

CITADEL BROADCASTING CORP

Form 10-Q

November 06, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

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)

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Delaware
(State or other jurisdiction of
incorporation or organization)

51-0405729
(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)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. (See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act). (Check One):

Large Accelerated Filer Accelerated Filer

Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller Reporting Company

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

As of October 30, 2009, there were 265,759,192 shares of common stock, \$0.01 par value per share, outstanding.

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Citadel Broadcasting Corporation

Form 10-Q

September 30, 2009

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FORWARD-LOOKING INFORMATION

Certain matters in this Quarterly Report on Form 10-Q, including, without limitation, certain matters discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations and in Quantitative and Qualitative Disclosures about Market Risk, constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Those statements include statements regarding the intent, belief or current expectations of Citadel Broadcasting Corporation and its subsidiaries (collectively, the Company), its directors or its officers with respect to, among other things, future events and financial trends affecting the Company.

Forward-looking statements are typically identified by the words believes, expects, anticipates, continues, intends, likely, may, plans, should, will, and similar expressions, whether in the negative or the affirmative. All statements other than the statements of historical fact are forward-looking statements for the purposes of federal and state securities laws, including, without limitation, any projections on pro forma statements of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations, including any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements regarding the financing of the Company's operations or the Company's ability to service its indebtedness or comply with the covenants applicable to its indebtedness; any statements regarding a potential restructuring of the Company; any statements of belief; and any assumptions underlying any of the foregoing. In addition, any statements that refer to expectations or other characterizations of future events or circumstances are forward-looking statements.

Readers are cautioned that any such forward-looking statements are not guarantees of future performance and that matters referred to in such forward-looking statements involve known and unknown risks, uncertainties, and other factors, some of which are beyond our control, which may cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, the ability of the Company to formulate and carry out restructuring arrangements; the ability of the Company to continue to utilize or comply with its current credit facility or to access alternate financing sources; the possibility that the Company may seek relief through a Chapter 11 filing under the U.S. Bankruptcy Code; the impact of current or pending legislation and regulation, antitrust considerations, the impact of pending or future litigation or claims, and other risks and uncertainties, including, but not limited to: changes in economic conditions in the United States of America; changes in the financial markets; fluctuations in interest rates; changes in market conditions that could impair the Company's goodwill or intangible assets; changes in industry conditions and operations; changes in governmental regulations; changes in policies or actions or in regulatory bodies; changes in uncertain tax positions and tax rates; changes in dividend policy; changes in capital expenditure requirements; as well as those matters discussed under the captions Forward-Looking Statements and Risk Factors in Citadel Broadcasting Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.

All forward-looking statements in this report are qualified by these cautionary statements. The Company undertakes no obligation to publicly update or revise these forward-looking statements because of new information, future events or otherwise.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS (unaudited)
CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES****Consolidated Condensed Balance Sheets**

(in thousands, except share and per share amounts)

(unaudited)

| | September 30, 2009 | December 31, 2008 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 26,322 | \$ 18,634 |
| Accounts receivable, net | 150,207 | 170,801 |
| Prepaid expenses and other current assets (including deferred income tax assets of \$805 and \$1,073 as of September 30, 2009 and December 31, 2008, respectively) | 27,074 | 15,754 |
| Total current assets | 203,603 | 205,189 |
| Long-term assets: | | |
| Property and equipment, net | 202,397 | 208,618 |
| FCC licenses | 600,603 | 1,370,904 |
| Goodwill | 321,976 | 492,799 |
| Customer and affiliate relationships, net | 39,875 | 98,499 |
| Other assets, net | 34,818 | 56,961 |
| Total assets | \$ 1,403,272 | \$ 2,432,970 |
| LIABILITIES AND STOCKHOLDERS DEFICIT | | |
| Current liabilities: | | |
| Accounts payable, accrued liabilities and other liabilities | \$ 62,213 | \$ 99,048 |
| Interest rate swap | 64,277 | |
| Senior debt | 2,056,233 | |
| Convertible subordinated notes (net of discount of \$214) | 48,097 | |
| Total current liabilities | 2,230,820 | 99,048 |
| Long-term liabilities: | | |
| Long-term senior debt | | 2,010,681 |
| Long-term convertible subordinated notes (net of discount of \$670) | | 48,360 |
| Other long-term liabilities, less current portion | 57,732 | 147,381 |
| Deferred income tax liabilities | 190,049 | 426,448 |
| Total liabilities | 2,478,601 | 2,731,918 |
| Commitments and contingencies | | |
| Stockholders deficit: | | |
| Preferred stock, \$.01 par value authorized, 200,000,000 shares at September 30, 2009 and December 31, 2008; no shares issued or outstanding at September 30, 2009 and December 31, 2008 | 2,942 | 2,976 |

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Common stock, \$.01 par value authorized, 500,000,000 shares at September 30, 2009 and December 31, 2008; issued, 294,170,519 and 297,574,072 shares at September 30, 2009 and December 31, 2008, respectively; outstanding, 265,760,025 and 269,722,899 shares at September 30, 2009 and December 31, 2008, respectively

| | | |
|---|------------------|------------------|
| Additional paid-in capital | 2,445,464 | 2,436,525 |
| Treasury stock, at cost, 28,410,494 and 27,851,173 shares at September 30, 2009 and December 31, 2008, respectively | (344,370) | (344,297) |
| Accumulated deficit | (3,179,365) | (2,394,152) |
| Total stockholders' deficit | (1,075,329) | (298,948) |
| Total liabilities and stockholders' deficit | \$ 1,403,272 | \$ 2,432,970 |

See accompanying notes to consolidated condensed financial statements.

Table of Contents**CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES****Consolidated Condensed Statements of Operations****(in thousands, except per share amounts)****(unaudited)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|-------------|--|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| Net revenue | \$ 183,810 | \$ 213,890 | \$ 530,762 | \$ 648,890 |
| Operating expenses: | | | | |
| Cost of revenue, exclusive of depreciation and amortization shown separately below | 76,395 | 86,863 | 229,522 | 261,058 |
| Selling, general and administrative | 51,163 | 55,736 | 152,189 | 170,430 |
| Corporate general and administrative | 5,156 | 7,277 | 20,164 | 27,080 |
| Local marketing agreement fees | 259 | 337 | 770 | 998 |
| Asset impairment and disposal charges | | 7,310 | 985,653 | 371,711 |
| Depreciation and amortization | 7,554 | 11,126 | 28,025 | 34,525 |
| Non-cash amounts related to contractual obligations | | | | 21,440 |
| Other, net | 5,314 | 30 | 6,311 | (1,666) |
| Operating expenses | 145,841 | 168,679 | 1,422,634 | 885,576 |
| Operating income (loss) | 37,969 | 45,211 | (891,872) | (236,686) |
| Interest expense, net | 64,583 | 30,629 | 128,020 | 96,057 |
| Gain on extinguishment of debt | | (32,485) | (428) | (85,678) |
| Write-off of deferred financing costs and debt discount upon extinguishment of debt and other debt-related fees | 37 | 3,133 | 814 | 9,787 |
| (Loss) income before income taxes | (26,651) | 43,934 | (1,020,278) | (256,852) |
| Income tax (benefit) expense | (5,400) | 15,948 | (235,065) | (25,015) |
| Net (loss) income | \$ (21,251) | \$ 27,986 | \$ (785,213) | \$ (231,837) |
| Net (loss) income per share basic and diluted | \$ (0.08) | \$ 0.10 | \$ (2.98) | \$ (0.88) |
| Weighted average common shares outstanding basic and diluted | 264,237 | 272,083 | 263,896 | 262,746 |

See accompanying notes to consolidated condensed financial statements.

Table of Contents**CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES****Consolidated Condensed Statements of Cash Flows****(in thousands)****(unaudited)**

| | Nine Months Ended September 30, | |
|---|--|------------------|
| | 2009 | 2008 |
| Cash flows from operating activities: | | |
| Net loss | \$ (785,213) | \$ (231,837) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 28,025 | 34,525 |
| Non-cash amounts related to contract obligations | | 21,440 |
| Gain on extinguishment of debt | (428) | (85,678) |
| Write-off of deferred financing costs and debt discount upon extinguishment of debt and other debt-related fees | 160 | 9,787 |
| Asset impairment and disposal charges | 985,653 | 371,711 |
| Non-cash debt-related amounts and facility fees | 73,716 | 428 |
| Fair value of swap liability | (18,078) | |
| Provision for bad debts | 4,378 | 2,282 |
| Loss (gain) on sale of assets | 172 | (607) |
| Deferred income taxes | (236,131) | (30,849) |
| Stock-based compensation expense | 8,913 | 11,107 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 16,436 | 10,744 |
| Prepaid expenses and other current assets | (5,549) | 734 |
| Accounts payable, accrued liabilities and other obligations | (42,359) | (9,374) |
| Net cash provided by operating activities | 29,695 | 104,413 |
| Cash flows from investing activities: | | |
| Capital expenditures | (5,331) | (6,983) |
| FCC license upgrades | | (2,103) |
| Proceeds from sale of assets | 27 | 1,228 |
| Restricted cash | (4,010) | |
| Other assets, net | | 90 |
| ABC Radio merger acquisition costs | | (388) |
| Net cash used in investing activities | (9,314) | (8,156) |
| Cash flows from financing activities: | | |
| Payments for early extinguishment of debt, including related fees | (292) | (404,149) |
| Debt issuance costs | (11,477) | |
| Proceeds from senior credit and term facility | | 126,000 |
| Other debt-related expenses | (654) | |
| Purchase of shares held in treasury | (73) | (1,212) |
| Principal payments on other long-term obligations | (197) | (118) |
| Net cash used in financing activities | (12,693) | (279,479) |
| Net increase (decrease) in cash and cash equivalents | 7,688 | (183,222) |
| Cash and cash equivalents, beginning of period | 18,634 | 200,321 |

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| | | |
|--|-----------|-----------|
| Cash and cash equivalents, end of period | \$ 26,322 | \$ 17,099 |
|--|-----------|-----------|

See accompanying notes to consolidated condensed financial statements.

Table of Contents**CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES****Consolidated Condensed Statements of Cash Flows (Continued)****(in thousands)****(unaudited)***Supplemental schedule of cash flow information*

| | Nine Months Ended September 30, | |
|---|--|-------------|
| | 2009 | 2008 |
| Cash Payments: | | |
| Interest | \$ 76,806 | \$ 99,909 |
| Income taxes | 2,236 | 3,935 |
| Barter Transactions: | | |
| Barter revenue included in net revenue | 13,749 | 13,738 |
| Barter expenses included in cost of revenue and selling, general and administrative expense | 14,338 | 13,068 |
| Other Non-Cash Transactions: | | |
| Accrual of capital expenditures and FCC license upgrades | 623 | 1,223 |
| FIN 48 liability | 936 | |
| Settlement of note receivable for FCC license | | 9,650 |
| National representation firm guarantee | | 13,192 |
| Derivative related to contingent interest rate features | | 5,073 |
| Change in fair value of interest rate swap liability, net of tax | | 980 |

See accompanying notes to consolidated condensed financial statements.

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CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES

Notes to Consolidated Condensed Financial Statements

(unaudited)

1. BASIS OF PRESENTATION

Description of the Company

In January 2001, Citadel Broadcasting Corporation, a Delaware corporation (the Company), was formed by affiliates of Forstmann Little & Co. (FL&Co.) and acquired substantially all of the outstanding common stock of our predecessor company in a leveraged buyout transaction. Citadel Broadcasting Company, a Nevada corporation that was the operating subsidiary of our predecessor and is now a wholly-owned subsidiary of the Company, is referred to as Citadel Broadcasting.

