 2004, the Third Circuit issued an Order granting in part a request filed by the FCC to partially lift the court s stay. The Order permitted the new local radio ownership rules adopted June 2, 2003 to go into effect. There was significant congressional opposition to the new rules, and bills were introduced in the last session of Congress to modify or repeal the FCC s action, including a requirement that companies divest stations to come into compliance with the revised rules. We cannot assess in advance what impact such court and administrative proceedings and legislation might have on our business or what other matters might be considered in the future by the FCC or Congress. For a discussion of FCC regulation and the provisions of the Telecommunications Act of 1996 resulting in rapid consolidation in the radio industry, see Federal Regulation of Radio Broadcasting .

The radio broadcasting industry is also subject to technological change, evolving industry standards and the emergence of new media technologies. Several new media technologies have been or are being developed, including the following:

- audio programming by cable television systems, direct broadcast satellite systems, Internet content providers (both landline and wireless) and other digital audio broadcast formats;
- satellite digital audio radio service, which now has two subscriber-based satellite radio services with numerous channels and sound quality equivalent to that of compact discs;
- In-Band On-Channel digital radio, which could improve the quality of existing AM and FM radio signals, including stations owned by us; and
- low power FM radio, which has resulted in additional FM radio broadcast outlets that are designed to serve small, localized areas.

The radio broadcasting industry historically has grown despite the introduction of new technologies for the delivery of entertainment and information, including the introduction of new technologies used in the car such as audio cassettes, compact discs and cellular telephones. A growing population, greater use of the automobile and increased commuter times have contributed to this growth. Some of the new technologies, particularly satellite digital audio radio service, will compete for the consumer s attention in the car. We cannot assure you that this historical growth will continue.

Federal Regulation of Radio Broadcasting

Our ownership, operation, purchase and sale of radio stations is regulated by the FCC, which acts under authority derived from the Communications Act. Among other things, the FCC:

- assigns frequency bands for broadcasting;
- determines the particular frequencies, locations, operating powers and other technical parameters of stations;
- issues, renews, revokes and modifies station licenses;

- determines whether to approve changes in ownership or control of station licenses;
- regulates equipment used by stations; and
- adopts and implements regulations and policies that directly or indirectly affect the ownership, operation and employment practices of stations.

The FCC has the power to impose penalties for violations of its rules or the Communications Act, including fines, the grant of abbreviated license renewal terms or, for particularly egregious violations, the denial of a license renewal application, the revocation of a license or the denial of FCC consent to acquire additional radio stations.

The following is a brief summary of some provisions of the Communications Act and of specific FCC regulations and policies. The summary is not a comprehensive listing of all of the regulations and policies affecting radio stations. For further information concerning the nature and extent of federal regulation of radio stations, you should refer to the Communications Act, FCC rules and FCC public notices and rulings.

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License Grant and Renewal

Radio stations operate under renewable broadcasting licenses that are ordinarily granted by the FCC for maximum terms of eight years. Licenses are renewed through an application to the FCC. A station may continue to operate beyond the expiration date of its license if a timely filed license application is pending. Petitions to deny license renewals can be filed by interested parties, including members of the public. These petitions may raise various issues before the FCC. The FCC is required to hold hearings on renewal applications if the FCC is unable to determine that renewal of a license would serve the public interest, convenience and necessity, or if a petition to deny raises a substantial and material question of fact as to whether the grant of the renewal application would be inconsistent with the public interest, convenience and necessity. If, as a result of an evidentiary hearing, the FCC determines that the licensee has failed to meet various requirements and that no mitigating factors justify the imposition of a lesser sanction, then the FCC may deny a license renewal application. Historically, FCC licenses have generally been renewed, although we cannot assure you that all of our licenses will be renewed. The non-renewal, or renewal with substantial conditions or modifications, of one or more of our FCC radio station licenses could have a material adverse effect on our business.

The FCC classifies each AM and FM station. An AM station operates on either a clear channel, regional channel or local channel. A clear channel is one on which AM stations are assigned to serve wide areas. Clear channel AM stations are classified as either:

Class A stations, which operate on an unlimited time basis and are designed to render primary and secondary service over an extended area;

Class B stations, which operate on an unlimited time basis and are designed to render service only over a primary service area; or

Class D stations, which operate either during daytime hours only, during limited times only or on an unlimited time basis with low nighttime power.

A regional channel is one on which Class B and Class D AM stations may operate and serve primarily a principal center of population and the rural areas contiguous to it. A local channel is one on which AM stations operate on an unlimited time basis and serve primarily a community and the suburban and rural areas immediately contiguous to it. Class C AM stations operate on a local channel and are designed to render service only over a primary service area that may be reduced as a consequence of interference.

The minimum and maximum facilities requirements for an FM station are determined by its class. Some FM class designations depend upon the geographic zone in which the transmitter of the FM station is located. In general, commercial FM stations are classified as Class A, B1, C3, B, C2, C1, C0 and C, in order of increasing power and antenna height. The FCC recently adopted a rule that subjects Class C FM stations to involuntary downgrades to Class C0 in various circumstances if they do not meet certain antenna height specifications. Three of our stations have recently been downgraded, and a few proceedings are pending that could result in downgrades but the downgrades have no effect on the stations existing signals. We have several applications currently pending to upgrade the facilities of various of our stations.

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The following table sets forth the metropolitan market served (the city of license may differ), call letters, FCC license classification, frequency, power and FCC license expiration date of each of the stations that we own. Our wholly owned subsidiary, Citadel Broadcasting Company, holds our licenses. Pursuant to FCC rules and regulations, many AM radio stations are licensed to operate at a reduced power during the nighttime broadcasting hours, which results in reducing the radio station s coverage during the nighttime hours of operation. Both power ratings are shown if different. For FM stations, the maximum effective radiated power (ERP) in the main lobe is given. The market assignments on this table reflect our regional station groups for accounting and operational purposes and do not necessarily reflect assignment of a station to the relevant market as defined by Arbitron.

Market	Station	FCC Class	HAAT in meters	(ERP) in kilowatts (day/night)	Frequency	Expiration date of license
Albuquerque, NM	KBZU(FM)	C	1260	17.5	96.3 MHz	10/1/2005
	KKOB(AM)	B	N/A	50	770 kHz	10/1/2005
	KKOB - FM	C	1265	20	93.3 MHz	10/1/2005
	KMGA(FM)	C	1259	19.5	99.5 MHz	10/1/2005
	KNML(AM)	B	N/A	5	610 kHz	10/1/2005
	KRST(FM)	C	1268	22	92.3 MHz	10/1/2005
	KTBL(AM)	B	N/A	1.0	1050 kHz	10/1/2005
	KDRF(FM)	C	1293	20	103.3 MHz	10/1/2005
Allentown/Bethlehem, PA	WCTO(FM)	B	152	50	96.1 MHz	8/1/2006
	WLEV(FM)	B	327	11	100.7 MHz	8/1/2006
Augusta/Waterville, ME	WEBB(FM)	C1	93	61	98.5 MHz	4/1/2006
	WJZN(AM)	C	N/A	1	1400 kHz	4/1/2006
	WMME - FM	B	152	50	92.3 MHz	4/1/2006
	WTVL(AM)	C	N/A	1	1490 kHz	4/1/2006
Baton Rouge, LA	KOOJ(FM)	C1	296	100	93.7 MHz	6/1/2012
	KQXL - FM	C2	148	50	106.5 MHz	6/1/2012
	WBBE(FM)	C	306	100	103.3 MHz	6/1/2004
	WEMX(FM)	C1	299	100	94.1 MHz	6/1/2012
	WIBR(AM)	B	N/A	5.0/1.0	1300 kHz	6/1/2012
	WXOK(AM)	B	N/A	5.0/1.0	1460 kHz	6/1/2004
Binghamton, NY	WAAL(FM)	B	291	8.7	99.1 MHz	6/1/2006
	WHWK(FM)	B	395	6.7	98.1 MHz	6/1/2006
	WNBF(AM)	B	N/A	9.3/5.0	1290 kHz	6/1/2006
	WWYL(FM)	A	254	0.93	104.1 MHz	6/1/2006
	WYOS(AM)	B	N/A	5/0.5	1360 kHz	6/1/2006
Birmingham, AL	WAPI(AM)	B	N/A	50.0/5.0	1070 kHz	4/1/2012
	WJOX(AM)	B	N/A	50.0/0.50	690 kHz	4/1/2012
	WRAX(FM)	C	377	100	107.7 MHz	4/1/2012
	WYSF(FM)	C	309	100	94.5 MHz	4/1/2012
	WZRR(FM)	C	309	100	99.5 MHz	4/1/2012
Boise, ID	KBOI(AM)	B	N/A	50	670 kHz	10/1/2005
	KIZN(FM)	C	828	48	92.3 MHz	10/1/2005
	KKGL(FM)	C	828	48	96.9 MHz	10/1/2005
	KQFC(FM)	C	828	48	97.9 MHz	10/1/2005
	KZMG(FM)	C	828	48	93.1 MHz	10/1/2005
	KTIK(AM)	B	N/A	5.0/0.60	1350 kHz	10/1/2005
Buffalo, NY	WEDG(FM)	B	106	49	103.3 MHz	6/1/2006
	WGRF(FM)	B	217	24	96.9 MHz	6/1/2006
	WHLD(AM)	B	N/A	5.0/1.0	1270 kHz	6/1/2006
	WHTT - FM	B	68	50	104.1 MHz	6/1/2006

	WMNY(AM)	D	N/A	1	1120 kHz	6/1/2006

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Market	Station	FCC Class	HAAT in meters	(ERP) in kilowatts (day/night)	Frequency	Expiration date of license
Charleston, SC	WMGL(FM)	C3	131	5.3	101.7 MHz	12/1/2011
	WNKT(FM)	C	300	100	107.5 MHz	12/1/2011
	WSSX - FM	C0	305	100	95.1 MHz	12/1/2011
	WSUY(FM)	C	539	99	96.9 MHz	12/1/2011
	WTMA(AM)	B	N/A	5.0/1.0	1250 kHz	12/1/2003
	WWWZ(FM)	C2	150	50	93.3 MHz	12/1/2003
	WXTC(AM)	B	N/A	5	1390 kHz	12/1/2011
Chattanooga, TN	WGOW(AM)	B	N/A	5.0/1.0	1150 kHz	8/1/2012
	WGOW - FM	A	87	6	102.3 MHz	8/1/2012
	WOGT(FM)	C3	295	2.85	107.9 MHz	8/1/2012
	WSKZ(FM)	C	329	100	106.5 MHz	8/1/2012
Colorado Springs, CO	KKFM(FM)	C	698	71	98.1 MHz	4/1/2005
	KKMG(FM)	C	695	57	98.9 MHz	4/1/2005
	KSPZ(FM)	C	670	60	92.9 MHz	4/1/2005
	KKML(AM)	B	N/A	5/1	1300 kHz	4/1/2005
	KVOR(AM)	B	N/A	3.3/1.5	740 kHz	4/1/2005
Columbia, SC	WISW(AM)	B	N/A	5.0/2.5	1320 kHz	12/1/2003
	WLXC(FM)	A	100	6	98.5 MHz	12/1/2003
	WOMG(FM)	A	94	6	103.1 MHz	12/1/2011
	WTCB(FM)	C1	240	100	106.7 MHz	12/1/2011
Des Moines, IA	KBGG(AM)	B	N/A	10.0/1.0	1700 kHz	2/1/2005
	KHKI(FM)	C1	137	115	97.3 MHz	2/1/2005
	KGGO(FM)	C	325	100	94.9 MHz	2/1/2005
	KJJY(FM)	C2	165	41	92.5 MHz	2/1/2013
	KWQW(FM)	C2	165	41	98.3 MHz	2/1/2005
Erie, PA	WXKC(FM)	B	150	50	99.9 MHz	8/1/2006
	WXTA(FM)	B1	154	10	97.9 MHz	8/1/2006
	WRIE(AM)	B	N/A	5	1260 kHz	8/1/2006
	WQHZ(FM)	A	187	1.7	102.3 MHz	8/1/2006
Flint, MI	WFBE(FM)	B	74	50	95.1 MHz	10/1/2012
	WTRX(AM)	B	N/A	5.0/1.0	1330 kHz	10/1/2012
Grand Rapids, MI	WBBL(AM)	C	N/A	1	1340 kHz	10/1/2012
	WTNR(FM)	B	152	50	94.5 MHz	10/1/2004
	WLAV - FM	B	149	50	96.9 MHz	10/1/2012
	WKLQ(FM)	B	150	50	107.3 MHz	10/1/2012
Harrisburg/Carlisle/York, PA	WCPP(FM)	B	283	14	106.7 MHz	8/1/2006
	WQXA(AM)	D	N/A	1/0.033	1250 kHz	8/1/2006
	WQXA - FM	B	215	25	105.7 MHz	8/1/2006
	WCAT - FM	A	100	3	102.3 MHz	8/1/2006
Ithaca, NY	WIII(FM)	B	223	23.5	99.9 MHz	6/1/2006
	WKRT(AM)	B	N/A	1.0/0.50	920 kHz	6/1/2006
Johnson City/Kingsport/Bristol, TN	WGOC(AM)	B	N/A	10.0/0.81	640 kHz	8/1/2012
	WJCW(AM)	B	N/A	5.0/1.0	910 kHz	8/1/2004
	WKIN(AM)	B	N/A	5.0/0.50	1320 kHz	8/1/2004
	WKOS(FM)	A	150	2.75	104.9 MHz	8/1/2012
	WQUT(FM)	C	457	99	101.5 MHz	8/1/2012
Knoxville, TN	WIVK - FM	C	626	91	107.7 MHz	8/1/2004
	WNOX(AM)	B	N/A	10	990 kHz	8/1/2012

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Market	Station	FCC Class	HAAT in meters	(ERP) in kilowatts (day/night)	Frequency	Expiration date of license
	WNOX - FM	A	100	6	99.1 MHz	8/1/2004
	WYIL - FM	C3	174	8	98.7 MHz	8/1/2004
	WNRX(FM)	A	199	0.94	99.3 MHz	8/1/2012
Kokomo, IN	WWKI(FM)	B	143	50	100.5 MHz	8/1/2012
Lafayette, LA	KNEK(AM)	D	N/A	0.25	1190 kHz	6/1/2012
	KNEK - FM	C3	100	25	104.7 MHz	6/1/2012
	KRRQ(FM)	C2	135	50	95.5 MHz	6/1/2012
	KSMB(FM)	C	329	100	94.5 MHz	6/1/2012
	KXKC(FM)	C0	300	100	99.1 MHz	6/1/2012
Lancaster, PA	WIOV - FM	B	214	25	105.1 MHz	8/1/2006
	WIOV(AM)	C	N/A	1	1240 kHz	8/1/2006
Lansing/East Lansing, MI	WFMK (FM)	B	183	28	99.1 MHz	10/1/2012
	WITL - FM	B	196	26.5	100.7 MHz	10/1/2012
	WJIM(AM)	C	N/A	0.89	1240 kHz	10/1/2012
	WJIM - FM	B	156	45	97.5 MHz	10/1/2012
	WMMQ(FM)	B	150	50	94.9 MHz	10/1/2012
	WVFN(AM)	D	N/A	0.50/0.05	730 kHz	10/1/2012
Little Rock, AR	KAAY(AM)	A	N/A	50	1090 kHz	6/1/2012
	KARN(AM)	B	N/A	5	920 kHz	6/1/2012
	KVLO(FM)	A	100	3	102.5 MHz	6/1/2012
	KIPR(FM)	C1	286	100	92.3 MHz	6/1/2012
	KPZK - FM	A	100	6	101.7 MHz	6/1/2012
	KLAL(FM)	C2	95	50	107.7 MHz	6/1/2012
	KPZK(AM)	B	N/A	2.0/1.2	1250 kHz	6/1/2012
	KOKY(FM)	A	118	4.1	102.1 MHz	6/1/2004
	KURB(FM)	C	392	99	98.5 MHz	6/1/2012
	KARN - FM	C2	150	50	102.9 MHz	6/1/2012
Memphis, TN	WRBO(FM)	C1	179	100	103.5 MHz	6/1/2012
	WGKX(FM)	C	303	100	105.9 MHz	8/1/2012
	WSRR - FM	C1	265	100	98.1 MHz	8/1/2012
	WMPW(FM)	C1	346	40	98.9 MHz	8/1/2004
Modesto, CA	KATM(FM)	B	152	50	103.3 MHz	12/1/2005
	KDJK(FM)	A	624	0.071	103.9 MHz	12/1/2005
	KESP(AM)	B	N/A	1	970 kHz	12/1/2005
	KHKK(FM)	B	152	50	104.1 MHz	12/1/2005
	KHOP(FM)	B	193	29.5	95.1 MHz	12/1/2005
	KWNN(FM)	A	119	2	98.3 MHz	12/1/2005
Muncie/Marion, IN	WMDH(AM)	B	N/A	0.25	1550 kHz	8/1/2012
	WMDH - FM	B	152	50	102.5 MHz	8/1/2012
Nashville, TN	WGFX(FM)	C1	368	58	104.5 MHz	8/1/2004
	WKDF(FM)	C0	376	100	103.3 MHz	8/1/2012
New Bedford, MA	WBSM(AM)	B	N/A	5.0/1.0	1420 kHz	4/1/2006
	WFHN(FM)	A	105	5.4	107.1 MHz	4/1/2006
New London, CT	WQGN - FM	A	84	3	105.5 MHz	4/1/2006
	WSUB(AM)	D	N/A	1.0/0.072	980 kHz	4/1/2006
	WXLM(FM)	A	100	3	102.3 MHz	4/1/2006
	WMOS(FM)	A	96	6	104.7 MHz	6/1/2006

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Market	Station	FCC Class	HAAT in meters	(ERP) in kilowatts (day/night)	Frequency	Expiration date of license
New Orleans, LA	KMEZ(FM)	C3	184	4.7	102.9 MHz	6/1/2012
	KKND(FM)	C1	299	98	106.7 MHz	6/1/2012
	WPRF(FM)	C3	134	14	94.9 MHz	6/1/2012
	WOPR(FM)	A	106	5.3	94.7 MHz	6/1/2012
	WDVW(FM)	C	593	100	92.3 MHz	6/1/2012
Oklahoma City, OK	KATT - FM	C	363	97	100.5 MHz	6/1/2005
	KKWD(FM)	A	96	6	97.9 MHz	6/1/2005
	WWLS - FM	A	100	6	104.9 MHz	6/1/2005
	KYIS(FM)	C	335	100	98.9 MHz	6/1/2005
	WWLS(AM)	B	N/A	5.0/1.0	640 kHz	6/1/2005
	KINB(FM)	A	254	0.93	105.3 MHz	6/1/2005
	WKY(AM)	B	N/A	5.0/5.0	930 kHz	6/1/2005
Portland, ME	WBLM(FM)	C	435	100	102.9 MHz	4/1/2006
	WCLZ(FM)	B	122	48	98.9 MHz	4/1/2006
	WCYI(FM)	B	193	27.5	93.9 MHz	4/1/2006
	WCYY(FM)	B1	147	11.5	94.3 MHz	4/1/2006
	WHOM(FM)	C	1141	48	94.9 MHz	4/1/2006
	WJBQ(FM)	B	271	16	97.9 MHz	4/1/2006
Portsmouth/Dover/Rochester, NH	WOKQ(FM)	B	150	50	97.5 MHz	4/1/2006
	WPKQ(FM)	C	1181	21.5	103.7 MHz	4/1/2006
	WSAK(FM)	A	100	3	102.1 MHz	4/1/2006
	WSHK(FM)	A	113	2.2	105.3 MHz	4/1/2006
Presque Isle, ME	WBPW(FM)	C1	131	100	96.9 MHz	4/1/2006
	WOZI(FM)	C2	368	7.9	101.9 MHz	4/1/2006
	WQHR(FM)	C	390	95	96.1 MHz	4/1/2006
Providence, RI	WPRO(AM)	B	N/A	5	630 kHz	4/1/2006
	WPRO - FM	B	168	39	92.3 MHz	4/1/2006
	WSKO(AM)	B	N/A	5	790 kHz	4/1/2006
	WSKO - FM	A	163	2.3	99.7 MHz	4/1/2006
	WWLI(FM)	B	152	50	105.1 MHz	4/1/2006
	WWKX(FM)	A	158	1.15	106.3 MHz	4/1/2006
Reno, NV	KBUL - FM	C	699	72	98.1 MHz	10/1/2005
	KKOH(AM)	B	N/A	50	780 kHz	10/1/2005
	KNEV(FM)	C	695	60	95.5 MHz	10/1/2005
	KWYL(FM)	C	892	39	102.9 MHz	12/1/2005
Saginaw/Bay City, MI	WHNN(FM)	C	311	100	96.1 MHz	10/1/2012
	WILZ(FM)	A	126	2.9	104.5 MHz	10/1/2004
	WIOG(FM)	B	244	86	102.5 MHz	10/1/2012
	WKQZ(FM)	C2	169	39.2	93.3 MHz	10/1/2012
	WYLZ(FM)	A	151	2.6	100.9 MHz	10/1/2004
Salt Lake City, UT	KKAT(AM)	D	N/A	10.0/0.196	860 kHz	10/1/2005
	KBEE(FM)	C	894	40	98.7 MHz	10/1/2005
	KBER(FM)	C	1140	25	101.1 MHz	10/1/2005
	KPQP(FM)	C	1140	26	101.9 MHz	10/1/2005
	KENZ(FM)	C	869	43	107.5 MHz	10/1/2005
	KFNZ(AM)	B	N/A	5	1320 kHz	10/1/2005
	KJQS(AM)	C	N/A	1	1230 kHz	10/1/2005
	KUBL - FM	C	1140	25	93.3 MHz	10/1/2005
Spokane, WA	KZBD(FM)	C	582	100	105.7 MHz	2/1/2006

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Market	Station	FCC Class	HAAT in meters	(ERP) in kilowatts (day/night)	Frequency	Expiration date of license
	KEYF(AM)	B	N/A	5/.26	1050 kHz	2/1/2006
	KDRK - FM	C	739	60	93.7 MHz	2/1/2006
	KEYF - FM	C	490	100	101.1 MHz	2/1/2006
	KGA(AM)	A	N/A	50	1510 kHz	2/1/2006
	KJRB(AM)	B	N/A	5/3.8	790 kHz	2/1/2006
	KBBD(FM)	C1	432	39	103.9 MHz	2/1/2006
Springfield, MA	WMAS(AM)	C	N/A	1	1450 kHz	4/1/2006
	WMAS - FM	B	59	50	94.7 MHz	4/1/2006
Stockton, CA	KJOY (FM)	A	110	4.8	99.3 MHz	12/1/2005
	KWIN (FM)	A	91	3	97.7 MHz	12/1/2005
Syracuse, NY	WAQX - FM	B1	91	25	95.7 MHz	6/1/2006
	WLTI (FM)	A	61	4	105.9 MHz	6/1/2006
	WNSS (AM)	B	N/A	5	1260 kHz	6/1/2006
	WNTQ (FM)	B	201	97	93.1 MHz	6/1/2006
Tucson, AZ	KCUB (AM)	B	N/A	1	1290 kHz	10/1/2005
	KHYT (FM)	C	620	82	107.5 MHz	10/1/2005
	KIIM - FM	C	621	90	99.5 MHz	10/1/2005
	KSZR (FM)	A	93	6	97.5 MHz	10/1/2005
	KTUC (AM)	C	N/A	1	1400 kHz	10/1/2005
Wilkes-Barre/Scranton, PA	WARM (AM)	B	N/A	5	590 kHz	8/1/2006
	WBHT (FM)	A	336	0.5	97.1 MHz	8/1/2006
	WBSX (FM)	B	407	6.3	97.9 MHz	8/1/2006
	WSJR (FM)	A	207	1.45	93.7 MHz	8/1/2006
	WBHD (FM)	A	308	0.6	95.7 MHz	8/1/2006
	WMGS (FM)	B	422	5.3	92.9 MHz	8/1/2006
Worcester, MA	WORC - FM	A	125	1.87	98.9 MHz	4/1/2006
	WWFX (FM)	A	146	2.85	100.1 MHz	4/1/2006
	WXLO (FM)	B	172	37	104.5 MHz	4/1/2006

Transfers or Assignments of Licenses

The Communications Act prohibits the assignment of a broadcast license or transfer of control of a broadcast licensee without the prior approval of the FCC. In determining whether to grant approval, the FCC considers a number of factors pertaining to the licensee (and proposed licensee), including:

- compliance with the various rules and policies limiting common ownership of media properties in a given market;
- the character of the licensee and those persons holding attributable interests in the licensee; and
- compliance with the Communications Act s limitations on alien ownership, as well as compliance with other FCC regulations and policies.

To obtain FCC consent to assign a broadcast license or transfer control of a broadcast licensee, appropriate applications must be filed with the FCC. If the application involves a substantial change in ownership or control, the application must be placed on public notice for not less than 30 days during which time interested parties, including listeners, advertisers and competitors, may file petitions to deny or other objections against the application. These types of petitions are filed from time to time with respect to proposed acquisitions. Informal objections to assignment and transfer of control applications may be filed at any time up until the FCC acts on the application. Once the FCC staff grants an application, interested parties may seek reconsideration of that grant for 30 days, after which time the FCC may for another ten days reconsider the grant of the FCC staff on the

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FCC s own motion. If the application does not involve a substantial change in ownership or control, it is a pro forma application. The pro forma application is nevertheless subject to having informal objections filed against it. When passing on an assignment or transfer application, the FCC is prohibited from considering whether the public interest might be served by an assignment or transfer of the broadcast license to any party other than the assignee or transferee specified in the application.

Multiple Ownership Rules

The FCC rules impose specific limits on the number of commercial radio stations an entity can own in a particular geographic area. These local radio ownership rules preclude us from acquiring certain stations we might otherwise seek to acquire. The rules also effectively prevent us from selling stations in an area to a buyer that has reached its ownership limit in the market unless the buyer divests other stations. The local radio ownership rules are as follows:

- in markets with 45 or more radio stations, ownership is limited to eight commercial stations, no more than five of which can be either AM or FM;
- in markets with 30 to 44 radio stations, ownership is limited to seven commercial stations, no more than four of which can be either AM or FM;
- in markets with 15 to 29 radio stations, ownership is limited to six commercial stations, no more than four of which can be either AM or FM; and
- in markets with 14 or fewer radio stations, ownership is limited to five commercial stations or no more than 50% of the market s total, whichever is lower, and no more than three of which can be either AM or FM.

On June 2, 2003, the FCC concluded an omnibus rulemaking proceeding in which it examined all broadcast ownership rules, including the local radio ownership rule, the broadcast-newspaper ownership rule, the radio-television cross-ownership rule, the local television ownership rule, the national television ownership rule and the dual network rule. With respect to radio, the FCC retained the specific limits on the number of commercial radio stations an entity can own in a particular geographic market. The FCC, however, changed the way it defines the relevant geographic market and counts the number of stations in that market. The FCC abandoned the signal contour method of defining the market for radio stations that are located in areas where Arbitron ranks stations. These geographic areas are called Arbitron Metros . Under the new rules, the FCC determines the number of radio stations in an Arbitron Metro, for purposes of determining the ownership limit, by counting all commercial and non-commercial radio stations licensed to communities within the Arbitron Metro, plus all radio stations licensed to communities located outside of the Metro but treated by Arbitron as home to the Metro. Unlike under the previous rules, both commercial and non-commercial stations are counted in determining the number of stations in a market. The FCC uses the same methodology to determine the number of stations that a single company is deemed to own or control, directly or by attribution.