On February 6, 2006, the Company and Alphabet Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of the Company (Merger Sub), entered into an Agreement and Plan of Merger with The Walt Disney Company (TWDC), a Delaware corporation, and ABC Radio Holdings, Inc., formerly known as ABC Chicago FM Radio, Inc. (ABC Radio), a Delaware corporation and wholly-owned subsidiary of TWDC (the Agreement and Plan of Merger). The Company refers to the Agreement and Plan of Merger as the ABC Radio Merger Agreement.

The Company, Merger Sub, TWDC and ABC Radio consummated the (i) separation of the ABC Radio Network business and 22 ABC radio stations (collectively, the ABC Radio Business) from TWDC and its subsidiaries, (ii) spin-off of ABC Radio, which holds the ABC Radio Business, and (iii) merger of Merger Sub with and into ABC Radio, with ABC Radio surviving as a wholly-owned subsidiary of the Company (the Merger).

Prior to June 12, 2007, pursuant to the Separation Agreement by and between TWDC and ABC Radio, dated as of February 6, 2006 and amended on November 19, 2006 (the Separation Agreement), TWDC consummated a series of transactions to effect the transfer to ABC Radio and its subsidiaries of all of the assets relating to the ABC Radio Business and the transfer to other TWDC subsidiaries and affiliates the remaining assets not relating to the ABC Radio Business. In connection with those transactions, TWDC or one of its affiliates retained cash from the proceeds of debt incurred by ABC Radio on June 5, 2007 in the amount of \$1.35 billion (the ABC Radio Debt). Following these restructuring transactions by TWDC, and immediately prior to the effective time of the Merger on June 12, 2007, TWDC distributed all of the outstanding common stock of ABC Radio pro rata to TWDC's stockholders through a spin-off (the Spin-Off). In the Spin-Off, each TWDC stockholder received approximately 0.0768 shares of ABC Radio common stock for each share of TWDC common stock that was owned on June 6, 2007, the TWDC record date for purposes of the Spin-Off.

Immediately following the Spin-Off and pursuant to the ABC Radio Merger Agreement, on June 12, 2007, Merger Sub was merged with and into ABC Radio, with ABC Radio continuing as the surviving corporation and becoming a wholly-owned subsidiary of the Company. Immediately thereafter, the separate corporate existence of Merger Sub ceased, and ABC Radio was renamed Alphabet Acquisition Corp. The Merger became effective on June 12, 2007, at which time each share of ABC Radio common stock was converted into the right to receive one share of the Company's common stock. As a result, the Company issued 151,707,512 shares of its common stock to TWDC's stockholders. Immediately following the Merger, the Company's pre-merger stockholders owned approximately 42.5%, and TWDC's stockholders owned approximately 57.5%, of the outstanding common stock of the Company.

The Merger was treated as a purchase of the ABC Radio Business by the Company as the accounting acquirer. Accordingly, goodwill arising from the Merger was determined as the excess of the purchase price for the ABC Radio Business over the fair value of its net assets. During the quarter ended June 30, 2008, the Company finalized its allocation of the purchase price of the Merger, which resulted primarily in the identification and valuation of additional intangible assets and certain tangible assets (see Note 2).

Also, on June 12, 2007, to effectuate the Merger, the Company entered into a new credit agreement with several lenders to provide debt financing to the Company in connection with the payment of a special distribution on June 12, 2007 immediately prior to the closing of the Merger in the amount of \$2.4631 per share to all pre-merger holders of record of Company common stock as of June 8, 2007 (the Special Distribution), the refinancing of Citadel Broadcasting's existing senior credit facility, the refinancing of the ABC Radio Debt and the completion of the Merger. This senior credit and term agreement provided for \$200 million in revolving loans through June 2013, \$600 million term loans maturing in June 2013 (Tranche A Term Loans), and \$1,535 million term loans maturing in June 2014 (Tranche B Term Loans) (collectively, the Senior Credit and Term Facility). The Senior Credit and Term Facility contains certain financial and nonfinancial covenants.

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The expected continuing decline in radio revenues in the first half of 2009 and the projected decline in operating profits created uncertainty regarding the Company's ability to continue to comply with its debt covenants through 2009. As a result, on March 26, 2009, the Company entered into the Fourth Amendment to the Senior Credit and Term Facility, dated as of June 12, 2007, as previously amended, among the Company and several lenders (the Fourth Amendment). The Fourth Amendment modified various terms of the Senior Credit and Term Facility, including suspending certain financial covenants through 2009 while imposing new monthly covenants for 2009. As a result of the Fourth Amendment, the Company has also classified its debt as current. See further description of the terms of the Fourth Amendment at Note 5.

Description of Business

Subsidiaries of the Company own and operate radio stations and hold Federal Communications Commission (FCC) licenses in 27 states and the District of Columbia. Radio stations serving the same geographic area (i.e., principally a city or combination of cities) are referred to as a market. The Company aggregates the geographic markets in which it operates into one reportable segment (Radio Markets). In addition to owning and operating radio stations, ABC Radio also owns and operates Citadel Media, which was formerly identified as ABC Radio Network, (the Radio Network), which produces and distributes a variety of radio programming and formats and syndicates across approximately 4,000 station affiliates and 8,500 program affiliations, and is a separate reportable segment.

Principles of Consolidation and Presentation

The accompanying consolidated condensed financial statements of the Company include Citadel Broadcasting Corporation, Citadel Broadcasting, ABC Radio and their consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

In connection with the Merger, the Company is required to divest certain stations to comply with FCC ownership limits. Therefore, these stations, the carrying value of which is immaterial, were assigned to The Last Bastion Station Trust, LLC (Last Bastion) as trustee under a divestiture trust that complies with FCC rules as of the closing date of the Merger. The Trustee agreement stipulates that the Company must fund any operating shortfalls of the Trustee's activities, and any excess cash flow generated by the Trustee is distributed to the Company. Also, the Company has transferred a station to a divestiture trust to comply with FCC ownership limits in connection with a station acquisition (together with Last Bastion, the Divestiture Trusts). The Company consolidates the Divestiture Trusts.

The accompanying unaudited consolidated condensed financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America for complete financial statements. In the opinion of management, all adjustments necessary for a fair presentation of results of the interim periods have been made, and such adjustments were of a normal and recurring nature. Operating results for the three and nine months ended September 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. For further information, refer to the consolidated financial statements and notes thereto included in Citadel Broadcasting Corporation's Annual Report on Form 10-K for the year ended December 31, 2008.

Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities, revenue and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with accounting principles generally accepted in the United States of America. These estimates and assumptions relate in particular to the evaluation of goodwill and intangible assets for potential impairment, including changes in market conditions that could affect the estimated fair values, the analysis of the measurement of deferred tax assets, including recognition of a valuation allowance to reduce the amount of deferred tax asset to the amount that is more likely than not to be realized, the identification and quantification of income tax liabilities due to uncertain tax positions, and the determination of the allowance for estimated uncollectible accounts and notes receivable. The Company also uses assumptions when determining the value of certain fully vested stock units, equity awards containing market conditions and when employing the Black-Scholes valuation model to estimate the fair value of stock options and certain derivative financial instruments. For the purchase price allocation for the Merger, the Company made estimates and assumptions relating to the determination of values of the assets acquired and liabilities assumed. The Company also uses estimates for determining the estimated fair value of its interest rate swap, credit risk adjustments and certain derivative financial instruments. Actual results could differ materially from those estimates.

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The Company considers all highly liquid investments with a maturity of three months or less, at the time of purchase, to be cash equivalents.

Allowance for Doubtful Accounts

The Company recognizes an allowance for estimated uncollectible accounts based on historical experience of bad debts as a percentage of its aged outstanding receivables, adjusted for improvements or deteriorations in current economic conditions. Accounts receivable, net on the accompanying consolidated condensed balance sheets consisted of the following:

| | September 30, 2009 | December 31, 2008 |
|--|-----------------------|----------------------|
| | (in thousands) | |
| Receivables | \$ 158,637 | \$ 179,414 |
| Allowance for estimated uncollectible accounts | (8,430) | (8,613) |
| Accounts receivable, net | \$ 150,207 | \$ 170,801 |

Derivative Instruments and Hedging Activities

The Company has valued its obligation to settle dividends in cash upon the conversion of its convertible subordinated notes, if any, as a result of the modifications to the terms of the convertible subordinated notes discussed further at Note 6. Additionally, the convertible subordinated notes, after being tendered and exchanged for new notes with amended terms, contain contingent interest rate features that are accounted for as a derivative. The Company measures the estimated fair value of these derivative financial instruments as of each reporting date, and any increase or decrease in fair value of the derivative liabilities is recognized immediately in earnings as adjustments to interest expense.

The Company is exposed to fluctuations in interest rates, primarily attributable to borrowings under its Senior Credit and Term Facility (see Note 5). The Company actively monitors these fluctuations and from time to time may enter into derivative instruments to mitigate the variability of interest payments in accordance with its risk management strategy. The accounting for changes in the fair values of such derivative instruments at each new measurement date is dependent upon their intended use. The effective portion of changes in the fair values of derivative instruments designated as hedges of forecasted transactions, referred to as cash flow hedges, are deferred and recorded as a component of accumulated other comprehensive income (loss) until the hedged forecasted transactions occur and are recognized in earnings. The ineffective portion of changes in the fair values of derivative instruments designated as cash flow hedges are immediately reclassified to earnings. If it is determined that a derivative ceases to be a highly effective hedge or if the hedged transaction becomes probable of not occurring, hedge accounting is discontinued and some or all of the amounts recorded in other comprehensive income (loss) is immediately reclassified into net income (loss). The differential paid or received on the interest rate swap agreement is recognized as an adjustment to interest expense (see Note 7 for further discussion).

Fair Value Measurements

The Company's financial instruments are measured at fair value on a recurring basis. The related guidance requires, among other things, enhanced disclosures about investments that are measured and reported at fair value and establishes a hierarchical disclosure framework that prioritizes and ranks the level of market price observability used in measuring investments at fair value. The three levels of the fair value hierarchy are described below:

Level 1 Valuations based on quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

Level 2 Valuations based on quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable data for substantially the full term of the assets or liabilities.

Level 3 Valuations based on inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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

See further discussion regarding the valuation of the derivatives and the interest rate swap at Notes 6 and 7, respectively. Financial liabilities measured at fair value on a recurring basis as of September 30, 2009 were as follows:

| | Carrying Amount | Total Fair Value (in thousands) | Significant Unobservable Inputs (level 3) |
|-------------------------------|--------------------|---------------------------------------|--|
| Financial Liabilities: | | | |
| Interest rate swap | \$ 64,277 | \$ 64,277 | \$ 64,277 |

The following table presents the changes in Level 3 instruments measured on a recurring basis for the nine months ended September 30, 2009:

| | January 1, 2009 | Net realized/ unrealized gains included in earnings (a) (in thousands) | September 30, 2009 |
|--------------------------------|-----------------|---|--------------------|
| Financial Liabilities: | | | |
| Contingent interest derivative | \$ 1,770 | \$ (1,770) | \$ |
| Interest rate swap | 82,355 | (18,078) | 64,277 |
| Total liabilities | \$ 84,125 | \$ (19,848) | \$ 64,277 |

- (a) Earnings impact is included in the interest expense, net caption of the accompanying consolidated condensed statements of operations.

In April 2009, the FASB issued new guidance requiring disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements. The new provisions were effective for the Company beginning April 1, 2009.

The following summary presents a description of the methodologies and assumptions used to determine the estimated fair values for the Company's significant financial instruments.

Cash Equivalents, Accounts Receivable, Accounts Payable and Accrued Liabilities: The carrying amount is assumed to be the fair value because of the liquidity or short-term maturity of these instruments.

Senior Debt: Based on an analysis that takes into account various factors, including average bid prices and prepayments of amounts outstanding from certain lenders, if applicable, the estimated fair value of the Company's Senior Credit and Term Facility at September 30, 2009 and December 31, 2008 was \$1,336.6 million and \$1,206.4 million, respectively, compared to the Company's carrying value of \$2,056.2 million and \$2,010.7 million, respectively.