For radio stations located outside of an Arbitron Metro, the FCC will continue to use its previous signal contour-based methodology, with two modifications. The FCC also initiated a new rulemaking proceeding to develop a new method of defining markets located outside of Arbitron Metros. We own a few radio stations in unrated markets. We do not believe that the FCC s rule changes as they apply to unrated markets will have any material effect on our business plan.

The FCC s rule changes as they apply to radio stations in Arbitron Metros have several potential adverse effects. In some markets, the new rules have the effect of both (i) decreasing the number of radio stations deemed to be in the market overall, thereby lowering the applicable ownership tier, and (ii) increasing the number of radio stations that we are deemed to own in the market. For example, the number of overall stations in some of our markets will be reduced from 45 or more to fewer than 45, thereby reducing the applicable ownership limit from eight radio stations, no more than five of which may be AM or FM, to seven radio stations, no more than four of which may be AM or FM. In addition, in several markets, we will be deemed to own or control more radio stations than we were deemed to own or control under the old rules.

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Our existing station portfolio exceeds the applicable ownership limit under the new Arbitron Metro rule by approximately twelve stations in nine markets. Furthermore, some of our existing station portfolio may be subject to compliance with both the Arbitron-Metro based rule and the modified signal-contour methodology. It is not yet clear how the FCC will apply its new ownership rules in this situation. Under the new rules, however, we will not be required to divest existing owned stations in order to come into compliance with the new limits. Instead, existing ownership combinations are grandfathered. Divestitures will be required only if we seek to transfer control of the stations or we attempt to acquire additional stations in the market. The FCC s rules contain an exception to the divestiture requirement in the case of transfers to small businesses as defined by the FCC. The rules also contain an exception to the divestiture requirement in the case of pro forma transfers of control, which we believe would apply in the event of any transfer of control that may be deemed to occur if as a result of future offerings by us or sales by the Forstmann Little partnerships, the Forstmann Little partnerships cease to own a controlling interest in us, or, there is a change in control of the Forstmann Little partnerships, provided that no other person acquires control.

Under the FCC s current rules, radio stations that are operated under local marketing agreements may be treated as owned for purposes of the local radio ownership limit. See Time Brokerage . The new rules extend this treatment to certain joint sales agreements. Some of our existing local marketing agreements and joint sales agreements do not comply with the new local radio ownership rule. Unlike existing ownership combinations, non-compliant joint sales agreements and local marketing agreements are not permanently grandfathered, but must be terminated, if non-compliant, no later than two years after the new rules become effective.

The FCC also eliminated the cross-ownership rules that limited or prohibited radio station ownership by the owner of television stations or a daily newspaper in the same market and replaced these rules with a new cross-media rule. Under the new cross-media rule, the following limits apply:

- in markets with three or fewer TV stations, no cross-ownership is permitted among TV, radio and newspapers, although a company may request a waiver if it can show that the TV station does not serve the area served by the cross-owned property (i.e. the radio station or newspaper);
- in markets with between four and eight TV stations, combinations are limited to one of the following:
  - a daily newspaper, one TV station, and up to half of the radio station limit for that market, or
  - a daily newspaper, and up to the radio station limit for that market, but no TV stations, or
  - two TV stations (if permissible under the local TV ownership rule), and up to the radio station limit for that market, but no daily newspapers.
- in markets with nine or more TV stations, the FCC eliminated the newspaper-broadcast cross-ownership ban and the television-radio cross-ownership ban.

The new rules were to become effective on September 4, 2003, but were stayed by the U.S. Court of Appeals for the Third Circuit on September 3, 2003 pending the outcome of appeals filed by several entities. A number of parties also filed requests with the FCC seeking reconsideration of certain aspects of the new rules. On September 3, 2004, the Third Circuit issued an Order granting in part a request filed by the FCC to partially lift the court s stay. The Order permitted the new local radio ownership rules adopted June 2, 2003 to go into effect. There is significant congressional opposition to the new rules, and bills were introduced in the last session of Congress, 1st Session to modify or repeal the FCC s action, including a requirement that companies divest stations to come into compliance with the revised rules.

At this time, it is uncertain whether any potential congressional proposals will become law or what effect such legislation will have on us and our ability to acquire additional stations. If a requirement that companies divest stations to come into compliance with the Arbitron-based geographic market approach for defining local radio markets were to become law, we would be required to divest approximately twelve stations in nine markets. We have evaluated the potential impact of this divestiture requirement and we believe that the required divestitures would not have a materially adverse effect on us as a whole, because we could come into compliance by divesting underperforming or technically inferior stations, and divestitures may have the effect of leveling the competitive playing field in markets where existing competitors own radio stations in excess of the new limits. In addition, the requirement that other companies divest stations may create acquisition opportunities for us in other markets.

Ownership Attribution Rules

The FCC s multiple ownership rules apply to attributable interests in broadcast stations or daily newspapers held by an individual, corporation, partnership or other association. In the case of corporations directly or indirectly controlling broadcast licenses, the interests of officers, directors and those who, directly or indirectly, have the right to vote 5% or more of the corporation s voting stock are generally attributable. Some passive investors are attributable only if they hold 20% or more of the corporation s voting stock. However, all minority shareholder interests (other than interests subject to the debt/equity rule discussed in the next paragraph) are exempt from attribution if a single shareholder controls a majority of the voting shares in the corporation. Although the FCC had previously revoked the single majority shareholder exemption, on December 3, 2001, following a court decision that found the FCC s elimination of the exemption in the context of the FCC s cable ownership attribution rules to be arbitrary and capricious, the FCC suspended enforcement of the elimination of the exemption pending the outcome of a rulemaking to reconsider this matter.

Notwithstanding the presence of a single majority shareholder, the FCC will attribute the interests of various creditors or investors in a corporation under the so-called debt/equity plus rule. Under this rule, a major programming supplier or a same-market owner will be treated as an attributable owner of a station if the supplier or owner 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. A major programming supplier includes any programming supplier that provides more than 15% of the station s weekly programming hours. A same-market owner includes any attributable owner of a media company, including broadcast stations, cable television, and newspapers, located in the same market as the station, but only if the owner is attributable under an FCC attribution rule other than the debt/equity plus rule.

The attribution rules could limit the number of radio stations we may acquire or own in any market and may also limit the ability of various potential buyers of stations owned by us from being able to purchase some or all of the stations that they might otherwise wish to purchase from us. To address the possibility that attributable interests held by minority shareholders could limit our ability to acquire stations, our certificate of incorporation provides that our capital stock is subject to redemption by action of our board of directors to the extent necessary to bring us into compliance with the FCC s ownership rules.

Alien Ownership Rules

The Communications Act prohibits the issuance or holding of broadcast licenses by aliens, including any corporation if more than 20% of its capital stock is collectively owned or voted by aliens. In addition, the FCC may prohibit any corporation from holding a broadcast license if the corporation is directly or indirectly controlled by any other corporation of which more than 25% of the capital stock is owned of record or voted by aliens, if the FCC finds that the prohibition is in the public interest. 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 corporation, and the FCC has made such affirmative findings only in limited circumstances. These restrictions apply in similar fashion to other forms of businesses and organizations, including partnerships and limited liability companies. Our certificate of incorporation provides that our capital stock is subject to redemption by action of our board of directors to the extent necessary to bring us into compliance with the Communications Act or FCC regulations or prevent the loss of any of our FCC licenses.

Time Brokerage

Over the years, a number of radio stations have entered into what have commonly been referred to as time brokerage agreements or local marketing agreements. While these agreements may take varying forms, under a typical time brokerage agreement, separately owned and licensed radio stations agree to enter into cooperative arrangements of varying sorts, subject to compliance with the requirements of antitrust laws and with the FCC s rules and policies. Under these arrangements, separately owned stations could agree to function cooperatively in programming, advertising sales and similar matters, subject to the requirement that the licensee of each station maintain independent control over the programming and operations of its own station. One typical type of time brokerage agreement is a programming agreement between two separately owned radio stations serving a common service area, whereby the licensee of one station provides substantial portions of the broadcast programming for airing on the other licensee s station, subject to ultimate editorial and other controls being exercised by the latter licensee, and sells advertising time during those program segments.

The FCC s rules provide that a radio station that brokers more than 15% of its weekly broadcast time on another station serving the same market will be considered to have an attributable ownership interest in the brokered station for purposes of the FCC s multiple ownership rules. As a result, in a market where we own a radio station, we would not be permitted to enter into a time brokerage agreement with another local radio station in the same market that we could not own under the local ownership rules, unless our programming on the brokered station constituted 15% or less of the other local station s programming time on a weekly basis. FCC rules also prohibit a radio station from duplicating more than 25% of its programming on another station in the same broadcast service (*i.e.*, AM-AM or FM-FM) directly or through a time brokerage agreement where the brokered and brokering stations that it owns or programs serve substantially the same area.

The FCC s new ownership rules extend ownership attribution to certain joint sales agreements as well. See Multiple Ownership Rules . Under a joint sales agreement, one radio station sells the commercial time on a separately owned and licensed radio station, but does not provide programming as under a time brokerage or local marketing agreement. A radio station that sells more than 15% of the advertising time of another radio station in the same market will be considered to have an attributable ownership interest in the other station for purposes of the FCC s multiple ownership rules. In its September 3, 2004 Order, the Third Circuit lifted the stay on this new requirement making such joint sales agreements attributable. As a result, we will no longer be able to enter into a joint sales agreement providing for the sale of more than 15% of the advertising time of another radio station that we could not own. Under the FCC s new ownership rules, companies have two years to terminate non-compliant time brokerage and joint sales agreements or otherwise come into compliance with the new limits. We do not believe that termination of these agreements or our actions to come into compliance with the new rules with respect to these agreements will have a material impact on our business or our results of operations.

Programming and Operation

The Communications Act requires broadcasters to serve the public interest. Since 1981, the FCC gradually has relaxed or eliminated many of the more formalized procedures it developed to promote the broadcast of types of programming responsive to the needs of a station s community of license. However, licensees continue to be required to present programming that is responsive to community problems, needs and interests and to maintain records demonstrating responsiveness. Complaints from listeners concerning a station s programming will be considered by the FCC when it evaluates the licensee s renewal application, although listener complaints may be filed and considered at any time and must be maintained in the station s public file.

Stations also must pay regulatory and application fees and follow various FCC rules that regulate, among other things, political advertising, the broadcast of obscene or indecent programming, the advertisement of casinos and lotteries, sponsorship identification and technical operations, including limits on radio frequency radiation.

The FCC adopted new equal employment opportunity (EEO) rules for broadcasters which became effective March 10, 2003. The new rules are outreach and recruitment focused and require that broadcasters: (1) widely disseminate information for each full-time job vacancy, except for vacancies filled in exigent circumstances; (2) provide notification to community and recruitment organizations that have requested information on all or selected job vacancies; and (3) participate in longer-term recruitment initiatives, such as job fairs, internships, scholarships and EEO/anti-discrimination training programs. Broadcasters remain subject to the FCC s anti-discrimination policy but the use of minority or women-targeted recruitment sources is no longer mandated. The new rules also require a broadcaster to keep extensive internal records regarding its recruitment efforts including information regarding its recruitment sources and interviewees, notification to requesting community groups and specifics regarding participation in the longer-term initiatives. Broadcasters must also prepare and place in the public inspection file (and on their website if they maintain one) an annual EEO public file report that details recruitment efforts and interviewee totals, the referral sources used for each vacancy, the community groups

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notified, and specifics regarding participation in longer-term recruitment initiatives. Broadcasters are subject to an FCC mid-term review in the fourth year of the license term and an FCC review as part of the license renewal application, both requiring the submission of the annual EEO public file report for the preceding two years with a statement certifying that the broadcaster s reports are accurate. The FCC is expected to address the annual workforce employment information and filing requirements in a separate Report and Order. Also pending is the FCC s review of recruitment requirements for part-time vacancies and it issued a Further Notice of Proposed Rulemaking in conjunction with the new rules to solicit public comment on this issue.

The FCC has issued a decision holding that a broadcast station may not deny a candidate for federal political office a request for broadcast advertising time solely on the grounds that the amount of time requested is not the standard length of time which the station offers to its commercial advertisers. The effect that this FCC decision will have on our programming and commercial advertising is uncertain at this time.

Periodically, we may be required to obtain special temporary authority (STA) from the FCC to operate one or more of the stations in a manner different from the licensed parameters so that we can complete scheduled construction or maintenance or so that we may repair damaged or broken equipment without interrupting service. We are currently operating some stations under STAs in the ordinary course of business.

In the ordinary course of business, we have received complaints or the FCC has initiated inquiries about whether we have broadcast indecent programming or violated technical requirements.

Indecency Regulation

The FCC s rules prohibit the broadcast of obscene material at any time and indecent material between the hours of 6 am and 10 pm. Broadcasters risk violating the prohibition on the broadcast of indecent material because of the vagueness of the FCC s definition of indecent material, coupled with the spontaneity of live programming. The FCC in the last few years has stepped up its enforcement activities as they apply to indecency, and has threatened to initiate license revocation or license renewal proceedings against broadcast licensees for a category of undefined serious indecency violations. The FCC has also expanded the breadth of indecency regulation to include material that could be considered blasphemy , personally reviling epithets , profanity and vulgar or coarse words amounting to a nuisance. Legislation has also been introduced in Congress that would increase the penalties for broadcasting indecent programming, and depending on the number of violations engaged in, would potentially subject broadcasters to license revocation, renewal or qualifications proceedings in the event that they broadcast indecent material. We have one outstanding indecency proceeding against our station in Albuquerque, NM. The pendancy of this proceeding, as well as the FCC s more vigorous enforcement of its indecency rules, may encourage third parties to challenge our license renewal or assignment applications.

Proposed and Recent Changes

Congress, the FCC or other federal agencies may in the future consider and adopt new laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect the operation, ownership and profitability of our radio stations, result in the loss of audience share and advertising revenue for our radio stations, and affect our ability to acquire additional radio stations or finance acquisitions. These matters include:

- changes in the FCC s ownership rules and policies, including changes to the local radio ownership rules and the limitations on the cross-ownership of radio and other media (see Multiple Ownership Rules);

proposals to increase regulatory fees or to impose spectrum use or other fees on FCC licensees;

technical and frequency allocation matters and changes to broadcast technical requirements;

proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages;

proposals to restrict or prohibit the advertising of on-line casinos or on-line sports-betting services;

proposals to limit the tax deductibility of advertising expenses by advertisers;

restatement in revised form of FCC s equal employment opportunity rules and revision to rules relating to political broadcasting;

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- proposals to regulate or prohibit payments to stations by independent record promoters; and

- proposals to shorten the term of broadcasting licenses from eight to three years.

The FCC recently selected In-Band, On-Channel technology as the exclusive standard for digital services for terrestrial AM and FM broadcasters. The FCC has authorized the immediate commencement of hybrid transmissions simultaneous transmissions in both analog and digital pending the adoption of formal licensing and service rules, using In-Band, On-Channel systems for FM stations. Tests of the In-Band, On Channel technology for AM stations are ongoing and hybrid transmissions for AM stations have not yet been authorized. Digital audio broadcasting s advantages over traditional analog broadcasting technology include improved sound quality and the ability to offer a greater variety of auxiliary services. In-Band, On-Channel technology will permit radio stations to transmit radio programming in both analog and digital formats, and eventually in digital only formats, using the bandwidth that the radio station is currently licensed to use. It is unclear what formal licensing and service rules the FCC will adopt regarding digital audio broadcasting and what effect these regulations will have on our business or the operations of our stations.

In January 2000, the FCC created a new low power FM radio service. The new low power stations operate at a maximum power of between ten and 100 watts in the existing FM commercial and non-commercial band. Low power stations may be used by governmental and non-profit organizations to provide non-commercial educational programming or public safety and transportation radio services. No existing broadcaster or other media entity is permitted to have an ownership interest or enter into any program or operating agreement with any low power FM station. During the first two years of the new service, applicants must be based in the area that they propose to serve. Applicants are not permitted to own more than one station nationwide during the initial two-year period. After the initial two-year period, entities are allowed to own up to five stations nationwide, and after three years, the limit will be raised to ten stations nationwide. A single person or entity may not own two low power stations whose transmitters are less than seven miles from each other. The authorizations for the new stations are not transferable. In April 2001, the FCC adopted a third channel interference protection standard, and prohibited any applicant from obtaining a low power FM station who has previously operated a station without a license.

At this time it is difficult to assess the competitive impact of these new stations. Although the new low power stations must comply with certain technical requirements aimed at protecting existing FM radio stations from interference, we cannot be certain of the level of interference that low power stations will cause after they begin operating. Moreover, if low power FM stations are licensed in the markets in which we operate, the low power stations may compete with us for listeners. The low power stations may also limit our ability to obtain new licenses or to modify our existing facilities, or cause interference to areas of existing service that are not protected by the FCC s rules, any of which may have a material adverse effect on our business.

We cannot predict what other matters might be considered in the future by the FCC or Congress, nor can we judge in advance what impact, if any, the implementation of any of these proposals or changes might have on our business.

Federal Antitrust Considerations

The Federal Trade Commission and the Department of Justice, which evaluate transactions to determine whether those transactions should be challenged under the federal antitrust laws, have been increasingly active recently in their review of radio station acquisitions, particularly where an operator proposes to acquire additional stations in its existing markets.

For an acquisition meeting certain size thresholds, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules promulgated thereunder, require the parties to file Notification and Report Forms with the Federal Trade Commission and the Department of Justice and to observe specified waiting period requirements before consummating the acquisition. During the initial 30-day period after the filing, the agencies decide which of them will investigate the transaction. If the investigating agency determines that the transaction does not raise significant antitrust issues, then it will either terminate the waiting period or allow it to expire after the initial 30 days. On the other hand, if the agency determines that the transaction requires a more detailed investigation, then, at the conclusion of the initial 30-day period, it will issue a formal request for additional information. The issuance of a formal request extends the waiting period until the 20th calendar day after the date of substantial compliance by all parties to the acquisition. Thereafter, the waiting period may only be extended by court order or with the consent of the parties. In practice, complying with a formal request can take a significant amount of time. In addition, if the investigating agency raises substantive issues in connection with a proposed transaction, then the parties frequently engage in lengthy discussions or negotiations with the investigating agency concerning possible means of addressing those issues, including persuading the agency that the proposed acquisition would not violate the antitrust laws, restructuring the proposed acquisition, divestiture of other assets of one or more parties, or abandonment of the transaction. These discussions and negotiations can be time consuming, and the parties may agree to delay completion of the acquisition during their pendency.

At any time before or after the completion of a proposed acquisition, the Federal Trade Commission or the Department of Justice could take action under the antitrust laws as it considers necessary or desirable in the public interest, including seeking to enjoin the acquisition or seeking divestiture of the business or other assets acquired. Acquisitions that are not required to be reported under the Hart-Scott-Rodino Act may be investigated by the Federal Trade Commission or the Department of Justice 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.

As part of its increased scrutiny of radio station acquisitions, the Department of Justice has stated publicly that it believes that commencement of operations under time brokerage agreements, local marketing agreements, joint sales agreements and other similar agreements customarily entered into in connection with radio station transfers prior to the expiration of the waiting period under the Hart-Scott-Rodino Act could violate the Hart-Scott- Rodino Act. In connection with acquisitions subject to the waiting period under the Hart-Scott-Rodino Act, so long as the Department of Justice policy on the issue remains unchanged, we would not expect to commence operation of any affected station to be acquired under a time brokerage agreement, local marketing agreement or similar agreement until the waiting period has expired or been terminated.

Environmental

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.

Seasonality

In the radio broadcasting industry, seasonal revenue fluctuations are common and are due primarily to variations in advertising expenditures by local and national advertisers. Typically, revenue is lowest in the first calendar quarter of the year and highest in the second and fourth calendar quarters of the year.

Employees

As of December 31, 2004, we had 2,229 full-time employees and 1,371 part-time employees. None of these employees is covered by collective bargaining agreements. We consider our relations with our employees generally to be good.

We employ several on-air personalities in our respective markets. We enter into employment agreements with certain on-air personalities in order to protect our interests in these employee relationships. We do not believe that the loss of any one of these on-air personalities would have a material adverse effect on our consolidated financial condition or results of operations.

Available Information

Our Internet address is *www.citadelbroadcasting.com*. You may obtain through our Internet website, free of charge, access to copies of our annual reports on Form 10-K, 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

Exchange Act. These reports will be available as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC.

Risk Factors

The following factors (in addition to others) could have a material impact on our business:

Decreased spending by advertisers can adversely affect our advertising revenue.

Since virtually all of our revenue is generated from the sale of local, regional and national advertising for broadcast on our radio stations, a recession or downturn in the United States economy could have an adverse effect on us as advertisers generally reduce their spending during economic downturns. In addition, because a substantial portion of our revenue is derived from local advertisers, our ability to generate advertising revenue in specific markets could be adversely affected by local or regional economic downturns. For example, in 2001, due to weakness in the general advertising sector and in our markets, which was further exacerbated by the events of September 11, our pro forma net broadcasting revenue declined 8.5%.

We may lose audience share and advertising revenue to competing radio stations or other types of media competitors.

We operate in a highly competitive industry. Our radio stations compete for audiences and advertising revenue with other radio stations and station groups, as well as with other media such as broadcast television, newspapers, magazines, cable television, satellite television, satellite radio, outdoor advertising, the Internet, hand held programmable devices, such as IPODs and direct mail. Audience ratings and market shares are subject to change. Any adverse change in a particular market, or adverse change in the relative market positions of the stations located in a particular market could have a material adverse effect on our revenue or ratings, could require increased promotion or other expenses in that market, and could adversely affect our revenue in other markets. Other radio broadcasting companies may enter the markets in which we operate or may operate in the future. These companies may be larger and have more financial resources than we have. Our radio stations may not be able to maintain or increase their current audience ratings and advertising revenue. In addition, from time to time, other stations may change their format or programming, a new station may adopt a format to compete directly with our stations for audiences and advertisers, or stations might engage in aggressive promotional campaigns. These tactics could result in lower ratings and advertising revenue or increased promotion and other expenses and, consequently, lower earnings and cash flow for us. Audience preferences as to format or programming may also shift due to demographic or other reasons. Any failure by us to respond, or to respond as quickly as our competitors, could have an adverse effect on our business and financial performance. We cannot assure you that we will be able to maintain or increase our current audience ratings and advertising revenue.

We have substantial indebtedness that could limit our ability to grow and compete.

Our financial leverage and, as a result, our debt service obligations, may have an impact on our financial results and operations, including limiting our ability to:

obtain additional financing for working capital, capital expenditures, acquisitions, debt payments or other corporate purposes;

compete with competitors that are better capitalized than us; and

react to changing market conditions, changes in our industry and economic downturns.

As of December 31, 2004, we had indebtedness of approximately $616.0 million, consisting of $330.0 million of convertible subordinated notes and $286.0 million under our credit facility. Under our credit facility, as of December 31, 2004, we may borrow up to an additional $314.0 million under the revolving portion of our credit facility, excluding $2.2 million in outstanding letters of credit. We may reborrow under our revolving credit facility as needed to fund our working capital needs, for general corporate purposes and to fund the acquisitions of additional radio stations.

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If we lose key personnel, including on-air talent, our business could be disrupted and our financial performance could suffer.

Our business depends upon the continued efforts, abilities and expertise of our executive officers, primarily our Chairman and Chief Executive Officer, Farid Suleman. We believe that the unique combination of skills and experience possessed by Mr. Suleman would be difficult to replace, and his loss could have a material adverse effect on us, including impairing our ability to execute our business strategy. Mr. Suleman does not have a formal employment agreement. Additionally, our radio stations employ or independently contract with several on-air personalities and hosts of syndicated radio programs with significant loyal audiences in their respective broadcast markets. These on-air personalities are sometimes significantly responsible for the ranking of a station, and for the ability of the station to sell advertising. We cannot assure you that these individuals will remain with our radio stations or will retain their audiences.

We have had a history of net loss.

In June 2001, Citadel Broadcasting Corporation, formed by affiliates of Forstmann Little & Co., acquired substantially all of the outstanding common stock of Citadel Communications Corporation in a leveraged buyout transaction. Citadel Communications Corporation, together with its wholly-owned subsidiary, Citadel Broadcasting Company, is referred to as the Predecessor Company prior to June 2001. Our Predecessor Company had a net loss of $149.3 million for the period from January 1, 2001 through June 25, 2001, and we had a net loss of $53.6 million for the period from June 26, 2001 through December 31, 2001, a net loss of $89.2 million for the year ended December 31, 2002 and a net loss of $89.6 million for the year ended December 31, 2003. The primary reasons for these losses are significant charges for depreciation and amortization relating to our acquisition of Citadel Communications and the acquisition of radio stations, interest charges on our outstanding debt and corporate non-cash deferred stock compensation.

If we cannot renew our FCC licenses, our business will be impaired.

Our business depends upon maintaining our broadcasting licenses issued by the FCC, which are issued currently for a maximum term of eight years and are renewable. Interested parties may challenge a renewal application. On rare occasions, the FCC has revoked licenses, not renewed them, or renewed them only with significant qualifications, including renewals for less than a full term. We cannot assure you that our pending or future renewal applications will be approved, or that the renewals will not include conditions or qualifications that could adversely affect our operations. If we fail to renew, or renew with substantial conditions or modifications (including renewing one or more of our licenses for a term of fewer than eight years) any of our licenses, it could prevent us from operating the affected station and generating revenue from it. Moreover, governmental regulations and policies may change over time and the changes may have a material adverse impact upon our business, financial condition and results of operations.

We could experience delays in expanding our business, be prevented from making acquisitions or be required to divest radio stations due to antitrust laws and other legislative and regulatory considerations.

The Federal Trade Commission, the United States Department of Justice and the FCC carefully review our proposed business acquisitions and dispositions under their respective regulatory authority, focusing on the effects on competition, the number of stations owned in a market and the effects on concentration of market revenue share. Any delay, prohibition or modification required by regulatory authorities could adversely affect the terms of a proposed transaction or could require us to modify or abandon an otherwise attractive opportunity.

The radio broadcasting industry is subject to extensive and changing federal regulation. Among other things, the Communications Act of 1934, as amended, which we refer to as 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 filing of petitions or complaints against us or any FCC licensee from which we acquire a station could result in the FCC delaying the grant of, or 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. On June 2, 2003, the FCC concluded an omnibus rulemaking proceeding in which it examined all broadcast ownership rules, including the local radio ownership rule, the broadcast-newspaper ownership rule, the radio-television cross-ownership rule, the local television ownership rule, the national television ownership rule and the dual network rule. The FCC made significant changes to the local radio ownership rule and the way that it reviews radio station transactions. As a result of these changes, our existing station portfolio will exceed the applicable ownership limit in several markets. Existing ownership combinations, however, are grandfathered, meaning the FCC will not require us to divest stations that we currently own in order to come into compliance with the new rules. The new rules will limit our ability to acquire radio stations that we would have been permitted to acquire under the old rules. Pending transactions are also subject to the new rule. Various aspects of these rule changes were appealed by a number of different entities. The rules were to become effective on September 4, 2003, but were stayed by the U.S. Court of Appeals for the Third Circuit on September 3, 2003. On September 3, 2004, the Third Circuit issued an Order granting in part a request filed by the FCC to partially lift the court s stay. The Order permitted the new local radio ownership rules adopted June 2, 2003 to go into effect. A number of parties also filed requests with the FCC seeking reconsideration of certain aspects of the new rules, including, without limitation, the grandfathering provisions discussed above. In addition, there is significant congressional opposition to the new rules, and bills have been introduced in Congress to modify or repeal the FCC s action, including a requirement that companies divest stations to come into compliance with the revised rules.