Subordinated Debt and Convertible Subordinated Notes: Based on average trading prices, the estimated fair value of the Company's convertible subordinated notes at September 30, 2009 and December 31, 2008 was \$4.8 million and \$24.0 million, respectively, compared to the Company's carrying value of \$48.3 million and \$49.0 million, respectively.

Other Long-Term Liabilities: The terms of the Company's other long-term liabilities approximate the terms in the marketplace at which they could be replaced. Therefore, the fair value approximates the carrying value of these financial instruments.

Debt Issuance Costs and Debt Discount

The costs related to the issuance of debt are generally capitalized as other assets and amortized to interest expense using the effective interest rate method over the expected term of the related debt. The discounts recorded as reductions to the convertible subordinated notes are also amortized to interest expense generally over the contractual term of the notes. The balances of debt issuance costs and discounts are adjusted to interest expense in relation to the pay down or repurchase of the underlying debt.

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Subsequent Events

No events have occurred subsequent to September 30, 2009 and through the date that the financial statements are issued or are available to be issued, November 6, 2009, that would require adjustment to or disclosure in the accompanying consolidated condensed financial statements.

Adoption of New Accounting Standards

In December 2007, the FASB issued new guidance that establishes accounting and reporting standards that require the ownership interest in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated statement of financial position within equity, but separate from the parent's equity; the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income; changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently; when a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary be initially measured at fair value; and entities provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This guidance was adopted on January 1, 2009, but the adoption did not have a material impact on the Company's consolidated financial condition or results of operations.

In March 2008, the FASB issued new guidance that requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. The objective of the guidance is to provide users of financial statements with an enhanced understanding of how and why an entity uses derivative instruments; how derivative instruments and related hedged items are accounted for; and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This guidance was adopted on January 1, 2009, but the adoption did not have a material impact on the Company's consolidated financial condition or results of operations.

In June 2008, the FASB issued new guidance with respect to the calculation of earnings per share, which addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share under the two class method. This guidance provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents, whether paid or unpaid, are participating securities and should be included in the computation of earnings per share pursuant to the two-class method. Prior period earnings per share data presented is to be adjusted retrospectively. The Company adopted this guidance on January 1, 2009, but the adoption did not impact the amount of the Company's previously-reported earnings per share due to the net loss recorded; however, the earnings per share disclosure for the third quarter of 2008 falls within the scope of this new guidance since net income was recorded for the three-month period.

In December 2007, the FASB issued new guidance regarding the accounting for business combinations that retains the purchase method of accounting for acquisitions, but requires a number of changes, including changes in the way assets and liabilities are recognized in purchase accounting. It also changes the recognition of assets acquired and liabilities assumed arising from contingencies, requires the capitalization of in-process research and development at fair value, and requires the expensing of acquisition-related costs as incurred. This guidance was adopted by the Company effective January 1, 2009 and will apply prospectively to any business combinations completed after that date. The nature and magnitude of the specific effects of the guidance will depend upon the nature, terms and size of any acquisitions that the Company consummates after the effective date.

Additionally, the new guidance regarding business combinations amends previous related guidance concerning recognition of a deferred tax asset for the excess of tax deductible goodwill over goodwill for financial reporting and concerning reversals of acquirer's valuation allowance on its deferred tax assets resulting from a business combination. The recognition of a deferred tax asset for tax deductible goodwill in excess of financial reporting goodwill is no longer prohibited and all deferred tax assets for tax deductible goodwill from business combinations will be recorded as of the acquisition date. For excess tax deductible goodwill from business combinations, goodwill will continue to be adjusted as the tax deductible goodwill (second component) is realized on the tax return. Additionally, any subsequent changes to the entity's acquired uncertain tax positions and valuation allowances associated with acquired deferred tax assets will no longer be applied to goodwill, regardless of the acquisition date of the associated business combination. Such changes will typically be recognized as an adjustment to income tax expense.

In April 2009, the FASB issued new guidance that provides additional guidelines on how to determine the fair value of assets and liabilities when the volume and level of activity for the asset or liability have significantly decreased or for identifying transactions that are not orderly. The provisions of this guidance were effective for the Company beginning April 1, 2009, but the adoption did not have a material impact on the Company's consolidated financial condition or results of operations.

In April 2009, the FASB issued new guidance related to investments in debt and equity securities that incorporates impairment guidance for debt securities from various sources of authoritative literature and clarifies the interaction of the factors that should be considered when determining

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whether a debt security is other than temporarily impaired. The adoption of this guidance on April 1, 2009 did not have a material impact on the Company's consolidated financial condition or results of operations.

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In May 2009, the FASB issued guidance related to the disclosure of subsequent events, which establishes reporting and disclosure requirements based on the existence of conditions at the date of the balance sheet for events or transactions that occurred after the balance sheet date but before the financial statements are issued or are available to be issued. Companies are required to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or were available to be issued. The Company adopted the requirements of this guidance as of June 30, 2009 and has included certain disclosures under the "Subsequent Events" caption above.

In June 2009, the FASB issued new guidance regarding the consolidation of variable interest entities to require an enterprise to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in a variable interest entity; to require ongoing reassessments of whether an enterprise is the primary beneficiary of a variable interest entity; to revise guidance for determining whether an entity is a variable interest entity; and to require enhanced disclosures that will provide more transparent information about an enterprise's involvement with a variable interest entity. The provisions of this guidance will be effective for the Company beginning January 1, 2010; therefore, the Company is currently evaluating the potential impact on the Company's financial statements.

2. INTANGIBLE ASSETS

Indefinite-Lived Intangible Assets and Goodwill

Intangible assets consist primarily of FCC broadcast licenses and goodwill, but also include certain other intangible assets acquired in purchase business combinations. Definite-lived intangible assets are amortized in relation to the economic benefits of such assets over their total estimated useful lives.

The Company evaluates its goodwill and FCC licenses by reporting unit for possible impairment annually or more frequently if events or changes in circumstances indicate that such assets might be impaired. The Company operates its business in two reportable segments, Radio Markets and the Radio Network. The Company tests for impairment of goodwill at the reporting unit level, which the Company has determined to be a geographic market for its radio stations and the Radio Network for its network operations.

The Company determines the fair value of goodwill using primarily a market approach for each reporting unit. The market approach compares recent sales and offering prices of similar properties or businesses. The Company believes a market approach reflects the best estimate of the fair value of an entire reporting unit as radio markets are generally sold within the industry based on a multiple of EBITDA (earnings before interest, taxes and depreciation and amortization). Therefore, the Company utilizes EBITDA specific to the geographic market and applies a multiple based on recent transactions or a multiple derived from public radio company information to estimate the value of the reporting unit. The Company considered the cost approach to be inapplicable as this approach does not capture going concern value of the business. If the carrying amount of the goodwill is greater than the estimated fair value of the goodwill of the respective reporting unit, the carrying amount of goodwill of that reporting unit is reduced to its estimated fair value, and such reduction may have a material impact on the Company's consolidated financial condition and results of operations.

The Company evaluates the fair value of its FCC licenses at the unit of account level and has determined the unit of account to be the geographic market level. The Company's lowest level of identifiable cash flow is the geographic market level. For purposes of testing the carrying value of the Company's FCC licenses for impairment, the fair value of FCC licenses for each geographic market contains significant assumptions incorporating variables that are based on past experiences and judgments about future performance using industry normalized information for an average station within a market. These variables would include, but are not limited to: (1) forecasted revenue growth rates for each radio geographic market; (2) market share and profit margin of an average station within a market; (3) estimated capital start-up costs and losses incurred during the early years; (4) risk-adjusted discount rate; (5) the likely media competition within the market area; and (6) expected growth rates in perpetuity to estimate terminal values. These variables on a geographic market basis are susceptible to changes in estimates, which could result in significant changes to the fair value of the FCC licenses on a geographic market basis. If the carrying amount of the FCC license is greater than its estimated fair value in a given geographic market, the carrying amount of the FCC license in that geographic market is reduced to its estimated fair value, and such reduction may have a material impact on the Company's consolidated financial condition and results of operations.

As more fully set forth in "Critical Accounting Policies" in Item 7 in Citadel Broadcasting Corporation's Annual Report on Form 10-K for the year ended December 31, 2008, FCC licenses and goodwill represent a substantial portion of the Company's total assets. The fair value of FCC licenses and goodwill is primarily dependent on the future cash flows of the Radio Markets and Radio Network and other assumptions, including, but not limited to, forecasted revenue growth rates, market share, profit margins and a risk-adjusted discount rate.

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The Company's annual impairment testing date is October¹ of each year and, therefore, the Company performs its annual impairment analysis in the fourth quarter and, if necessary, performs interim impairment analyses. During the year ended December 31, 2008, the Company recognized non-cash impairment charges of \$1,197.4 million, which were comprised of \$824.4

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million and \$373.0 million relating to FCC licenses and goodwill, respectively, to reduce the carrying values to their estimated fair values. The material assumptions utilized in the Company's analyses in 2008 included overall future market revenue growth rates for the residual year of approximately 2.5% at June 30, 2008 and 2.0% at December 31, 2008, weighted average cost of capital of 9% at June 30, 2008 and 10.0% at December 31, 2008 and estimated EBITDA multiples of between 8.6 times and 9.4 times at June 30, 2008 and 7.0 times at December 31, 2008.

The radio marketplace continued to deteriorate during the first six months of 2009 and the Company expected advertising revenue to continue to decline in comparison to the same periods in the prior year for the remainder of 2009. Radio market revenue estimates for future years had continued to decline at a rate greater than anticipated at December 31, 2008. In May 2009, the Company engaged a financial advisor to assist in the evaluation of the Company's financial options, including a possible refinancing and restructuring of its capital structure. As a result of the continued deterioration in the radio marketplace through the second quarter of 2009 and the greater than anticipated decline in overall radio market revenue estimates for future years, as well as fair value indicators resulting from the Company's evaluation of its capital structure available at that time, the Company conducted an interim impairment test for its Radio Markets and Radio Network as of June 30, 2009. This interim impairment test resulted in a non-cash impairment charge of approximately \$933.1 million to reduce the carrying value of FCC licenses and goodwill by \$762.3 million and \$170.8 million, respectively, to their estimated fair values. The material assumptions utilized in the Company's analyses as of June 30, 2009 included overall future market revenue growth rates for the residual year of approximately 1.5%, a weighted average cost of capital of 12.0% and estimated EBITDA multiples of approximately 5.0 times.

If the material assumptions utilized are less favorable than those projected by the Company or if market conditions and operational performance of the Company's reporting units were to continue to deteriorate and management had no expectation that the performance would improve within a reasonable period of time 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, the Company may be required to recognize additional impairment charges in future periods, which could have a material impact on the Company's financial condition and results of operations. As of September 30, 2009, the Company concluded that there had been no conditions or events that would require an additional interim asset impairment analysis.

The Company also recognized non-cash impairment and disposal charges of \$10.0 million in the second quarter of 2009 in order to write down the FCC licenses of the stations in the Divestiture Trusts to their estimated fair value since these stations are more likely than not to be disposed. The Company recognized \$10.8 million of non-cash impairment and disposal charges during the year ended December 31, 2008, including \$7.3 million during the three months ended September 30, 2008 primarily as a result of the transfer of one of its existing stations in its Salt Lake City market into the Divestiture Trusts, which was required when the Company acquired a radio station in Salt Lake City, UT, in exchange for the balance of a note receivable. This non-cash impairment and disposal charge was recognized in order to write down the FCC license of the transferred station to its estimated fair value since this station is more likely than not to be disposed. The Company continues to evaluate the carrying values of these stations and may be required to record a write-down of the assets in future periods if the carrying values exceed their estimated fair market values.