There are risks associated with our acquisition strategy.

Our current acquisition strategy is to identify and acquire radio stations that would expand our station clusters in existing and contiguous markets, as well as provide us entry into new markets that rank in the top 100 based on total market revenue. We believe that the most material risks related to this strategy are:

- increases in prices for radio stations due to increased competition for acquisition opportunities;
- reduction in the number of suitable acquisition targets resulting from continued industry consolidation; and
- failure or unanticipated delays in completing acquisitions due to difficulties in obtaining required regulatory approval, including potential delays resulting from the uncertainty regarding legal challenges to the FCC s adoption of new broadcast ownership rules.

Additional risks, which we have not yet experienced to a material degree, include:

- difficulty in integrating operations and systems and managing a large and geographically diverse group of stations;
- reduction in the number of suitable acquisition targets resulting from the more restrictive local radio ownership rule adopted by the FCC in June 2003;
- failure of some acquisitions to prove profitable or generate sufficient cash flow;
- issuance of large amounts of common stock in order to purchase radio stations;
- need to finance acquisitions through funding from the credit or capital markets; and

- inability to finance acquisitions on acceptable terms.

In order to remain competitive, we must respond to changes in technology, services and standards which characterize our industry.

The radio broadcasting industry is subject to technological change, evolving industry standards and the emergence of new media technologies. We may not 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 developed, including the following:

- audio programming by cable television systems, direct broadcast satellite systems, personal communications systems, Internet content providers and other digital audio broadcast formats;

- satellite digital audio radio service, which is provided by two companies offering national satellite radio services, including numerous niche formats, with sound quality comparable to that of compact discs;

- In-Band On-Channel digital radio, which could improve the quality of existing AM and FM stations, including stations owned by us; and

- low-power FM radio, which could result in additional FM radio broadcast outlets designed to serve small, localized areas.

We are controlled by affiliates of Forstmann Little & Co., whose interests may conflict with those of our other stockholders.

Forstmann Little & Co. Equity Partnership-VI, L.P., Forstmann Little & Co. Equity Partnership-VII, L.P., Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VII, L.P. and Forstmann Little & Co. Subordinated Debt and Equity Management Buyout Partnership-VIII, L.P., which we refer to as the Forstmann Little partnerships, own approximately 62% of our outstanding common stock as of February 28, 2005. Accordingly, they will be able to:

- elect our entire board of directors;

- control our management and policies; and

- determine, without the consent of our other stockholders, the outcome of any corporate transaction or other matter submitted to our stockholders for approval, including mergers, consolidations and the sale of all or substantially all of our assets.

They will also be able to prevent or cause a change in control of us and amend our certificate of incorporation and bylaws at any time.

Theodore J. Forstmann is the senior partner of, Gordon A. Holmes is a general partner of, and Sandra J. Horbach is a limited partner of Forstmann Little & Co. Messrs. Forstmann and Holmes and Ms. Horbach serve as members of our board of directors. Our chairman and chief executive officer Farid Suleman is a special limited partner of Forstmann Little & Co. and also provides advice and consulting services to Forstmann Little & Co. Two other directors, Michael A. Miles and J. Anthony Forstmann are special limited partners of Forstmann Little & Co. Mr. Miles also serves on the Forstmann Little advisory board and is an investor in certain portfolio companies of Forstmann Little. J. Anthony Forstmann is the brother of Theodore J. Forstmann. As a result of these relationships, when conflicts between the interests of the Forstmann Little partnerships and the interests of our other stockholders arise, these directors and officers may not be disinterested. Under Delaware law, although our directors and officers have a duty of loyalty to us, transactions that we enter into in which a director or officer has a conflict of interest are generally permissible so long as the material facts as to the director s or officer s relationship or interest and as to the transaction are disclosed to our board of directors and a majority of our disinterested directors approves the transaction, or the transaction is otherwise fair to us.

The interests of the Forstmann Little partnerships may conflict with the interests of our other stockholders.

Our stock price could be volatile and could drop unexpectedly.

Our common stock has been publicly traded since August 2003. The market price of our common stock has been subject to fluctuations since the date of our initial public offering. The stock market has from time to time experienced price and volume fluctuations that have affected the market prices of securities. As a result, the market price of our common stock could materially decline, regardless of our operating performance.

Our failure to comply under the Sarbanes-Oxley Act of 2002 could cause a loss of confidence in the reliability of our financial statements.

We have undergone a comprehensive effort to comply with Section 404 of the Sarbanes-Oxley Act of 2002. Compliance was required as of December 31, 2004. This effort included documenting and testing our internal controls. As of December 31, 2004, we did not identify any material weaknesses in our internal controls as defined by the Public

Company Accounting Oversight Board. In future years, there are no assurances that we will not have material weaknesses that would be required to be reported or that we will be able to comply with the reporting deadline requirements of Section 404. A reported material weakness or the failure to meet the reporting deadline requirements of Section 404 could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements. This loss of confidence could cause a decline in the market price of our stock.

ITEM 2. PROPERTIES AND FACILITIES

The types of properties required to support each of our radio stations include offices, studios, transmitter sites and antenna sites. A station s studios are generally housed with its offices in business districts. The transmitter sites and antenna sites are generally located so as to provide maximum market coverage.

We currently own studio facilities in 23 of our markets and own transmitter and antenna sites in 44 of our markets. We lease the remaining studio and office facilities, including office space in Las Vegas, NV, which is not related to the operations of a particular station, as well as the remaining transmitter and antenna sites. We do not anticipate any significant difficulties in renewing any facility leases or in leasing alternative or additional space, if required. We own substantially all of our other equipment, consisting principally of transmitting antennae, transmitters, studio equipment and general office equipment.

ITEM 3. LEGAL PROCEEDINGS

In a complaint filed on June 5, 2003 with the United States District Court for the District of Connecticut, we were named as one of numerous defendants in litigation seeking monetary damages arising from the injuries and deaths of certain concertgoers at a Rhode Island nightclub. The complaint contains multiple causes of action, only a small number of which are brought against us. Our involvement was to advertise the concert on one of our stations and to distribute promotional tickets provided by the organizers. The complaint alleges, among other things, that the organizers and sponsors of the concert failed to control crowd size, failed to obtain pyrotechnic permits, failed to inspect fireproofing at the club and failed to maintain emergency exits in workable condition, which contributed to the injuries and deaths of plaintiffs when pyrotechnic devices on the stage ignited soundproofing materials adjacent to the stage during the concert. The complaint alleges that we were a co-sponsor of the concert and asserts claims against us based on theories of joint venture liability and negligence. On October 3, 2003, the action was transferred to the United States District Court, District of Rhode Island, where it subsequently was consolidated with other nightclub-related litigation for the purposes of pre-trial discovery and motion practice. Since the action was filed, plaintiffs twice have amended their complaint, though the claims against us remain substantively the same. On January 27, 2005, we filed an Answer to the complaint, substantially denying plaintiffs allegations against us. We believe that plaintiffs claims against us are without merit and intend to defend these claims vigorously.

On or about January 6, 2005, plaintiffs in three other actions related to the February 20, 2003 fire at The Station Guindon et al. v. American Foam Corp. et al. (C.A. No. 03-335-L), Roderiques v. American Foam Corp. et al. (C.A. No. 04-26-L) and Sweet v. American Foam Corp. et al. (C.A. No. 04-56-L) adopted wholesale all of the claims asserted in the action described in the paragraph above, including those against us. Plaintiffs inclusion of us as a defendant in these actions was inadvertent and, on or about January 28, 2005, we and the Guindon plaintiffs entered into a stipulation whereby plaintiffs dismissed that action as to us. On or about February 3, 2005, we and plaintiffs in both Roderiques and Sweet entered into stipulations whereby plaintiffs dismissed their respective actions as to us. We do not believe that the outcome of this litigation will have a material adverse impact on our financial position, results of operations or cash flows.

In February 2005, we received a subpoena from the Office of Attorney General of the State of New York, as have some of the other radio broadcasting companies operating in the State of New York. The subpoenas were issued in connection with the New York Attorney General s investigation of record company promotional practices. We are cooperating with this investigation. At this time, it is not possible to determine the outcome of this investigation.

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We are subject to other claims and lawsuits arising in the ordinary course of our business. We believe that none of these legal proceedings would have a material adverse impact on our results of operations, cash flows or financial condition.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2004.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following sets forth certain information with regard to our executive officers:

Farid Suleman (age 53) has been our Chairman of the Board and Chief Executive Officer since March 2002. Prior to joining us, from February 2001 to February 2002, Mr. Suleman was President and Chief Executive Officer of Infinity Broadcasting Corp. He was executive Vice President, Chief Financial Officer, Treasurer and a director of Infinity Broadcasting from September 1998 to February 2001 when Infinity Broadcasting was acquired by Viacom Inc.

Judith A. Ellis (age 56) has been our Chief Operating Officer since February 2003. Prior to joining us, Ms. Ellis served since 1997 as Senior Vice President/Market Manager for Emmis Communications Corporation.

Randy L. Taylor (age 42) has been our Vice President-Finance since January 2001 and our Secretary since April 2003. From April 1999 to January 2001, Mr. Taylor served as our Vice President-Controller. Prior to joining us, Mr. Taylor served as Controller of Aladdin Gaming Holding, LLC from July 1998 to April 1999.

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PART II

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

Our common stock began trading on the New York Stock Exchange on August 1, 2003, under the symbol CDL. The table below sets forth, for the periods indicated, the range of high and low closing sales prices for our common stock as reported by the NYSE.

	Price Range	
	High	**Low**
Fiscal Year 2003		
Third Quarter (beginning August 1, 2003)	$ 22.08	$ 18.50
Fourth Quarter	$ 22.74	$ 17.92
Fiscal Year 2004		
First Quarter	$ 22.28	$ 16.06
Second Quarter	$ 19.05	$ 14.18
Third Quarter	$ 15.20	$ 12.42
Fourth Quarter	$ 16.50	$ 12.89

Number of Stockholders

On February 28, 2005, the last reported sale price of our common stock on the NYSE was $14.12 per share. Based on information available to us and our transfer agent, we believe that as of February 28, 2005, there were 4,069 holders of our common stock.

Dividend Policy

We have not paid dividends in the past and we do not intend to pay any cash dividends for the foreseeable future. We intend to retain earnings, if any, for the future operation and expansion of our business. Any determination to pay dividends in the future will be at the discretion of our board of directors and will depend upon results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our board of directors deems relevant. Our credit facility limits our ability to pay dividends and make distributions to our stockholders.

Equity Compensation Plan Information

The following table sets forth, as of December 31, 2004, the number of shares of common stock that are issuable upon the exercise of stock options outstanding under our equity compensation plan, including options held by our Chief Executive Officer that were granted pursuant to a written stock option agreement outside of the stock option plan, the weighted average exercise prices of such securities and the number of securities available for grant under the plan.

Plan Category	(a) Number of Shares to be Issued Upon Exercise of Outstanding Option, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Column (a))
Equity Compensation Plans Approved by Shareholders			
Citadel Broadcasting Corporation 2002 Long-Term Incentive Plan	7,771,125	$ 10.04	1,347,125
Equity Compensation Plans Not Approved by Shareholders			
None			
Total	7,771,125		1,347,125

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Purchases of Equity Securities

The following table provides information with respect to our repurchase of shares of our common stock during the quarter ended December 31, 2004.

REGISTRANT PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plan
October 1, 2004 through October 31, 2004	1,309,400	$ 13.51	1,309,400	$ 19,299,981
November 1, 2004 through November 30, 2004	867,300	15.18	867,300	306,138,121
December 1, 2004 through December 31, 2004	900,250	15.79	900,250	$ 291,925,798
Fourth Quarter 2004	3,076,950	$ 14.65	3,076,950	

Notes:

1) On June 29, 2004 and November 3, 2004, the Company announced that the Board of Directors had authorized $100 million and $300 million, respectively, to repurchase shares of the Company s outstanding common stock.

2) No assurance can be given as to the time period over which the shares will be repurchased or as to whether and to what extent the share repurchase will be consummated.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

You should read the selected historical consolidated financial data below in conjunction with our consolidated financial statements and the accompanying notes. You should also read Management s Discussion and Analysis of Financial Condition and Results of Operations. All of these materials are included elsewhere in this report. We derived the historical consolidated financial data as of December 31, 2004 and 2003 and for the years ended December 31, 2004, 2003 and 2002 from our audited consolidated financial statements included in this report. We derived the historical consolidated financial data as of December 31, 2002 and 2001 and for the period from June 26, 2001 through December 31, 2001 from our audited consolidated financial statements, which are not contained in this report. We derived the historical financial data for the period from January 1, 2001 through June 25, 2001 and as of and for the year ended December 31, 2000 from the audited consolidated financial statements of our Predecessor Company, which are not contained in this report. The selected consolidated historical financial data may not be indicative of future performance.