The changes in the carrying amounts of FCC licenses and goodwill for the nine months ended September 30, 2009 are as follows:

| | FCC Licenses (in thousands) | Goodwill |
|---------------------------------------|--------------------------------|------------|
| Balance January 1, 2009 | \$ 1,370,904 | \$ 492,799 |
| Asset impairment and disposal charges | (770,301) | (170,823) |
| Balance September 30, 2009 | \$ 600,603 | \$ 321,976 |

Definite-Lived Intangible Assets

In connection with the Merger, the Company allocated \$82.5 million to customer relationships and \$57.9 million to affiliate relationships that are being amortized in relation to the economic benefits of such assets over total estimated useful lives of approximately five to seven years. In connection with the Company's interim impairment test during the second quarter of 2009, the Company assessed the carrying value of certain material definite-lived intangible assets at the Radio Network. This assessment resulted in a non-cash impairment charge of approximately \$17.2 million to customer relationships and \$25.4 million to affiliate relationships to reduce the carrying value of the definite-lived intangibles to their estimated fair values.

Approximately \$3.6 million and \$6.6 million of amortization expense was recognized on the intangible assets discussed above during the three months ended September 30, 2009 and 2008, respectively, and approximately \$16.0 million and \$20.1 million was recognized during the nine

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months ended September 30, 2009 and 2008, respectively. The nine month period of 2008 includes approximately \$3.5 million representing the additional cumulative amortization for the period from the date of the Merger through September 30, 2008 relating to the increased balance of such intangible assets determined in connection with the finalization of the purchase price allocation.

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Other definite-lived intangible assets, excluding the customer relationships and affiliate relationships, are a component of other assets, net, in the accompanying consolidated condensed balance sheets, and the balances as of September 30, 2009 and December 31, 2008 were \$1.3 million and \$1.8 million, respectively. The amount of amortization expense for definite-lived intangible assets, excluding the customer and affiliate relationships discussed above, was \$0.2 million for each of the quarters ended September 30, 2009 and 2008 and \$0.5 million for each of the nine-month periods ended September 30, 2009 and 2008. The Company estimates the following amount of amortization expense over the next five years related to the total definite-lived intangible assets:

| | Amortization Expense (in thousands) |
|------|--|
| 2009 | 20,218 |
| 2010 | 12,401 |
| 2011 | 10,457 |
| 2012 | 7,234 |
| 2013 | 4,255 |
| | \$ 54,565 |

3. ACQUISITIONS AND DISPOSITIONS

There were no acquisitions or dispositions during the nine months ended September 30, 2009.

During the nine months ended September 30, 2008, the Divestiture Trusts completed the sale of two stations for a total purchase price of approximately \$1.3 million.

In connection with the Company's prior acquisition of a radio station in Salt Lake City, UT, the Company entered into an unconditional guaranty agreement, dated May 3, 2004, to guarantee up to \$20.0 million of financing on behalf of the seller. As of December 31, 2005, the guarantee was reduced to \$9.7 million. On February 3, 2006, the lender notified the seller of a default under its financing, and a demand was made by the lender for payment of the outstanding balance. On June 30, 2006, the Company entered into an agreement with the lender and acquired the note receivable for approximately \$9.7 million, plus accrued and unpaid interest and fees from the lender. The note receivable was collateralized by the underlying station assets. During the quarter ended September 30, 2008, the Company acquired this radio station in exchange for the balance of the note receivable. In order to comply with the FCC's rules and policies regarding ownership limitations, the Company transferred one of its existing stations in the Salt Lake City market into the Divestiture Trusts.

In order to account for the impairment or disposal of long-lived assets, the Company recognized non-cash expense of approximately \$7.3 million during the three and nine months ended September 30, 2008, primarily as a result of the transferred station, which is presented as an asset impairment and disposal charge in the accompanying consolidated condensed statement of operations to adjust certain of these assets' carrying amounts to their estimated fair market value.

4. OTHER LONG-TERM LIABILITIES

In the third quarter of 2004, the Company reached a settlement with its previous national representation firm and entered into a long-term agreement with a new representation firm. Under the terms of the settlement, the Company's new representation firm settled the Company's obligations under the settlement agreement with the previous representation firm and entered into a new long-term contract with the Company. In March 2008, the Company terminated the pre-existing contract between ABC Radio and its national representation firm and engaged the Company's national representation firm for all of the Company's markets. Pursuant to the parties' agreement, the Company's national representation firm agreed to pay ABC Radio's previous national representation firm the contractual termination fees. As such, the Company recognized the estimated payments to the previous national representation firm of approximately \$21.4 million as a non-cash charge related to contract obligations in the year ended December 31, 2008, including a reduction of \$0.8 million during the quarter ended June 30, 2008 to reduce the non-cash expense to the final negotiated contract buyout amount. The total up-front payment amount related to this contract of approximately \$26.4 million, which includes an additional up-front payment received by the Company in connection with entering into the new contract, represents a deferred obligation and is included in other long-term liabilities in the accompanying consolidated condensed balance sheets as of September 30, 2009 and December 31, 2008. This deferred amount is being amortized over the years of service represented by this

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new contract, which expires on March 31, 2019, and a previous remaining unamortized charge of approximately \$11.7 million as of the inception of this new contract is continuing to be amortized over the original term of the contract to which the payment relates.

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The Company's new national representation firm guaranteed a minimum amount of national sales for the twelve-month period ended March 31, 2009. Based on national sales amounts, the Company determined that the guaranteed minimum amount of national sales for the twelve-month period ended March 31, 2009 was not attained. The present value of the guaranteed amount was recorded as a receivable of approximately \$11.5 million, with a corresponding deferred liability. The deferred amount is being amortized over the term of the agreement as a reduction to national commission expense, which is included in cost of revenue.

As part of its finalization of the purchase price allocation for the Merger in the second quarter of 2008, the Company recorded a \$13.5 million liability to reflect an acquired programming contract at its estimated fair market value. The balance of the unfavorable contract liability is being amortized as an adjustment to revenue over the remaining life of the contract, which expires in December 2009. As of September 30, 2009, the remaining unamortized unfavorable contract liability is approximately \$1.3 million.

5. SENIOR DEBT

In connection with the Merger, as discussed at Note 1, the Company entered into the Senior Credit and Term Facility, which is guaranteed by the Company's operating subsidiaries.

On March 13, 2008, the Senior Credit and Term Facility was amended to permit the Company to make voluntary prepayments of the Tranche A and B Term Loans at a discount to their principal amounts on up to three occasions for a period of 90 days after the date of the amendment in an aggregate amount of up to \$200.0 million. The Company was not obligated to make any such prepayments, and the discount percentage for each prepayment was based on the amount below par at which the lenders were willing to permit the voluntary prepayment. The amendment also reduced the aggregate amount of the uncommitted incremental credit facilities under the Senior Credit and Term Facility from \$750 million to \$350 million. The Company did not borrow from any of these incremental facilities.

On May 30, 2008, the Senior Credit and Term Facility was amended a second time to permit the Company to make additional voluntary prepayments of the Tranche A and B Term Loans at a discount to their principal amounts through December 31, 2008 in an aggregate amount of up to \$200.0 million less the aggregate amounts of voluntary prepayments made under the first amendment.

During the quarter ended September 30, 2008, the Company paid down \$4.8 million and \$80.9 million of the Tranche A Term Loans and Tranche B Term Loans, respectively, for an aggregate payment of \$69.1 million. During the nine-month period ended September 30, 2008, the Company paid down \$67.9 million and \$167.1 million of the Tranche A Term Loans and Tranche B Term Loans, respectively, for an aggregate payment of \$190.0 million. The Company recognized gains of \$16.6 million and \$43.2 million, both net of transaction fees, during the quarter and nine months ended September 30, 2008, respectively, resulting from the early extinguishment of a portion of its Senior Credit and Term Facility. The Company made no such prepayments during the nine months ended September 30, 2009.

The Senior Credit and Term Facility was modified a third time on November 25, 2008, which (i) modified the definition of Consolidated Total Leverage Ratio to change the leverage ratio test from a net test to a gross test, (ii) added a pro-forma test for each revolving credit draw, and (iii) modified the maximum permitted consolidated total leverage ratio so it remained at 8.5 to 1.0 through September 30, 2009, reduced from 8.5 to 1.0 to 8.25 to 1.0 on December 31, 2009, reduced to 7.75 to 1.0 on March 31, 2010, and reduced again to 7.25 to 1.0 on June 30, 2010. In addition, the Company permanently reduced the aggregate revolving credit commitments from \$200 million to \$150 million.

The Senior Credit and Term Facility was further modified on March 26, 2009 when the Company entered into the Fourth Amendment. The Fourth Amendment waives the consolidated total leverage ratio for 2009 and requires a monthly consolidated EBITDA test, as defined in the Fourth Amendment, and monthly liquidity test. Additionally, the Fourth Amendment eliminated the incremental credit facilities. Absent these modifications, the Company would have been in default under its Senior Credit and Term Facility debt covenants as of March 31, 2009.

The monthly consolidated EBITDA test, as defined in the Fourth Amendment, is a cumulative test and requires the following consolidated EBITDA minimum amounts:

| | Cumulative Consolidated EBITDA |
|---|---|
| Period from January 1, 2009 through: | |
| April 30, 2009 | \$ 21,000,000 |
| May 31, 2009 | 32,000,000 |

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| | |
|--------------------|-------------|
| June 30, 2009 | 45,000,000 |
| July 31, 2009 | 58,000,000 |
| August 31, 2009 | 73,000,000 |
| September 30, 2009 | 92,000,000 |
| October 31, 2009 | 117,000,000 |
| November 30, 2009 | 137,000,000 |
| December 31, 2009 | 150,000,000 |

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The monthly liquidity test requires the Company's consolidated liquidity, as defined in the Fourth Amendment, to be equal to or greater than \$15 million for the months of April through July 2009, \$20 million for the months of August and September 2009, and \$25 million for the months of October, November and December 2009. The Company was in compliance with the monthly consolidated EBITDA and liquidity tests for the months of April through September 2009, and as of September 30, 2009 cumulative consolidated EBITDA was approximately \$137 million and consolidated liquidity was approximately \$24 million.

The Company was in compliance with its covenants under the Senior Credit and Term Facility as of September 30, 2009, and the Company expects to be in compliance through 2009. However, the Fourth Amendment added additional covenants for 2010, which the Company does not expect to meet. The Company must have at least \$150 million of available cash as of January 15, 2010, and the remaining convertible subordinated notes must be amended by January 15, 2010 to provide for a maturity date on or after September 30, 2014, among other things. Additionally, as of the quarter ended March 31, 2010, the Company would be required to comply with the financial leverage covenant required prior to the Fourth Amendment under section 13.1 of the Senior Credit and Term Facility at a rate of 7.75 to 1.0, reducing to 7.25 to 1.0 on June 30, 2010, and further reducing to 6.75 to 1.0 on December 31, 2010.

The Fourth Amendment also requires that if the Company's cash exceeds \$30,000,000 at any time, then the Company is required to promptly put the amount in excess of \$30,000,000 (the Excess Cash) into a cash collateral account for the benefit of the Company's lenders. The Company will not have access to the cash collateral account to operate its business, fulfill its obligations, or to otherwise meet its liquidity needs without the consent of the lenders. As of September 30, 2009, approximately \$4.0 million of Excess Cash is included in prepaid expenses and other current assets on the Company's consolidated condensed balance sheet.

Based on the current economic conditions and capital markets, the Company does not expect to be able to meet its covenants under the Senior Credit and Term Facility as of January 15, 2010. If the Company fails to do so, the Company will be in default under its Senior Credit and Term Facility and under the terms of its convertible subordinated notes. Because of the Company's likely inability to comply with these covenants, the amounts outstanding under the Senior Credit and Term Facility and the convertible subordinated notes are classified as current liabilities as of September 30, 2009. In May 2009, the Company hired a financial advisor to assist in the evaluation of the Company's financial options, including a possible refinancing and restructuring of its capital structure and debt. The Company is currently in discussions with its lenders regarding this matter, including the possibility of seeking relief through a Chapter 11 filing under the U.S. Bankruptcy Code; however, there can be no assurance that any definitive agreement shall be reached. As of September 30, 2009, discussions with lenders were ongoing, and they remain ongoing as of the filing of the report in which these financial statements appear. Should the Company default, however, its indebtedness may be accelerated, the Company would not be able to satisfy these obligations, and the Company would likely need to seek relief through a Chapter 11 filing under the U.S. Bankruptcy Code.

The Company had \$52.4 million of debt issuance costs related to the Senior Credit and Term Facility, including approximately \$0.3 million, \$10.5 million and \$11.5 million incurred in connection with the amendments on March 13, 2008, November 25, 2008 and March 26, 2009. The Company also incurred approximately \$0.6 million in costs paid to third parties in connection with the Fourth Amendment, and these amounts were expensed primarily during the first quarter of 2009. The Company wrote off \$0.2 million in debt issuance costs in connection with the modification of the Senior Credit and Term Facility under the Fourth Amendment. The Company wrote off approximately \$1.1 million and \$3.1 million of debt issuance costs relating to the prepayments during the three and nine months ended September 30, 2008, respectively. Pursuant to the terms of the Senior Credit and Term Facility and the resulting classification as a current liability beginning with the quarter ended March 31, 2009, the remaining amount of debt issuance costs are being amortized over the 9.5 month period through January 15, 2010. During the quarters ended September 30, 2009 and 2008, the amortization of these debt issuance costs was \$13.6 million and \$1.2 million, respectively, and for the nine months ended September 30, 2009 and 2008, the amortization was \$29.3 million and \$3.9 million, respectively. As of September 30, 2009, \$15.8 million of debt issuance costs are unamortized.

As discussed above, the Senior Credit and Term Facility is classified as a current liability in the accompanying September 30, 2009 consolidated condensed balance sheet. However, pursuant to the stated terms of the Senior Credit and Term Facility, principal on the Tranche A Term Loans is payable in consecutive quarterly installments on the last day of each fiscal quarter commencing on September 30, 2010, with final maturity on June 12, 2013 as follows:

| Payment Dates | Payment Amount (in thousands) |
|--|-------------------------------------|
| September 30, 2010, December 31, 2010, March 31, 2011, June 30, 2011 | \$ 15,000 |
| September 30, 2011, December 31, 2011, March 31, 2012, June 30, 2012 | 22,500 |
| September 30, 2012, December 31, 2012, March 31, 2013 | 112,500 |

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Based on the stated terms of the Senior Credit and Term Facility, principal on the Tranche B Term Loans is payable in 15 consecutive quarterly installments of approximately \$3.8 million, due on the last day of each fiscal quarter, commencing on September 30, 2010, with the final maturity of \$1,319.9 million on June 12, 2014.

Based on the stated terms of the Senior Credit and Term Facility, the revolving loans under the Senior Credit and Term Facility are due in full on June 12, 2013. The Fourth Amendment reduced the revolving portion of the Senior Credit and Term Facility from \$150 million to \$140 million. Additionally, \$125 million of the revolving loans may not be reborrowed if the amounts are repaid.

Although the Company has classified its senior debt as a current liability as of September 30, 2009, if payments were to be made according to the stated terms of the Senior Credit and Term Facility, the required aggregate principal payments as of September 30, 2009 would be as follows:

| | Payment Amount (in thousands) |
|--------------------------------------|--|
| October 1, 2009 - September 30, 2010 | \$ 18,838 |
| October 1, 2010 - September 30, 2011 | 82,850 |
| October 1, 2011 - September 30, 2012 | 195,350 |
| October 1, 2012 - September 30, 2013 | 431,651 |
| October 1, 2013 - September 30, 2014 | 1,327,544 |
| Thereafter | |
| | \$ 2,056,233 |

Prior to the Fourth Amendment, at the Company's election, interest on outstanding principal for the revolving loans and Tranche A Term Loans accrued 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% plus, in each case, a spread that ranged from 0.00% to 0.50%, depending on the Company's leverage ratio; or (b) the Eurodollar rate plus a spread that ranged from 0.75% to 1.50%, depending on the Company's leverage ratio. As of the effective date of the Fourth Amendment, at the Company's election, interest on outstanding principal for the revolving loans and Tranche A Term Loans accrues at a rate based on either: (a) the greatest of (1) the Prime Rate in effect; (2) the Federal Funds Rate plus 0.50%; and (3) the one-month Eurodollar rate plus 1.0% plus, in each case, a spread of 0.50% or (b) the Eurodollar rate plus 1.50%. These interest payments are due monthly.

Prior to the Fourth Amendment, for the outstanding principal for Tranche B Term Loans, the Company could have elected interest to accrue 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% plus, in each case, a spread that ranged from 0.50% to 0.75%, depending on the Company's leverage ratio; or (b) the Eurodollar rate plus a spread that ranged from 1.50% to 1.75%, depending on the Company's leverage ratio. As of the effective date of the Fourth Amendment, at the Company's election, interest on outstanding principal for the Tranche B Term Loans accrues at a rate based on either: (a) the greatest of (1) the Prime Rate in effect; (2) the Federal Funds Rate plus 0.50%; and (3) the one-month Eurodollar rate plus 1.0% plus, in each case, a spread of 0.75% or (b) the Eurodollar rate plus 1.75%. These interest payments are due monthly.

As of the effective date of the Fourth Amendment, the revolving loans and Tranche A Term Loans incur a facility fee in the amount of 4.50% per annum, and the Tranche B Term Loans incur a rate of 4.25% per annum. On each interest payment date, this additional interest increases the principal amount of the related debt and will be payable upon the termination of the revolving loans, Tranche A Term Loans, and Tranche B Term Loans, as applicable. The payment tables above reflect only the repayment of the facility fee incurred through September 30, 2009.

Below is a table that sets forth the rates, excluding the facility fee, and the amounts borrowed under the Company's Senior Credit and Term Facility as of September 30, 2009 and December 31, 2008:

| Type of Borrowing | September 30, 2009 | | December 31, 2008 | |
|-------------------|---------------------|---------------|---------------------|---------------|
| | Amount of Borrowing | Interest Rate | Amount of Borrowing | Interest Rate |

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| | (in thousands) | | (in thousands) | |
|----------------------|----------------|---------------|----------------|---------------|
| Tranche A Term Loans | \$ 527,156 | 1.79 to 2.08% | \$ 527,156 | 1.97 to 3.40% |
| Tranche B Term Loans | 1,347,524 | 2.04 to 2.33% | 1,347,525 | 2.20 to 3.65% |
| Revolving Loans | 136,000 | 2.08% | 136,000 | 3.40% |
| | 2,010,681 | | 2,010,681 | |
| Facility Fee | 45,552 | | | |
| Total Senior Debt | \$ 2,056,233 | | \$ 2,010,681 | |

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As of September 30, 2009, the Company had \$1.1 million available in revolving loan commitments under the Senior Credit and Term Facility.

The Company's operating subsidiaries guarantee the Senior Credit and Term Facility, and substantially all assets of the Company are pledged as security.

6. SUBORDINATED DEBT AND CONVERTIBLE SUBORDINATED NOTES

On February 18, 2004, the Company sold \$330.0 million principal amount of convertible subordinated notes. These convertible subordinated notes (the "Original Notes") are due in February 2011 and bear interest at a rate of 1.875% per annum, payable February 15 and August 15 each year. Holders may convert these Original Notes into common stock at an initial 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. Pursuant to the terms of the indenture governing the Original Notes, the initial conversion price was adjusted to be \$25.16 per share of the Company's common stock, effective immediately after November 30, 2005, as a result of the declared dividend to stockholders of record on November 30, 2005 on the common stock in the amount of \$0.18 per share. As permitted under the indenture, no adjustment was made with respect to any subsequent dividends declared, since, in lieu of such adjustment, holders of the Original Notes will be entitled to the dividend amount upon conversion.

The Company may redeem the Original Notes at any time prior to maturity if the closing price of the Company's 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 holders. Holders may require the Company to repurchase all or part of their Original Notes at par plus accrued interest upon the occurrence of a fundamental change (as defined in the indenture governing the terms of the Original Notes).

The Company has valued its obligation to settle dividends in cash upon conversion of its Original Notes, if any. This derivative financial instrument is measured using the Black-Scholes option pricing model and was recorded as a liability and a discount on the convertible subordinated notes. The derivative liability had virtually no estimated fair value as of September 30, 2009 or December 31, 2008. There was essentially no change in the estimated fair value of the derivative financial instrument during each of the three and nine months ended September 30, 2009 and 2008.

The Company had been involved in litigation with certain of the holders of the Original Notes regarding allegations of events of default having arisen from the ABC Radio Merger Agreement and from other agreements relating to the Merger. This litigation was dismissed on April 10, 2008. As of March 31, 2008, the Company, the trustee under the indenture, and holders of a majority in principal amount of the outstanding Original Notes had entered into a settlement agreement (the "Settlement Agreement") to resolve the Company's litigation relating to the indenture and the Original Notes.

The Settlement Agreement required the Company to commence a \$55.0 million pro rata cash tender for the Original Notes at a price of \$900 per \$1,000 principal amount of Original Notes and an exchange offer for the remaining Original Notes for amended and restated convertible subordinated notes with increased interest rates and specifically negotiated redemption terms ("Amended Notes"). The conversion terms of the Amended Notes do not differ in any material respect from those of the Original Notes. The Company completed this offer and exchange on June 5, 2008. The Company accepted all Original Notes that were validly tendered and not withdrawn in the exchange offer, and on June 11, 2008, the Company issued \$274.5 million aggregate principal amount of Amended Notes pursuant to an indenture, dated as of June 11, 2008, between the Company and Wilmington Trust Company, as trustee. The Amended Notes will mature on February 15, 2011 unless earlier redeemed at the Company's option under limited circumstances, converted into common stock at the option of any registered holder of the Amended Notes (each, a "Holder") or repurchased by the Company at the option of the Holder under limited circumstances. As of September 30, 2009, \$0.5 million of the Original Notes remained outstanding.

Per the terms of the Settlement Agreement, the Company had the ability to redeem the Amended Notes at \$900 per \$1,000 principal amount of the Amended Notes through December 31, 2008, and the Amended Notes may be redeemed at the election of the Company at \$950 per \$1,000 principal amount of the Amended Notes through December 31, 2009.

Through September 30, 2009, the Company had repurchased an aggregate amount of \$281.7 million in principal amount of convertible subordinated notes, including the \$55.0 million Original Notes related to the initial exchange offer. There were no repurchases during the three months ended September 30, 2009. During the nine months ended September 30, 2009, \$0.7 million was repurchased, and \$74.3 million and \$254.8 million was repurchased during the three and nine months ended September 30, 2008,

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respectively. These repurchases resulted in gains of \$0.4 million, \$15.8 million and \$42.4 million, net of transaction fees, in the nine months ended September 30, 2009 and the three and nine months ended September 30, 2008, respectively. The balance of Original Notes and Amended Notes was \$48.3 million as of September 30, 2009. Although the Company had been repurchasing the convertible subordinated notes, under the terms of the Fourth Amendment to the Senior Credit and Term Facility, the Company is now prohibited from doing so, except in very limited circumstances. Additionally, the Fourth Amendment requires the Company prior to January 15, 2010 to either (i) repay in full the outstanding convertible notes with subordinated refinanced indebtedness or (ii) enter into an agreement with the holders of the outstanding convertible notes to amend the maturity date to be no earlier than September 30, 2014, eliminate any principal payments until September 30, 2014, and require that all payments of interest thereon (except for the interest paid pursuant to the August 15, 2009 interest payment date) be payable by adding such amounts to the principal amount of the outstanding convertible notes. The Company does not expect to meet these 2010 covenants, and if not met, the Company will be in default under its Senior Credit and Term Facility. In the event that the Company is not in compliance with the covenants under the terms of the Senior Credit and Term Facility, the Company would also be in default under its convertible subordinated notes, and in such case, the indebtedness under the convertible subordinated notes may be accelerated. Because of the Company's likely inability to comply with its covenants, the amounts outstanding under the Senior Credit and Term Facility and the convertible subordinated notes are classified as current liabilities as of September 30, 2009. Should the Company default, its indebtedness may be accelerated, it would not be able to satisfy these obligations, and the Company would likely need to seek relief through a Chapter 11 filing under the U.S. Bankruptcy Code.