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	Company				Predecessor Company	
	Year Ended December 31,			Period from June 26 through December 31,	Period from January 1 through June 25,	Year Ended December 31,
	2004	2003	2002	2001	2001	2000
	(in thousands, except per share amounts)					
Operating Data:						
Net broadcasting revenue	$ 411,495	$ 371,509	$ 348,869	$ 168,187	$ 155,297	$ 284,824
Operating expenses:						
Cost of revenues, exclusive of depreciation and amortization shown separately below	116,579	99,832	94,368	54,924	53,759	80,972
Selling, general and administrative	118,611	112,090	114,622	56,938	57,076	96,191
Corporate general and administrative	11,239	10,094	10,751	6,038	5,620	9,092
Corporate non-cash deferred stock compensation	4,327	10,339	25,886		14,773	12,246
Local marketing agreement fees	2,081	2,405	604	731	201	196
Depreciation and amortization(1)	101,270	140,659	143,079	99,054	53,077	76,502
Non-recurring merger charges(2)					40,596	
Non cash charge related to contractual obligations(3)	16,449					
Other, net	(776)	53	1,231	113	1,922	(684)
Total operating expenses	369,780	375,472	390,541	217,798	227,024	274,515
Operating income (loss)	41,715	(3,963)	(41,672)	(49,611)	(71,727)	10,309
Interest expense, net	17,345	48,254	61,707	34,821	41,337	49,221
Write off of deferred financing costs due to extinguishment of debt(4)	13,615	9,345			39,097	
Income (loss) from continuing operations before income tax (benefit) expense and discontinued operations	10,755	(61,562)	(103,379)	(84,432)	(152,161)	(38,912)
Income tax (benefit) expense(5)	(63,813)	28,008	(14,219)	(30,797)	(2,823)	(4,022)
Income (loss) from continuing operations before discontinued operations, net of tax	74,568	(89,570)	(89,160)	(53,635)	(149,338)	(34,890)
Loss from discontinued operations, net of tax(6)						(4,334)
Net income (loss)	74,568	(89,570)	(89,160)	(53,635)	(149,338)	(39,224)
Dividend requirement and premium paid on redemption of exchangeable preferred stock(7)			6	2	26,994	12,474
Net income (loss) applicable to common shares	$ 74,568	$ (89,570)	$ (89,166)	$ (53,637)	$ (176,332)	$ (51,698)
Basic and diluted income (loss) from continuing operations before discontinued operations per common share:						
Basic	$ 0.58	$ (0.83)	$ (0.93)	$ (0.56)		
Diluted	$ 0.54	$ (0.83)	$ (0.93)	$ (0.56)		
Net income (loss) per share:						
Basic	$ 0.58	$ (0.83)	$ (0.93)	$ (0.56)		
Diluted	$ 0.54	$ (0.83)	$ (0.93)	$ (0.56)		

Weighted average common shares outstanding:						
Basic	129,191	107,360	96,134	96,134		
Diluted	143,379	107,360	96,134	96,134		
Other Data:						
Cash flow provided by (used in):						
Operating activities	$ 147,146	$ 84,035	$ 64,104	$ 17,641	$ (166)	$ 43,006
Investing activities	(156,383)	(174,409)	(14,339)	(1,063,881)	2,222	(795,242)
Financing activities	6,718	91,707	(48,297)	1,046,906	(5,187)	742,347
Capital expenditures	8,948	6,162	14,695	4,716	3,165	5,453
Current tax expense (benefit)	2,556	1,421	1,059	525	(5)	506
Deferred tax (benefit) expense	(66,369)	26,587	(15,278)	(31,322)	(2,818)	(4,528)

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	Company				Predecessor Company
	December 31,				December 31,
	2004	2003	2002	2001	2000
Balance Sheet Data:					
Cash and cash equivalents	$ 948	$ 3,467	$ 2,134	$ 666	$ 8,092
Working capital	69,930	52,181	29,083	44,997	41,829
Intangible assets, net	2,104,058	2,043,286	1,987,480	2,109,825	1,273,520
Total assets	2,315,698	2,249,333	2,198,333	2,325,352	1,485,564
Long-term debt and other obligations (including current portion)	655,199	693,175	1,033,479	1,070,674	864,131
Exchangeable preferred stock				39	96,158
Shareholders equity	1,380,383	1,232,444	866,575	940,604	414,271

(1) We adopted SFAS No. 142 on January 1, 2002. See Note 2 to the Consolidated Financial Statements.

(2) In connection with our acquisition of Citadel Communications, our Predecessor Company incurred approximately $40.6 million in non-recurring merger-related charges during the period from January 1, 2001 through June 25, 2001. These charges primarily included $26.9 million paid to employees for the cancellation of stock options as provided for under the merger agreement, $9.8 million for a merger fairness opinion, $2.5 million for legal, accounting and other professional fees and $0.9 million for a legal settlement to its shareholders.

(3) Operating income for 2004 reflects a non-cash charge of approximately $16.4 million primarily due to the Company s settlement with its previous national representation firm. Under the terms of the settlement, the Company s new representation firm settled the Company s obligations under the settlement agreement with its previous representation firm and entered into a new long term contract with the Company.

(4) In connection with our acquisition of Citadel Communications and the related extinguishment of substantially all of its 10 1/4% Senior Subordinated Notes due 2007 and all of our Predecessor Company s 9/4% Senior Subordinated Notes due 2008, our Predecessor Company recorded a loss of approximately $39.1 million in the period from January 1, 2001 through June 25, 2001. Our initial public offering registration statement with the Securities and Exchange Commission was declared effective on July 31, 2003, and we used substantially all of the net proceeds of the initial public offering to repay amounts outstanding under our senior debt. In connection with the repayment, we wrote off deferred financing costs of $8.2 million. Effective December 10, 2003, we amended our credit facility, and in connection with the amendment, we wrote off deferred financing costs of $1.2 million in the fourth quarter of 2003. On February 18, 2004, we sold 9,630,000 shares of common stock at $19.00 per share and concurrently sold $330.0 million principal amount of convertible subordinated notes. We used all of the net proceeds from these transactions to retire the $500.0 million of 6% Subordinated Debentures, and in connection with this repayment, we wrote off deferred financing costs of approximately $10.6 million. In August 2004, we entered into a new senior credit facility that provides for $600.0 million in revolving loans through January 15, 2010. In connection therewith, we repaid amounts outstanding under the previous credit agreement and wrote off approximately $3.0 million in deferred financing costs.

(5) We recorded a non-cash deferred income tax benefit during the period from June 26, 2001 through December 31, 2001. This benefit represents the utilization of deferred tax liabilities recorded at the date of our acquisition of our Predecessor Company. For the year ended December 31, 2002, due to an increase in valuation allowance related primarily to our net operating loss carryforwards, the tax benefit was limited to $14.2 million. For the year ended December 31, 2003, the income tax expense of $28.0 million was primarily due to the amortization of indefinite lived intangibles for income tax purposes, for which no benefit can be recognized in the financial statements until the assets are disposed of. Income tax benefit for the year ended December 31, 2004 was primarily due to the reversal of our valuation allowance associated with our deferred tax assets, the most significant of which was our net operating loss carry-forward.

(6) In December 1999, the Predecessor Company management decided to discontinue the operations of its Internet service provider.

(7) In connection with our acquisition of Citadel Communications, our Predecessor Company recorded a $20.2 million premium paid on the redemption of substantially all of its 13 1/4% Exchangeable Preferred Stock. In addition, our Predecessor Company paid $6.8 million in dividends on the exchangeable preferred stock during the period from January 1, 2001 through June 25, 2001 and $12.5 million during the year ended December 31, 2000.

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

Overview

Citadel is the fifth largest radio broadcasting company in the United States based on net broadcasting revenue. As of February 28, 2005, we owned and operated 155 FM and 58 AM radio stations in 47 markets located in 24 states across the country. We have a well-clustered radio station portfolio that is diversified by programming formats, geographic regions, audience demographics and advertising clients. We rank first or second in audience share in 31 of our 45 rated markets. Our top 25 markets accounted for approximately 78% of our 2004 revenue.

Advertising Revenue

Our revenue is generated primarily from the sale of local, regional and national advertising for broadcast on our radio stations. In 2004, approximately 85% of our net broadcast revenue was generated from the sale of local and regional advertising and approximately 15% was generated from the sale of national advertising. The major categories of our advertisers include automotive companies, retail merchants, restaurants, fast food chains, telephone companies and grocery stores.

Each station s local sales staff solicits advertising either directly from the local advertiser or indirectly through an advertising agency. Through direct advertiser relationships, we can better understand the advertiser s business needs and more effectively design advertising campaigns to sell the advertiser s products. We employ personnel in each of our markets to assist in the production of commercials for the advertiser. In-house production, combined with effectively designed advertising, establishes a stronger relationship between the advertiser and the station cluster. National sales are made by a firm specializing in radio advertising sales on the national level, in exchange for a commission based on gross revenue. We also target regional sales, which we define as sales in regions surrounding our markets, to companies that advertise in our markets, through our local sales force.

Depending on the programming format of a particular station, we estimate the optimum number of advertising spots that can be broadcast while maintaining listening levels. Our stations strive to maximize revenue by managing advertising inventory. Pricing is adjusted based on local market conditions and our ability to provide advertisers with an effective means of reaching a targeted demographic group. Each of our stations has a general target level of on-air inventory. This target level of inventory may vary throughout the day but tends to remain stable over time. Much of our selling activity is based on demand for our radio stations on-air inventory and, in general, we respond to changes in demand by varying prices rather than changing our target inventory level for a particular station. Therefore, most changes in revenue reflect demand-driven pricing changes.

A station s listenership is reflected in ratings surveys that estimate the number of listeners tuned to the station and the time they spend listening. Advertisers and advertising representatives use station ratings to consider advertising with the station. We use station ratings to chart audience levels, set advertising rates and adjust programming. The radio broadcast industry s principal ratings service is Arbitron, which publishes periodic ratings surveys for significant domestic radio markets. These surveys are our primary source of audience ratings data.

We believe that radio is one of the most efficient and cost-effective means for advertisers to reach specific demographic groups. Advertising rates charged by radio stations are based primarily on the following:

the supply of, and demand for, radio advertising time;

a station s share of audiences in the demographic groups targeted by advertisers, as measured by ratings surveys estimating the number of listeners tuned to the station at various times; and

the number of stations in the market competing for the same demographic groups.

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Components of Expenses

Our most significant expenses are (1) sales costs, (2) programming expenses, (3) advertising and promotional expenses and (4) administrative and technical expenses. We strive to control these expenses by working closely with local management and centralizing functions such as finance, accounting, legal, human resources and management information systems. We also use our multiple stations, market presence and purchasing power to negotiate favorable rates with vendors.

Depreciation and amortization of tangible and intangible assets associated with the acquisition of radio stations and interest carrying charges historically have been significant factors in determining our overall profitability. Based on intangible assets currently held by us as of December 31, 2004, we expect the total amortization expense incurred will continue to decrease due to the remaining weighted-average useful amortization period of intangible assets subject to amortization.

Results of Operations

Our results of operations represent the operations of the radio stations owned or operated by us, or for which we provide sales and marketing services, during the applicable periods. The following discussion should be read in conjunction with the accompanying consolidated financial statements and the related notes included in this report.

Historically, we have managed our portfolio of radio stations through selected acquisitions, dispositions and exchanges, as well as through the use of local marketing agreements, or LMAs, and joint sales agreements, or JSAs. Under an LMA or a JSA, the company operating a station provides programming or sales and marketing or a combination of such services on behalf of the owner of a station. The broadcast revenue and operating expenses of stations operated by us under LMAs and JSAs have been included in our results of operations since the respective effective dates of such agreements.

Year Ended December 31, 2004 Compared to Year Ended December 31, 2003

Net Broadcasting Revenue. Net broadcasting revenue was $411.5 million for the year ended December 31, 2004, an increase of $40.0 million, or 10.8%, as compared to $371.5 million for the year ended December 31, 2003. The increase was due to higher revenues from most of our existing stations as well as from stations acquired in 2003 and 2004. Most of the increase from 2003 to 2004 was in local revenues, but was partially offset by lower revenue generated from national advertising. Net broadcasting revenue, excluding barter revenue, increased for the year ended December 31, 2004 by $37.7 million, or 10.4%, over the same period in 2003, while barter revenue, which represents revenue earned in exchange for goods or services received from advertisers, increased $2.3 million, or 30.7% over the same period in 2003. Included in net broadcasting revenue for the year ended December 31, 2004 was approximately $19.6 million of incremental revenue related to significant radio stations we acquired in 2004 and 2003, including Memphis, New Orleans and Des Moines. The remaining increase in net broadcasting revenue was due to the net impact of other radio station acquisitions and dispositions in 2004 and 2003, as well as overall increases in revenue at our existing stations. The increase in revenue at our existing stations was positively impacted by our Albuquerque, Providence, and Salt Lake City markets, while our Birmingham, Lansing, and Saginaw markets experienced lower revenues.

Cost of Revenues. Cost of revenues increased by $16.8 million, or 16.8% to $116.6 million for the year ended December 31, 2004, as compared to $99.8 million for the year ended December 31, 2003. Barter expenses, which represent the value of services received from advertisers in exchange for commercial air-time, increased by $1.8 million, or 24.3%, over the same period in 2003, while the remaining cost of revenues increased by $15.0 million, or 16.2%, for the year ended December 31, 2004 as compared to the year ended December 31, 2003. This increase is primarily due to approximately $5.7 million in cost of revenues related to significant radio stations we acquired in 2004 and 2003 and approximately $4.1 million representing programming costs related to our Tennessee Titans broadcasting rights agreement, as we acquired the remaining 50% interest in the rights during 2004. The remaining increase is primarily due to programming cost increases at our existing stations.

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Selling, General and Administrative. Selling, general and administrative expenses increased $6.5 million, or 5.8%, from $112.1 million for the year ended December 31, 2003 to $118.6 million for the year ended December 31, 2004. This increase was primarily due to approximately $7.0 million in selling, general and administrative expenses related to significant radio stations we acquired in 2004 and 2003, offset by decreased selling, general and administrative expenses at our existing stations.