Since the aggregate principal amount of outstanding Amended Notes was \$48.6 million as of December 31, 2008, the annual interest rate on all Amended Notes that were outstanding as of January 1, 2009 was changed to 8.0%. Per the terms of the Settlement Agreement, on January 1, 2010, the annual interest rate on all Amended Notes that are outstanding as of such date would be changed to a rate that would make the holders of the Amended Notes whole for any discount at which the Amended Notes are then trading (i.e., make Amended Notes trade at par).

The contingent interest rate adjustments described in the terms of the Amended Notes are required to be accounted for in accordance with guidance related to derivatives and hedging activities and could cause interest to vary in future periods depending on the outstanding balance of Amended Notes. Accordingly, the Company estimated the value of the contingent interest derivative using a discounted cash flow analysis considering various repurchase scenarios and assumptions regarding the repayment or non-repayment of the convertible subordinated notes, which determine the stated interest rate to be incurred, compared to a minimum base rate of interest of 4.0%. This analysis resulted in a value of \$0.3 million as of September 30, 2008, and attributed no value to this derivative as of September 30, 2009. The change in fair value for the three and nine months ended September 30, 2009 and 2008 represented gains of \$0.2 million, \$1.8 million, \$0.9 million, and \$4.8 million, respectively, which is included in the accompanying consolidated condensed statements of operations as a component of interest expense, net.

Pursuant to the terms of the convertible subordinated notes and the resulting classification as a current liability beginning with the quarter ended March 31, 2009, the remaining amount of debt issuance costs and debt discount as of March 31, 2009 are being amortized over the 9.5 month period through January 15, 2010.

In connection with the repurchase of a portion of the Amended Notes, the Company wrote off approximately \$1.3 million and \$4.6 million of debt discount during the three and nine months ended September 30, 2008, respectively. For each of the quarters ended September 30, 2009 and 2008, the amortization of the discount on the convertible subordinated notes was \$0.2 million. During the nine-month periods ended September 30, 2009 and 2008, the amortization of the convertible notes discount was \$0.4 million and \$0.8 million, respectively.

In connection with the repurchase of a portion of the Amended Notes, the Company also wrote off approximately \$0.6 million and \$2.1 million of debt issuance costs during the three and nine months ended September 30, 2008, respectively, that had been capitalized related to the convertible subordinated notes. For each of the quarters ended September 30, 2009 and 2008, the amortization of the debt issuance costs on the convertible subordinated notes was \$0.1 million. During the nine-month periods ended September 30, 2009 and 2008, the amortization of these debt issuance costs was \$0.2 million and \$0.6 million, respectively.

As of September 30, 2009, debt issuance costs and debt discount of \$0.1 million and \$0.2 million, respectively, are unamortized.

7. INTEREST RATE SWAP

In June 2007, the Company entered into an interest rate swap agreement. The agreement is an amortizing swap agreement through September 2012 with an initial notional amount of \$1,067.5 million on which the Company pays a fixed rate of 5.394% and receives a variable rate from the counterparty based on a three-month London Inter-Bank Offered Rate (LIBOR), for which

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measurement and settlement is performed quarterly. As of September 30, 2009, the notional amount of the swap agreement is \$970.0 million. This agreement is used to manage the Company's exposure to the variability of future cash flows related to certain of its floating rate interest obligations that may result due to changes in interest rates, and the Company had originally designated the swap as a cash flow hedge in accordance with derivative and hedging related guidance. The counterparty to this interest rate swap agreement is a major financial institution, and the Company believes that the risk of nonperformance by this counterparty is remote.

The interest rate swap fair value is derived from the present value of the difference in cash flows based on the forward-looking LIBOR yield curve rates as compared to the Company's fixed rate applied to the hedged amount through the term of the agreement less adjustments for credit risk. As long as the hedge is deemed to be highly effective and it is probable that the forecasted transactions will occur, changes in the fair value of the interest rate swap that are effective are recorded in accumulated other comprehensive loss within total stockholders' equity on the accompanying consolidated condensed balance sheets. During the fourth quarter of 2008, it became probable that the hedged transaction would not occur. Therefore, the hedging relationship was redesignated in the fourth quarter and hedge accounting was discontinued. Beginning with the fourth quarter of 2008, changes in the fair value of the interest rate swap liability directly impact the Company's interest expense.

As part of the fair value determination of the Company's interest rate swap, the Company evaluated its default risk and credit spread compared to the swap counterparty's credit spread and adjusted the fair value of the interest rate swap liability to account for the Company's nonperformance risk. As of December 31, 2008, the fair value of the swap was estimated to be a liability of \$82.4 million and was classified as noncurrent in other long-term liabilities, and as of September 30, 2009, the interest rate swap liability was estimated to be \$64.3 million, and its classification is linked to and consistent with that of the related Senior Term and Credit Facility. The change in the fair value of the interest rate swap liability during the quarter and nine months ended September 30, 2009 was expense of \$3.5 million and a net gain of \$18.1 million, respectively, including the impact of the credit default risk, and was recognized as a component of interest expense, net.

8. STOCKHOLDERS' EQUITY***Common and Preferred Stock***

Citadel Broadcasting Corporation was incorporated in Delaware in 1993 and was initially capitalized by partnerships affiliated with FL&Co. in connection with a leveraged buyout transaction. The Company's initial public offering registration statement with the Securities and Exchange Commission was declared effective on July 31, 2003, and the Company issued 25.3 million shares, and on February 18, 2004, the Company sold an additional 9,630,000 shares, and certain stockholders sold 20,000,000 shares of the Company's common stock.

As further discussed at Note 1, the Company issued 151,707,512 shares of its common stock to TWDC's stockholders in connection with the Merger. As of September 30, 2009, net of shares held in treasury, the Company had 265,760,025 shares of common stock outstanding.

Stock Repurchase Plan

On June 29, 2004 and November 3, 2004, the Company's board of directors authorized the Company to repurchase up to \$100.0 million and \$300.0 million, respectively, of shares of its outstanding common stock. As of September 30, 2009, the Company had \$62.4 million remaining under these repurchase programs. In addition, the Company acquired approximately 0.6 million and 0.8 million shares of common stock for approximately \$0.1 million and \$1.2 million during the nine months ended September 30, 2009 and 2008, respectively, primarily through transactions related to the vesting of previously awarded nonvested shares of common stock or common stock units. Upon vesting, the Company withheld shares of stock in an amount sufficient to pay the employee's minimum statutory withholding tax required by the relevant tax authorities. These shares do not reduce the amounts authorized under the Company's repurchase programs discussed above. There are substantial limitations on the Company's ability to repurchase common stock under the Fourth Amendment.

Dividends

There were no dividends declared or paid during the nine months ended September 30, 2009 or 2008.

9. COMPREHENSIVE LOSS

The Company's comprehensive loss consists of net loss and other items recorded directly to the equity accounts. The objective is to report a measure of all changes in equity of an enterprise that result from transactions and other economic events during the period, other than

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transactions with owners. The Company's other comprehensive loss consists of losses on derivative instruments that qualify for cash flow hedge treatment. As long as the hedge is deemed to be highly effective and it is probable that the forecasted transactions will occur, changes in the fair value of the interest rate swap that are effective are recorded in accumulated other comprehensive loss within the Company's stockholders' deficit. During the fourth quarter of 2008, it became probable that the hedged transaction would not occur. Therefore, the hedging relationship was redesignated in the fourth quarter of 2008 and hedge accounting was discontinued.

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The following table sets forth the components of comprehensive loss for three and nine months ended September 30, 2008:

| | September 30, 2008 | |
|--|--------------------|---------------------|
| | Three Months | Nine Months |
| | (in thousands) | |
| Net income (loss) | \$ 27,986 | \$ (231,837) |
| Other comprehensive (loss) gain, net of tax (benefit) expense of \$(254) and \$1,245, respectively | (1,311) | 980 |
| Comprehensive income (loss) | \$ 26,675 | \$ (230,857) |

10. STOCK-BASED COMPENSATION

The cost of the Company's share-based payments to employees, including grants of employee stock options, is recognized in the financial statements based on their fair values measured at the grant date, or the date of later modification, over the requisite service period. At the date of grant, the Company estimates the number of equity awards granted that are expected to be forfeited and subsequently adjusts the estimated forfeitures to reflect actual forfeitures when recording compensation cost for equity awards.

Generally for tax purposes, the Company is expected to be entitled to a tax deduction, subject to certain limitations, based on the fair value of the underlying equity award when the restrictions lapse or stock options are exercised. When the Company determines that an equity award is more likely than not to be deductible for tax purposes, the cumulative compensation cost recognized for equity awards and amounts that ultimately will be deductible for tax purposes are temporary differences. The tax effect of compensation deductions for tax purposes in excess of compensation cost recognized in the financial statements, if any, will be recorded as an increase in additional paid-in capital when realized. A deferred tax asset recorded for compensation cost recognized in the financial statements that exceeds the amount that is ultimately realized on the tax return, if any, will be charged to income tax expense when the restrictions lapse or stock options are exercised or expire unless the Company has an available additional paid-in capital pool. The Company is required to assess whether there is an available additional paid-in capital pool when the restrictions lapse or stock options are exercised or expire. As of September 30, 2009, the underlying fair value of equity awards since the date of grant has declined in value, and the Company does not have an available additional paid-in capital pool. Accordingly, absent a subsequent recovery of the underlying fair value of the equity awards, when the restrictions lapse or the stock options are exercised or expire, the Company would be required to immediately recognize a non-cash write down of the corresponding deferred tax asset. However, this deferred tax asset has been completely reserved as part of the Company's valuation allowance.

Long-Term Incentive Plans

On June 4, 2008, the compensation committee of the Company's board of directors granted to the Company's chief executive officer 2,000,000 nonvested shares of the Company's common stock containing a market condition (the Market Award). In order to vest, the Company's common stock must trade at a minimum price of at least \$7.50 per share (the Per Share Target), as established by the closing price on the New York Stock Exchange, for at least five consecutive trading days. The Per Share Target must be achieved on or before seven years from the date of grant, and the chief executive officer must remain continuously employed by the Company until such time as the Per Share Target is achieved in order for 100% of the Market Award to vest. In the event that the Per Share Target or the continuous employment requirement is not met, 100% of the Market Award will be forfeited. The fair value of this award was estimated on the date of grant using a barrier option valuation model based on various assumptions, including the following: risk-free interest rate of approximately 4%, dividend yield of 0%, expected life of approximately seven years, and volatility of approximately 42%.

In addition, the compensation committee of the Company's board of directors approved a grant on June 4, 2008 to the Company's chief executive officer and a director of the Company for 2,000,000 and 10,000 of nonvested time-vesting shares of the Company's common stock, respectively, and a grant on June 27, 2008 to employees and certain of the Company's officers of 2,156,500 nonvested time-vesting shares of the Company's common stock. All nonvested time-vesting shares granted will vest in three equal annual installments beginning one year from the respective grant dates. On June 27, 2008, the compensation committee of the Company's board of directors also granted to a certain executive officer of the Company 125,000 nonvested performance-vesting shares, which are subject to the Company's attainment of certain revenue-related performance objectives and continued employment, and vest in three equal annual installments beginning on June 27, 2009.

Effective April 1, 2009, the Company's chief executive officer voluntarily cancelled both (i) the 2,000,000 shares of restricted stock with both performance-based and time-based vesting conditions and (ii) the 2,000,000 shares of restricted stock with solely time-based vesting conditions.