Corporate General and Administrative Expenses. Corporate general and administrative expenses were $11.2 million for the year ended December 31, 2004, an increase of $1.1 million, or 10.9%, as compared to $10.1 million for the year ended December 31, 2003. This increase was primarily due to an overall increase of $0.9 million in corporate compensation for the year ended December 31, 2004 as compared to the same period in 2003.

Corporate Non-Cash Deferred Stock Compensation. Corporate non-cash deferred stock compensation expense was $4.3 million for the year ended December 31, 2004, a decrease of $6.0 million, or 58.3%, from $10.3 million for the year ended December 31, 2003. The compensation expense relates to stock options granted to our chief executive officer in March 2002 and shares of common stock issued to our chief executive officer in April 2002, and the expense is recognized over the vesting period of the options and shares applicable to each respective option and share tranche, which results in accelerated recognition of compensation expense. The corporate non-cash compensation expense related to these transactions will be fully expensed in the first quarter of 2005, and as of December 31, 2004, we have approximately $0.6 million of deferred compensation remaining.

Depreciation and Amortization. Depreciation and amortization expense of $101.3 million for the year ended December 31, 2004 decreased $39.4 million, or 28.0%, from $140.7 million for the year ended December 31, 2003. This decrease in depreciation and amortization is due to a reduction in amortization expense primarily related to our advertiser base asset. The advertiser base asset was substantially fully amortized as of the end of 2004.

Non-cash Charge Related to Contract Obligations. Operating income for 2004 reflects a non-cash charge of approximately $16.4 million primarily due to our settlement with our previous national representation firm. Under the terms of the settlement, our new representation firm settled our obligations under the settlement agreement with our previous representation firm and entered into a new long term contract with us.

Operating Income (Loss). Operating income was $41.7 million for the year ended December 31, 2004, an improvement of $45.7 million as compared to an operating loss of $4.0 million for the year ended December 31, 2003. This increase in operating income was primarily attributable to an increase in revenue and decreases in depreciation and amortization expense and corporate non-cash stock compensation expense, offset by increases in cost of revenues, selling, general and administrative expenses, and non-cash charge related to contract obligations.

Interest Expense, Net. Net interest expense was $17.3 million for the year ended December 31, 2004, a decrease of $31.0 million, or 64.2%, as compared to $48.3 million for the year ended December 31, 2003. The decrease in net interest expense was primarily due to the repayment of $500.0 million of 6% subordinated debentures on February 18, 2004, partially offset by the concurrent issuance of $330.0 million of 1.875% convertible subordinated notes. Additionally, we experienced an overall reduction in the interest rates payable on our senior indebtedness during the year ended December 31, 2004, which ranged from 2.1% to 3.0% as compared to a range of 2.1% to 4.5% during the year ended December 31, 2003, in addition to a decrease in our average outstanding indebtedness. During the year ended December 31, 2004, our outstanding debt averaged $616.2 million compared to an average of $887.8 million during the year ended December 31, 2003 primarily as a result of the repayment of senior debt with the net proceeds from our initial public offering completed in August 2003 and the repayment of our 6% Debentures with the net proceeds of our secondary offering in February 2004.

Write Off of Deferred Financing Costs Due to Extinguishment of Debt. During the year ended December 31, 2004, we wrote off deferred financing costs of $13.6 million compared to $9.3 million during the year ended December 31, 2003. On February 18, 2004, we sold 9,630,000 shares of our common stock at $19.00 per share and concurrently sold $330.0 million principal amount of convertible subordinated notes. We used all of the net

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proceeds from these transactions to retire the $500.0 million of 6% Debentures. In connection with the repayment of the 6% Debentures, we wrote off deferred financing costs of approximately $10.6 million. Additionally, in August 2004, we entered into a new senior credit agreement that provides for $600.0 million in revolving loans through January 15, 2010. In connection therewith, we repaid amounts outstanding under the previous credit agreement and wrote off approximately $3.0 million in deferred financing costs. In connection with the repayment of senior debt in the third quarter of 2003, we wrote off deferred financing costs of approximately $8.2 million, and in conjunction with the amendment to our credit facility effective in December 2003, we wrote off deferred financing costs of approximately $1.2 million.

Income Taxes. Income tax benefit for the year ended December 31, 2004 was $63.8 million compared to an income tax expense of $28.0 million for the year ended December 31, 2003. Income tax benefit for the year ended December 31, 2004 was primarily due to the reversal of our valuation allowance associated with our deferred tax assets, the most significant of which was our net operating loss carry-forward. We believe the net operating loss will be utilized within the carry-forward period. The income tax expense for the year ended December 31, 2003 was primarily due to the amortization of indefinite lived intangibles for income tax purposes, for which no benefit can be recognized in the financial statements until the assets are disposed of. The income tax (benefit) expense includes current income tax expense of approximately $2.6 million and $1.4 million for the years ended December 31, 2004 and 2003, respectively.

Net Income (Loss). As a result of the factors described above, our net income was $74.6 million for the year ended December 31, 2004 compared to a net loss of $89.6 million for the year ended December 31, 2003.

Year Ended December 31, 2003 Compared to Year Ended December 31, 2002

Net Broadcasting Revenue. Net broadcasting revenue was $371.5 million for the year ended December 31, 2003, an increase of $22.6 million, or 6.5%, as compared to $348.9 million for the year ended December 31, 2002. The increase was due to higher revenues from most of our existing stations as well as from stations acquired in 2003. National and network revenue increased approximately $0.6 million, or 0.9%, while local revenue increased approximately $22.0 million, or 7.9%. Overall growth in net broadcasting revenues was a result of improving economic factors affecting the advertising climate. Net broadcasting revenue, excluding barter revenue, increased for the year ended December 31, 2003 by $23.5 million, or 6.9%, over the same period in 2002, while barter revenue, which represents revenue earned in exchange for goods or services received from advertisers, decreased $0.8 million, or 10.1% over the same period in 2002. Included in net broadcasting revenue for the year ended December 31, 2003 was approximately $4.8 million in revenue related to radio stations we acquired in New Orleans and Des Moines from Wilks Broadcasting in September 2003.

Cost of Revenues. Cost of revenues increased by $7.2 million, or 7.6% to $102.2 million for the year ended December 31, 2003, as compared to $95.0 million for the year ended December 31, 2002. Barter expenses, which represent the value of services received from advertisers in exchange for commercial air-time, decreased by $0.9 million, or 10.8%, over the same period in 2002, while the remaining cost of revenues increased by $8.2 million, or 9.5%, for the year ended December 31, 2003 as compared to the year ended December 31, 2002. This increase is primarily due to approximately $4.4 million in cost of revenues from stations acquired in 2003 and approximately $2.2 million in programming costs at our existing stations.

Selling, General and Administrative. Selling, general and administrative expenses decreased $2.5 million, or 2.2%, from $114.6 million for the year ended December 31, 2002 to $112.1 million for the year ended December 31, 2003. This decrease was primarily due to reductions in sales costs of approximately $5.4 million, offset by an increase in selling, general and administrative expenses of approximately $3.9 million related to stations acquired in 2003.

Corporate General and Administrative Expenses. Corporate general and administrative expenses were $10.1 million for the year ended December 31, 2003, a decrease of $0.7 million, or 6.5%, as compared to $10.8 million for the year ended December 31, 2002. This decrease was primarily due to a reduction in corporate compensation for the year ended December 31, 2003, as compared to the same period in 2002.

Corporate Non-Cash Deferred Stock Compensation. Corporate non-cash deferred stock compensation expense was $10.3 million for the year ended December 31, 2003, a decrease of $15.6 million, or 60.2%, from $25.9 million for the year ended December 31, 2002. The compensation expense relates to stock options granted to our chief executive officer in March 2002 and shares of common stock issued to our chief executive officer in April 2002, and the expense is recognized over the vesting period of the options and shares applicable to each respective option and share tranche, which results in accelerated recognition of compensation expense.

Operating Loss. Operating loss was $4.0 million for the year ended December 31, 2003, an improvement of $37.7 million as compared to an operating loss of $41.7 million for the year ended December 31, 2002. This decrease in operating loss was primarily attributable to an increase in revenue and a reduction in corporate non-cash deferred stock compensation.

Interest Expense, Net. Net interest expense was $48.3 million for the year ended December 31, 2003, a decrease of $13.4 million, or 21.7%, as compared to $61.7 million for the year ended December 31, 2002. The decrease resulted from a decrease in the interest rates payable on our senior indebtedness during the year ended December 31, 2003, which ranged from 2.11% to 4.54% as compared to a range of 3.88% to 6.50% during the year ended December 31, 2002, in addition to a reduction in our overall outstanding indebtedness. During the year ended December 31, 2003, our outstanding debt averaged $887.8 million compared to an average of $1,045.6 million during the year ended December 31, 2002 primarily as a result of the repayment of senior debt with the net proceeds from our initial public offering completed in August 2003.

Loss on Extinguishment of Debt. In connection with the repayment of senior debt in the third quarter of 2003, we wrote off deferred financing costs of approximately $8.2 million. In conjunction with the amendment to our credit facility effective in December 2003, we wrote off deferred financing costs of approximately $1.2 million.

Income Taxes. Income tax expense for the year ended December 31, 2003 was $28.0 million compared to an income tax benefit of $14.2 million for the year ended December 31, 2002. The income tax expense for the year ended December 31, 2003 was primarily due to the amortization of indefinite lived intangibles for income tax purposes, for which no benefit can be recognized in the financial statements until the assets are disposed of. The income tax benefit for the year ended December 31, 2002 was primarily due to benefits related to our net operating losses offset by increases in the valuation allowance. The income tax expense (benefit) includes current income tax expense of approximately $1.4 million and $1.1 million for the years ended December 31, 2003 and 2002, respectively.

Net Loss. As a result of the factors described above, our net loss increased $0.4 million to a net loss of $89.6 million for the year ended December 31, 2003, as compared to a net loss of $89.2 million for the corresponding period in 2002.

Liquidity and Capital Resources

Our primary sources of liquidity are cash provided by operations, undrawn commitments available under our senior credit facility and proceeds generated from the sale of our debt and equity securities.

Stock and Convertible Notes Offerings. On February 18, 2004, we completed a public offering of 29,630,000 shares of our common stock at $19.00 per share, including 9,630,000 primary shares sold by us and 20,000,000 shares sold by certain of our shareholders. On the same date, we completed a private placement of $330.0 million of convertible notes due 2011. We used the approximately $500.0 million of net proceeds we received from these two offerings to redeem all of our outstanding 6% subordinated debentures. On May 13, 2004, the shelf registration covering resales of our convertible subordinated notes became effective with the Securities and Exchange Commission.

Operating Activities. Net cash provided by operating activities was $147.1 million for the year ended December 31, 2004 as compared to $84.0 million for the year ended December 31, 2003. The increase was primarily due to the increase in net broadcasting revenues of $40.0 million, a decrease in net interest expense of $31.0 million, and changes in operating assets and liabilities, offset by an increase in cost of revenues and selling, general and administrative expenses of $23.3 million.

Investing and Financing Activities. Net cash used in investing activities decreased to $156.4 million for the year ended December 31, 2004, as compared to $174.4 million for the year ended December 31, 2003. During 2004, approximately $166.5 million was used for acquisitions of radio stations and capital expenditures, which includes buildings, studio equipment, towers and transmitters, vehicles and other assets utilized in the operation of our stations, offset by proceeds from the sale of assets of $8.4 million, compared to $185.8 million for similar costs in 2003, offset by $11.1 million in proceeds from sale of assets.

Net cash provided by financing activities was $6.7 million for the year ended December 31, 2004, as compared to $91.7 million for the year ended December 31, 2003. For the year ended December 31, 2004, the net cash provided by financing activities included proceeds from the issuance of our common stock of $175.7 million, net of underwriting commissions and other stock issuance costs of approximately $7.3 million, and the concurrent sale of $330.0 million principal amount of convertible subordinated notes, before underwriting discount and other debt issuance costs of approximately $7.4 million. We used all of the net proceeds from these transactions to retire the $500.0 million of subordinated debentures. Additionally, during 2004, we increased our net borrowings under our senior debt by $117.9 million primarily to complete the acquisition of radio stations in Memphis, TN and Springfield, MA and repurchase shares of our common stock for an aggregate amount of approximately $106.8 million. In August 2004, we entered into a new senior credit facility that provides for $600.0 million in revolving loans through January 15, 2010. In connection therewith, we paid approximately $3.7 million in debt issuance costs. For the year ended December 31, 2003, the net cash provided by financing activities was primarily due to proceeds from the issuance of our common stock of $448.6 million, offset by total net repayments of senior debt of $352.9 million.

During the year ended December 31, 2004, we completed the acquisition of four radio stations in the Memphis, TN market and two radio stations in the Springfield, MA market for an aggregate cash purchase price of approximately $122.2 million. We funded these and other acquisitions through cash flows from operating activities and borrowings under our revolving credit facility.

Additionally, we completed our agreement to exchange five of our radio stations in the Bloomington, IL market for two stations in the Harrisburg/Lancaster, PA market and four stations in the Erie, PA market, plus a cash payment to us.

In addition to debt service, our principal liquidity requirements are for working capital, general corporate purposes, capital expenditures, acquisitions of additional radio stations, and stock repurchases. Our capital expenditures totaled $8.9 million during the year ended December 31, 2004, as compared to $6.2 million during the year ended December 31, 2003. In 2005, we estimate that capital expenditures necessary for our facilities will be approximately $10.0 million. We believe that cash flows from operating activities, together with availability under our revolving credit facility, should be sufficient for us to fund our current operations for at least the next 12 months.