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Accordingly, the remaining unrecognized compensation expense of \$3.6 million as of that date was recognized by the Company in the second quarter of 2009.

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Stock options are generally granted under the Citadel Broadcasting Corporation Amended and Restated 2002 Stock Option and Award Plan with an exercise price equal to the underlying common stock's fair market value at the date of grant. The stock options granted generally vest ratably over a four-year period commencing one year after the date of grant and expire on the earlier of 10 years from the date of grant or 60 days subsequent to the termination of employment or service as a director or independent contractor. No options were granted during either of the nine months ended September 30, 2009 or 2008.

Total stock-based compensation expense for the three and nine months ended September 30, 2009 was \$1.8 million and \$8.9 million, respectively, on a pre-tax basis. No tax benefit was recognized with respect to this expense since there is a valuation allowance against the Company's deferred tax asset as of September 30, 2009. Total stock-based compensation expense was \$3.9 million and \$11.1 million, on a pre-tax basis, for the three and nine months ended September 30, 2008, respectively. The associated tax (benefit) expense for the three and nine months ended September 30, 2008 was \$(0.9) million and \$6.1 million, respectively. The expense for the nine months ended September 30, 2008 includes an \$8.6 million non-cash write down of the Company's deferred tax asset for the excess of stock-based compensation expense recorded over the amount of such compensation costs deductible for income tax purposes upon vesting of these stock-based awards.

As of September 30, 2009, unrecognized pre-tax stock-based compensation expense was approximately \$5.1 million and is expected to be recognized over a weighted average period of approximately one year.

As of September 30, 2009, the total number of shares of common stock that remain authorized, reserved, and available for issuance under all plans was approximately 17.9 million, not including shares underlying outstanding grants.

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The following table summarizes stock option activity for the Company for the nine months ended September 30, 2009:

| | Options (in thousands) | Weighted- Average Exercise Price | Weighted- Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (in thousands) |
|--|---------------------------|---|--|--|
| Options of Common Stock | | | | |
| Outstanding at January 1, 2009 | 11,452 | \$ 8.67 | | |
| Granted | | | | |
| Exercised | | | | |
| Forfeited | (339) | 5.58 | | |
| Cancelled or modified | (2,571) | 6.48 | | |
| Outstanding at September 30, 2009 | 8,542 | \$ 9.45 | 3.6 | \$ |
| Vested or expected to vest at September 30, 2009 | 8,327 | \$ 9.59 | 3.6 | \$ |
| Exercisable at September 30, 2009 | 7,308 | \$ 10.11 | 3.5 | \$ |

No options were granted or exercised during either of the nine months ended September 30, 2009 or 2008.

Activity related to shares of nonvested stock is summarized as follows:

| | Number of Nonvested Share Awards (in thousands) | Weighted- Average Grant Date Fair Value |
|--|--|---|
| Shares of Nonvested Common Stock Awards | | |
| Nonvested awards at January 1, 2009 | 6,620 | \$ 2.07 |
| Granted | | |
| Awards vested | (860) | 3.62 |
| Forfeited | (261) | 1.44 |
| Cancelled | (4,000) | 1.72 |
| Nonvested awards at September 30, 2009 | 1,499 | \$ 2.22 |
| Shares of Nonvested Common Stock Units | | |
| Nonvested awards at January 1, 2009 | 1,770 | \$ 5.90 |
| Granted | | |
| Awards vested | (858) | 5.90 |
| Forfeited | (228) | 5.90 |
| Nonvested awards at September 30, 2009 | 684 | \$ 5.90 |

The total fair value of awards of nonvested shares of common stock or common stock units that vested during the nine months ended September 30, 2009 and 2008 was \$8.2 million and \$14.8 million, respectively.

11. INCOME TAXES

For the three months ended September 30, 2009, the Company's effective tax rate was 20.3%. This effective rate differed from the federal tax rate of 35% primarily due to changes in the Company's valuation allowance and the \$985.7 million asset impairment charge recognized by the Company.

For the three months ended September 30, 2008, the Company's effective tax rate was 36.3%. This effective rate differed from the federal tax rate of 35% as the result of state income tax expense, net of federal benefit, certain non-deductible compensation costs, and other non-deductible expenses. The effective rate was also impacted by a state tax benefit, net of federal expense, resulting from a change in the Company's effective state tax rate.

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For the nine months ended September 30, 2009, the Company's effective tax rate was 23.0%. This effective rate differed from the federal tax rate of 35% primarily due to changes in the Company's valuation allowance and the \$985.7 million asset impairment charge recognized by the Company.

For the nine months ended September 30, 2008, the Company's effective tax rate was 9.7%. This effective rate differed from the federal tax rate of 35% as the result of a \$371.7 million asset impairment and disposal charge for which the Company recognized a tax benefit of only \$81.5 million as a significant portion of the asset impairment and disposal charge related to non-deductible goodwill, a non-cash write-down of the Company's deferred tax asset for the excess of stock compensation expense recorded over the amount of such compensation costs deductible for income tax purposes upon the vesting of stock-based awards, state income tax expense, net of federal benefit, certain non-deductible compensation costs, and other non-deductible expenses. The effective rate was also impacted by a state tax benefit, net of federal expense, resulting from a change in the Company's effective state tax rate.

12. NET (LOSS) INCOME PER SHARE

The Company presents basic and diluted earnings per share in its consolidated condensed statement of operations. Basic net income (loss) per share excludes dilution and is computed for all periods presented by dividing net income (loss) available to common stockholders by the weighted average number of common shares outstanding during the year. In the calculation of earnings per share, the Company considers nonvested shares of common stock to be participating securities prior to vesting and are, therefore, included in the earnings allocation in computing basic earnings per share under the two-class method in periods of net income.

Diluted net loss per share is computed in the same manner as basic net loss per share after assuming issuance of common stock for all potentially dilutive equivalent shares, which includes (1) stock options, (2) the effect of the Company's convertible subordinated notes, and (3) nonvested shares of common stock in periods of net loss. Antidilutive instruments are not considered in this calculation.

There are no potentially dilutive equivalent shares related to stock options or nonvested shares of common stock for any of the three or nine months ended September 30, 2009 or the nine months ended September 30, 2008 and no potentially dilutive equivalent shares related to stock options for the three months ended September 30, 2008. Potentially dilutive equivalent shares related to the conversion of the Company's convertible subordinated notes, along with the related interest expense impact, net of tax, into 1.9 million shares of common stock of the Company for each of the three and nine months ended September 30, 2009 and into 4.3 million and 9.7 million shares of common stock of the Company for the three and nine months ended September 30, 2008, respectively, were excluded from the computation of diluted weighted average shares outstanding as their effect is antidilutive.

13. REPORTABLE SEGMENTS

The Company operates two reportable segments, Radio Markets and Radio Network, as there is discrete financial information available for each segment and the segment operating results are reviewed by the chief operating decision maker. The Radio Markets' revenue is primarily derived from the sale of broadcasting time to local, regional and national advertisers. Revenue for the Radio Network is generated primarily through national advertising. The Company presents segment operating income (SOI), which is not calculated according to accounting principles generally accepted in the United States of America, as the primary measure of profit and loss for its operating segments. SOI is defined as operating income by segment adjusted to exclude depreciation and amortization, local marketing agreement fees, stock-based compensation, corporate general and administrative expenses, non-cash charge related to contract obligations, asset impairment and disposal charges and other, net. The Company believes the presentation of SOI is relevant and useful for investors because it allows investors to view segment performance in a manner similar to a primary method used by the Company's management and enhances their ability to understand the Company's operating performance. The Company has previously presented segment operating income before depreciation and amortization (Segment OIBDA), which was not calculated according to accounting principles generally accepted in the United States of America, as a primary measure of profit and loss for its operating segments. However, because of the significance and variability of asset impairment and disposal charges and other non-cash amounts that were reflected in Segment OIBDA, use of this measure by Company management has become less relevant and therefore, management utilizes SOI as the primary measure of profit or loss for its operating segments.

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| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|--------------|
| | 2009 | 2008 | 2009 | 2008 |
| | (in thousands) | | | |
| Net revenue: | | | | |
| Radio Markets | \$ 155,788 | \$ 172,890 | \$ 442,877 | \$ 519,036 |
| Radio Network | 29,364 | 42,883 | 91,302 | 135,380 |
| Segment revenue | \$ 185,152 | \$ 215,773 | \$ 534,179 | \$ 654,416 |
| Intersegment revenue: | | | | |
| Radio Markets | \$ (1,342) | \$ (1,883) | \$ (3,417) | \$ (5,526) |
| Radio Network | | | | |
| Total intersegment revenue | \$ (1,342) | \$ (1,883) | \$ (3,417) | \$ (5,526) |
| Net revenue | \$ 183,810 | \$ 213,890 | \$ 530,762 | \$ 648,890 |
| SOI: | | | | |
| Radio Markets | \$ 58,229 | \$ 66,829 | \$ 155,425 | \$ 201,749 |
| Radio Network | (496) | 6,458 | (2,367) | 20,941 |
| Non-cash amounts related to contractual obligations | | | | (21,440) |
| Corporate general and administrative | (5,156) | (7,277) | (20,164) | (27,080) |
| Local marketing agreement fees | (259) | (337) | (770) | (998) |
| Asset impairment and disposal charges | | (7,310) | (985,653) | (371,711) |
| Stock-based compensation expense | (1,481) | (1,996) | (4,007) | (5,288) |
| Depreciation and amortization | (7,554) | (11,126) | (28,025) | (34,525) |
| Other, net | (5,314) | (30) | (6,311) | 1,666 |
| Operating income (loss) | 37,969 | 45,211 | (891,872) | (236,686) |
| Interest expense, net | 64,583 | 30,629 | 128,020 | 96,057 |
| Gain on extinguishment of debt | | (32,485) | (428) | (85,678) |
| Write-off of deferred financing costs and debt discount upon extinguishment of debt | 37 | 3,133 | 814 | 9,787 |
| (Loss) income before income taxes | (26,651) | 43,934 | (1,020,278) | (256,852) |
| Income tax (benefit) expense | (5,400) | 15,948 | (235,065) | (25,015) |
| Net (loss) income | \$ (21,251) | \$ 27,986 | \$ (785,213) | \$ (231,837) |
| Asset impairment and disposal charges: | | | | |
| Radio Markets | \$ | \$ 7,310 | \$ 912,577 | \$ 351,841 |
| Radio Network | | | 73,076 | 19,870 |
| Total asset impairment and disposal charges | \$ | \$ 7,310 | \$ 985,653 | \$ 371,711 |
| Non-cash amounts related to contractual obligations | | | | |
| Radio Markets | \$ | \$ | \$ | \$ 21,440 |
| Radio Network | | | | |
| Total non-cash amounts related to contractual obligations | \$ | \$ | \$ | \$ 21,440 |

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| | | | | |
|--|----------|-----------|-----------|-----------|
| Segment local marketing agreement fees: | | | | |
| Radio Markets | \$ 259 | \$ 337 | \$ 770 | \$ 998 |
| Radio Network | | | | |
| Total segment local marketing agreement fees | \$ 259 | \$ 337 | \$ 770 | \$ 998 |
| Segment stock-based compensation expense: | | | | |
| Radio Markets | \$ 1,104 | \$ 1,409 | \$ 2,959 | \$ 3,690 |
| Radio Network | 377 | 587 | 1,048 | 1,598 |
| Total segment stock-based compensation expense | \$ 1,481 | \$ 1,996 | \$ 4,007 | \$ 5,288 |
| Segment depreciation and amortization: | | | | |
| Radio Markets | \$ 5,585 | \$ 6,867 | \$ 16,802 | \$ 19,188 |
| Radio Network | 1,969 | 4,259 | 11,223 | 15,337 |
| Total segment depreciation and amortization | \$ 7,554 | \$ 11,126 | \$ 28,025 | \$ 34,525 |

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| | September 30, 2009 | December 31, 2008 |
|---|-----------------------|----------------------|
| | (in thousands) | |
| Identifiable assets: | | |
| Radio Markets, exclusive of goodwill shown separately below | \$ 981,531 | \$ 1,777,878 |
| Goodwill | 292,563 | 432,314 |
| Total Radio Markets identifiable assets | \$ 1,274,094 | \$ 2,210,192 |
| Radio Network, exclusive of goodwill shown separately below | | |
| Goodwill | \$ 70,230 | \$ 135,867 |
| | 29,413 | 60,485 |
| Total Radio Network identifiable assets | \$ 99,643 | \$ 196,352 |
| Corporate and other identifiable assets | \$ 29,535 | \$ 26,426 |
| Total assets | \$ 1,403,272 | \$ 2,432,970 |

14. COMMITMENTS AND CONTINGENCIES

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, or other sources are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated.