On June 29, 2004 and November 3, 2004**,** we announced that our board of directors had authorized us to spend up to $100.0 million and $300.0 million, respectively, to repurchase shares of our outstanding common stock. As of February 28, 2005, we had repurchased approximately 9.7 million shares of our common stock for an aggregate amount of approximately $138.4 million under these repurchase programs.

To the extent we require additional capital to fund our capital expenditures, pending or future acquisitions, stock repurchases, or any of our other contractual or commercial commitments, we intend to seek additional funding in the credit or capital markets and there can be no assurance that we will be able to obtain financing on terms acceptable to us.

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Senior Debt

In August 2004, we entered into a new senior credit facility that provides for $600.0 million in revolving loans through January 15, 2010. In connection therewith, we repaid amounts outstanding under the previous senior credit facility and wrote off approximately $3.0 million in deferred financing costs. As of December 31, 2004, our senior credit facility consisted of the following:

	Commitment	Balance Outstanding
	(in thousands)	
Revolving credit facility	$ 600,000	$ 286,000

Availability. The amount available under our senior credit facility at December 31, 2004 was $314.0 million in the form of revolving credit commitments. This excludes approximately $2.2 million in letters of credit outstanding as of December 31, 2004. Our ability to borrow under our senior credit facility is limited by our ability to comply with several financial covenants as well as a requirement that we make various representations and warranties at the time of borrowing.

Interest. At our election, interest on any outstanding principal accrues at a rate based on either: (a) the greater of (1) the Prime Rate in effect; or (2) the Federal Funds Rate plus 0.5%, in each case, plus a spread that ranges from 0.00% to 0.375%, depending on our leverage ratio; or (b) the Eurodollar rate (grossed-up for reserve requirements) plus a spread that ranges from 0.625% to 1.375%, depending on our leverage ratio.

Maturity and Amortization. The revolving loans are due in full on January 15, 2010.

Security and Guarantees. Our operating subsidiary, Citadel Broadcasting Company, is the primary borrower under this senior credit facility. We have guaranteed the performance of Citadel Broadcasting Company under our senior credit facility. We have pledged to our lenders all of the equity interests in and intercompany notes issued by Citadel Broadcasting Company.

Non-Financial Covenants. Our senior credit facility contains customary restrictive non-financial covenants, which, among other things, and with certain exceptions, limit our ability to incur additional indebtedness, liens and contingent obligations, enter into transactions with affiliates, make acquisitions, declare or pay dividends, redeem or repurchase capital stock, enter into sale and leaseback transactions, consolidate, merge or effect asset sales, make investments, loans, enter into derivative contracts, or change the nature of our business. At December 31, 2004, we were in compliance with all non-financial covenants under our senior credit facility.

Financial Covenants. Our senior credit facility contains covenants related to the satisfaction of financial ratios and compliance with financial tests, including ratios with respect to maximum leverage, minimum interest coverage and minimum fixed charge coverage. At December 31, 2004, we were in compliance with all financial covenants under our senior credit facility.

Subordinated Debt and Convertible Subordinated Notes

In June 2001, we issued an aggregate of $500.0 million of 6% subordinated debentures. On February 18, 2004, we sold 9,630,000 shares of our common stock at $19.00 per share. Additionally, we concurrently sold $330.0 million principal amount of convertible subordinated notes. We used all of the net proceeds from these transactions to retire the $500.0 million of 6% subordinated debentures. In connection with the repayment of the subordinated debentures, we wrote off deferred financing costs of approximately $10.6 million. The convertible subordinated notes are due in 2011 and were issued in a private placement to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A. The notes bear interest at a rate of 1.875% per annum, payable February 15 and August 15 each year. Holders may convert these notes into common stock at a conversion rate of 39.2157 shares of common stock per $1,000 principal amount of notes, equal to a conversion price of $25.50 per share. We may redeem the notes at any time prior to maturity if the closing price of our common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days. Upon such a redemption, an additional payment would be due to the holder. Holders may require us to repurchase all or part of their notes at par plus accrued interest upon the occurrence of a fundamental change (as defined in the indenture governing the terms of the notes). On May 13, 2004, the shelf registration covering resales of our convertible subordinated notes became effective with the Securities and Exchange Commission.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable judgments. Actual results could differ from these estimates under different assumptions and conditions.

We consider the following policies 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.

Allowance for Doubtful Accounts. We recognize an allowance for doubtful accounts based on historical experience of bad debts as a percent of our aged outstanding receivables. Based on historical information, we believe that our allowance is adequate. However, future changes in general economic, business and market conditions could affect the ability of our customers to make their required payments.

Impairment of Intangible Assets. On January 1, 2002, we adopted SFAS No. 142, Goodwill and Other Intangible Assets, and were required to assess our goodwill and FCC licenses for impairment within the first six months of 2002, and on at least an annual basis thereafter. Our intangible assets include FCC licenses, goodwill and other intangible assets. As of December 31, 2004 and December 31, 2003, we had approximately $2,104.1 million and $2,043.3 million, respectively, in intangible assets, which represent approximately 91% of our total assets. The fair value of our FCC licenses and goodwill is primarily dependent on the cash flows of our stations. We utilize independent appraisals to determine the fair value of FCC licenses and goodwill for significant acquisitions. These appraisals principally use the discounted cash flow methodology to determine the value of the FCC licenses. This approach consists of a quantitative model, which incorporates variables such as market advertising revenues, market revenue share projections, anticipated operating profit margins and various discount rates. The variables used in the analysis reflect historical station and advertising market growth trends, as well as anticipated performance and market conditions. In years subsequent to the appraisals, we evaluate each market to determine if any significant changes have occurred in the market that would adversely impact the value of the FCC licenses, and in some cases, we may engage a third party appraiser to assist in this evaluation. We review the current year s cash flows of the market and the audience share ratings of the market compared to the year of the appraisals. Multiples of operating cash flow are also considered.

Our impairment testing for goodwill is determined based primarily on discounted expected future cash flows to be generated from each market. These cash flows are then compared to the net book value of all intangible and tangible assets of each market, including goodwill. If the cash flows exceed the book value of all intangible and tangible assets, then no impairment of goodwill exists.

We have performed our annual impairment analysis of our FCC licenses and goodwill. These analyses make various assumptions about growth rates and market conditions in determining whether an impairment exists. If actual market conditions are less favorable than those projected by the industry or us, or if an event occurs or circumstances change that would, more likely than not, reduce the fair value of our FCC licenses or goodwill below the amounts reflected in the balance sheet, we may be required to recognize impairment charges in future periods, which could have a material impact on our financial condition or results of operations.

Contingencies and Litigation. On an ongoing basis, we evaluate our exposures related to contingencies and litigation and record a liability when available information indicates that a liability is probable and estimable.

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We also disclose significant matters that are reasonably possible to result in a loss or are probable but not estimable.

Income Taxes. We utilize the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In the third quarter of 2004, we reversed a substantial portion of our valuation allowance associated with our deferred tax assets, the most significant of which was our net operating loss carry-forward. We believe the net operating loss will be utilized within the carry-forward period. This determination is based on management s estimates of future taxable income; to the extent that actual results differ materially from management s estimates, an increase in the valuation allowance could be required.

Contractual and Commercial Commitments

Due to the completion of our secondary offering in February of 2004 (See Liquidity and Capital Resources Stock and Convertible Notes Offerings), the contractual commitments under our senior debt and subordinated debt have been significantly reduced. In August 2004, we entered into a new senior credit facility that provides for $600.0 million in revolving loans through January 15, 2010. In connection therewith, we repaid amounts outstanding under the previous senior credit facility. As of December 31, 2004, we had $286.0 million outstanding under the revolving portion of our senior debt and $330.0 million outstanding under our convertible notes. The table below reflects our significant contractual obligations and other commercial commitments as of December 31, 2004:

	Payments Due by Period (in millions)				
Contractual Obligation	**Total**	**Less than 1 year**	**1 to 3 years**	**3 to 5 years**	**More than 5 years**
Senior debt and convertible subordinated notes	$ 616.0	$	$	$	$ 616.0
Interest payments on convertible notes	40.3	6.2	12.4	12.4	9.3
Pending acquisitions(1)	51.4	51.4			
Sports broadcasting and employment contracts	61.7	22.9	21.9	10.9	6.0
Operating leases	36.8	6.2	9.5	6.6	14.5
Other contractual obligations	21.7	14.8	6.7	0.2	
Total contractual cash obligations(2)	$ 827.9	$ 101.5	$ 50.5	$ 30.1	$ 645.8

1. Our pending acquisitions are subject to the satisfaction of various conditions, including the receipt of required regulatory approvals. See Federal Regulation of Radio Broadcasting Multiple Ownership Rules . This table assumes that these conditions will be satisfied and that all of our pending acquisitions will be completed within one year. Subsequent to December 31, 2004, we closed acquisition transactions totaling $14.5 million and completed dispositions totaling $8.0 million.

2.

We expect that we will be able to fund our remaining obligations and commitments with cash flow from operations. To the extent we are unable to fund these obligations and commitments with cash flow from operations, we intend to fund these obligations and commitments with proceeds from borrowings under our credit facility. Our $330.0 million in 1.875% convertible subordinated notes are due February 15, 2011, with interest payable February 15 and August 15 each year. To the extent that our cash flow from operations is insufficient to repay the 1.875% convertible subordinated notes, we may be required to seek additional funding from the credit or capital markets in order to repay the remaining balance of these convertible subordinated notes. Variable rate interest payments related to our credit facility have not been included in the contractual obligation table above.

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Off-Balance Sheet Arrangements

On July 2, 2003, we entered into a local marketing agreement related to a radio station in Knoxville, Tennessee. During the three-year term of this agreement, the current station owner has the option, but not the obligation, to require us to purchase all of the assets of the station for $12.0 million. In accordance with FASB Interpretation No. 46, we have determined that this is a variable interest entity and that we are the primary beneficiary of the variable interest entity. Accordingly, the entity has been consolidated with our operations as of August 2003.

In connection with the acquisition of a radio station in Salt Lake City, UT, we agreed to guarantee up to $10.0 million of the seller s other financing through May of 2005.

We have no other material off-balance sheet arrangements or transactions.

Impact of Inflation

We do not believe inflation has a significant impact on our operations. However, there can be no assurance that future inflation would not have an adverse impact on our operating results and financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a number of financial market risks in the ordinary course of business. We believe our primary financial market risk exposure pertains to interest rate changes primarily as a result of our credit agreement, which bears interest based on variable rates. We have not taken any action to cover interest rate market risk, and are not a party to any interest rate market risk management activities. We have performed a sensitivity analysis assuming a hypothetical increase in interest rates of 100 basis points applied to the $286.0 million of variable rate debt that was outstanding as of December 31, 2004. Based on this analysis, the impact on future earnings for the following twelve months would be approximately $2.9 million of increased interest expense. This potential increase is based on certain simplifying assumptions, including a constant level of variable rate debt.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders of

Citadel Broadcasting Corporation

We have audited the accompanying consolidated balance sheets of Citadel Broadcasting Corporation and subsidiaries (the Company) as of December 31, 2004 and 2003, and the related consolidated statements of operations, shareholders equity, and cash flows for each of the three years in the period ended December 31, 2004. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements 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 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, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and 2003, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2004, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, effective January 1, 2002, the Company changed its method of accounting for goodwill and other intangible assets in accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company s internal control over financial reporting as of December 31, 2004, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 11, 2005 expressed an unqualified opinion on management s assessment of the effectiveness of the Company s internal control over financial reporting and an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Los Angeles, California

March 11, 2005

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CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	December 31, 2004	December 31, 2003
ASSETS		
Current assets:		
Cash and cash equivalents	$ 948	$ 3,467
Accounts receivable, net	74,908	76,262
Prepaid expenses and other current assets (including deferred income tax assets of $23,838 and $3,102, respectively)	26,369	7,554
Total current assets	102,225	87,283
Property and equipment, net	93,816	97,859
FCC licenses	1,438,448	1,349,808
Goodwill	661,067	608,646
Other intangibles, net	4,543	84,832
Other assets, net	15,599	20,905
Total assets	$ 2,315,698	$ 2,249,333
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 32,064	$ 26,519
Current maturities of notes payable and other long-term obligations	231	8,583
Total current liabilities	32,295	35,102
Senior debt	286,000	159,980
Convertible subordinated notes	330,000	
Subordinated debt		500,000
Other long-term obligations, less current maturities	38,968	24,612
Deferred income tax liabilities	248,052	297,195
Total liabilities	935,315	1,016,889
Commitments and contingencies (Note 15)		
Shareholders equity:		
Preferred stock, $.01 par value authorized, 200,000,000 shares at December 31, 2004 and 2003; no shares issued or outstanding at December 31, 2004 and 2003		
Common stock, $.01 par value authorized, 500,000,000 shares at December 31, 2004 and 2003; issued, 132,519,969 and 122,865,469 shares at December 31, 2004 and 2003; outstanding, 124,869,719 and 122,865,469 shares at December 31, 2004 and 2003	1,325	1,229
Treasury stock, at cost, 7,650,250 shares at December 31, 2004	(108,235)	

Additional paid-in capital	1,645,691	1,468,508
Deferred compensation	(601)	(4,928)
Accumulated deficit	(157,797)	(232,365)
Total shareholders equity	1,380,383	1,232,444
Total liabilities and shareholders equity	$ 2,315,698	$ 2,249,333

See accompanying notes to consolidated financial statements.

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CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

(in thousands, except share amounts)

	Year Ended December 31,		
	2004	**2003**	**2002**
Net broadcasting revenue	$ 411,495	$ 371,509	$ 348,869
Operating Expenses:			
Cost of revenues, exclusive of depreciation and amortization shown separately below	116,579	99,832	94,368
Selling, general and administrative	118,611	112,090	114,622
Corporate general and administrative	11,239		