Litigation

The Company is involved in certain claims and lawsuits arising in the ordinary course of its business. The Company believes that such litigation and claims will be resolved without a material adverse impact on its results of operations, cash flows or financial condition.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Overview of Net Revenue, Segment Operating Income, Operating Loss, Corporate Expenses and Certain Cash Payments****Radio Markets**

Net revenue for the Radio Markets segment, which represents the Company's owned and operated radio stations, for the quarter ended September 30, 2009 was \$155.8 million, as compared to \$172.9 million for the quarter ended September 30, 2008, a decrease of \$17.1 million, or 9.9%. Generally, our stations in larger metropolitan markets performed better than those stations in medium to small metropolitan markets.

Segment operating income (see description under the heading "Segment Results of Operations" below) for the Radio Markets during the quarter ended September 30, 2009 was \$58.4 million as compared to \$66.8 million during the quarter ended September 30, 2008, a decrease of \$8.4 million. This decrease was due to the decreases in revenue partially offset by significant expense reductions in the current year quarter of \$8.5 million, or 8.0%, compared to the quarter ended September 30, 2008.

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Operating income at the Radio Markets for the quarter ended September 30, 2009 was \$51.4 million compared to \$50.9 million for the quarter ended September 30, 2008, an increase of \$0.5 million. The increase in operating income was primarily due to the impairment charge recorded in the third quarter of 2008 with no corresponding charge in the same period in 2009, partially offset by lower revenues and operating expenses in 2009 as compared to the same period in 2008.

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Radio Network

Net revenue for the Radio Network for the quarter ended September 30, 2009 was \$29.4 million, as compared to \$42.9 million for the quarter ended September 30, 2008, a decrease of \$13.5 million, or 31.5%. The loss of the Sean Hannity and Paul Harvey network programs accounted for approximately \$8.0 million of the net revenue decline in the third quarter of 2009.

Segment operating loss for the Radio Network during the quarter ended September 30, 2009 was \$0.5 million compared to income of \$6.5 million during the quarter ended September 30, 2008, a decrease of \$7.0 million. This was due to the decreases in revenue partially offset by significant expense reductions in the 2009 quarter of \$6.6 million, or 18.0%, compared to the quarter ended September 30, 2008.

Operating loss at Radio Network for the quarter ended September 30, 2009 was \$2.9 million compared to operating income of \$1.6 million for the quarter ended September 30, 2008, a decrease of \$4.5 million. This decrease was primarily due to the decline in revenues, partially offset by reduced operating expenses, including depreciation and amortization.

Consolidated

Consolidated net revenue for the quarter ended September 30, 2009 was \$183.8 million, as compared to \$213.9 million for the quarter ended September 30, 2008, a decrease of \$30.1 million, or 14.1%.

Consolidated segment operating income for the quarter ended September 30, 2009 was \$57.9 million, compared to \$73.3 million for the quarter ended September 30, 2008, a decrease of approximately \$15.4 million, or 21.0%. This decrease was due to the decreases in revenue partially offset by significant expense reductions in the current year quarter of \$14.5 million, or 10.3%, compared to the quarter ended September 30, 2008. The Company remains focused on the reduction of costs in all areas while continuing to invest in profitable programming.

Consolidated operating income for the quarter ended September 30, 2009 was \$38.0 million compared to \$45.2 million for the quarter ended September 30, 2008, a decrease of approximately \$7.2 million. The third quarter of 2008 reflected an asset impairment charge of \$7.3 million. For additional information regarding the asset impairment and disposal charges see the discussion below under the heading Components of Expenses.

Corporate general and administrative expense was \$5.2 million for the quarter ended September 30, 2009 compared to \$7.3 million for the quarter ended September 30, 2008, a decrease of approximately \$2.1 million, or 28.8%. The decrease in 2009 is primarily attributable to a \$1.6 million decrease in non-cash stock compensation.

Cash paid for interest, capital expenditures and income taxes for the quarter ended September 30, 2009 were \$25.7 million, \$3.1 million and \$0.3 million, respectively. For the quarter ended September 30, 2008, cash paid for interest, capital expenditures and income taxes were \$33.0 million, \$1.9 million and \$1.8 million, respectively.

Company Summary

On February 6, 2006, Citadel Broadcasting Corporation (the Company) and Alphabet Acquisition Corp., a Delaware corporation and wholly-owned subsidiary of the Company (Merger Sub), entered into an Agreement and Plan of Merger with The Walt Disney Company (TWDC), a Delaware corporation, and ABC Radio Holdings, Inc., formerly known as ABC Chicago FM Radio, Inc. (ABC Radio), a Delaware corporation and wholly-owned subsidiary of TWDC (the Agreement and Plan of Merger). The Company refers to the Agreement and Plan of Merger as the ABC Radio Merger Agreement.

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The Company, Merger Sub, TWDC and ABC Radio consummated the (i) separation of the ABC Radio Network business and 22 ABC radio stations (collectively, the ABC Radio Business) from TWDC and its subsidiaries, (ii) spin-off of ABC Radio, which holds the ABC Radio Business, and (iii) merger of Merger Sub with and into ABC Radio, with ABC Radio surviving as a wholly-owned subsidiary of the Company (the Merger).

In connection with these transactions, TWDC or one of its affiliates retained cash from the proceeds of debt incurred by ABC Radio on June 5, 2007 in the amount of \$1.35 billion (the ABC Radio Debt). The Merger became effective on June 12, 2007. Also, on June 12, 2007, to effectuate the Merger, the Company entered into a new credit agreement with several lenders to provide debt financing to the Company in connection with the payment of a special distribution on June 12, 2007 immediately prior to the closing of the Merger in the amount of \$2.4631 per share to all pre-merger holders of record of Company common stock as of June 8, 2007 (the Special Distribution), the refinancing of Citadel Broadcasting's existing senior credit facility, the refinancing of the ABC Radio Debt and the completion of the Merger. This senior credit and term agreement provided for \$200 million in revolving loans through June 2013, \$600 million term loans maturing in June 2013 (Tranche A Term Loans), and \$1,535 million term loans maturing in June 2014 (Tranche B Term Loans) (collectively, the Senior Credit and Term Facility). The Senior Credit and Term Facility contains certain financial and nonfinancial covenants.

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On March 26, 2009, the Company entered into the Fourth Amendment to the Senior Credit and Term Facility, dated as of June 12, 2007, as previously amended, among the Company and several lenders (the Fourth Amendment). The Fourth Amendment modified various terms of the Senior Credit and Term Facility, including suspending certain financial covenants through 2009 while imposing new monthly covenants for 2009 (as further described in the Senior Debt section below). As of September 30, 2009, the balance outstanding under the Senior Credit and Term Facility was \$2,056.2 million. As of September 30, 2009, the Company was in compliance with the terms of the Senior Credit and Term Facility and expects to remain in compliance with these terms through 2009. However, the Fourth Amendment added additional covenants for 2010, which the Company does not expect to meet. The Fourth Amendment requires the Company to have at least \$150 million of available cash as of January 15, 2010 and that the remaining convertible subordinated notes be amended by January 15, 2010 to provide for a maturity date on or after September 30, 2014, among other things. Additionally, as of the quarter ended March 31, 2010, the Company would be required to comply with the financial leverage covenant required prior to the Fourth Amendment under section 13.1 of the Senior Credit and Term Facility at a rate of 7.75 to 1.0, reducing to 7.25 to 1.0 on June 30, 2010, and further reducing to 6.75 to 1.0 on December 31, 2010. The Fourth Amendment also requires that if the Company's cash exceeds \$30,000,000 at any time, then the Company must put the amount in excess of \$30,000,000 (the Excess Cash) into a cash collateral account for the benefit of the Company's lenders. The Company will not have access to the cash collateral account to operate its business, fulfill its obligations, or to otherwise meet its liquidity needs without the consent of the lenders. As of September 30, 2009, approximately \$4.0 million of Excess Cash is included in prepaid expenses and other current assets on the Company's accompanying consolidated condensed balance sheet.

Based on the current economic conditions and capital markets, the Company does not expect to meet its covenant requirements under the Senior Credit and Term Facility as of January 15, 2010. In May 2009, the Company hired a financial advisor to assist in the evaluation of the Company's financial options, including a possible refinancing and restructuring of its capital structure and debt. The Company is currently in discussions with its lenders regarding this matter, including the possibility of seeking relief through a Chapter 11 filing under the U.S. Bankruptcy Code; however, there can be no assurance that any definitive agreement shall be reached. As of September 30, 2009, discussions with lenders were ongoing, and they remain ongoing as of the filing of the report in which these financial statements appear. Should the Company default under our Senior Credit and Term Facility and under the terms of our convertible subordinated notes, our indebtedness may be accelerated, we would not be able to satisfy these obligations, and the Company would likely need to seek relief through a Chapter 11 filing under the U.S. Bankruptcy Code.

The Company is the third largest radio broadcasting company in the United States based on net broadcasting revenue. The Company owns and operates radio stations and holds Federal Communications Commission (FCC) licenses in 27 states and the District of Columbia. Radio stations serving the same geographic area (i.e., principally a city or combination of cities) are referred to as a market. The Company aggregates the geographic markets in which it operates into one reportable segment (Radio Markets). The Company has a well-clustered radio station portfolio that is diversified by programming formats, geographic regions, audience demographics and advertising clients. In addition to owning and operating radio stations, we also own and operate Citadel Media, which was formerly identified as ABC Radio Network (the Radio Network), which produces and distributes a variety of news and news/talk radio programming and formats. The Radio Network is a leading radio network and syndicator with approximately 4,000 station affiliates and 8,500 program affiliations and is a separate reportable segment. Our top 25 markets accounted for approximately 76% of the Radio Markets segment revenue for each of the three and nine months ended September 30, 2009 and 2008. The Radio Markets segment and the Radio Network segment contributed approximately 84% and approximately 16%, respectively, of our consolidated net revenues for the quarter ended September 30, 2009 and approximately 80% and approximately 20%, respectively, for the quarter ended September 30, 2008. During the nine months ended September 30, 2009, the Radio Markets segment and the Radio Network segment contributed approximately 83% and approximately 17%, respectively, of our consolidated net revenues and approximately 79% and approximately 21%, respectively, for the nine months ended September 30, 2008.

Advertising Revenue

The Radio Markets' primary source of revenue is the sale of local and national advertising. Net revenue is gross revenue less agency commissions. Radio advertising time can be purchased on a local spot, national spot or network basis. Local and national spot purchases allow an advertiser to choose a geographic market for the broadcast of commercial messages and are typically best suited for an advertiser whose business or ad campaign is in a specific geographic area. Local revenue is comprised of advertising sales made within a station's local market or region either directly with the advertiser or through the advertiser's agency. National revenue represents sales made to advertisers/agencies that are purchasing advertising for multiple markets. These sales are typically facilitated by our national representation firm, which serves as our sales agent in these transactions. For both of the three and nine months ended September 30, 2009, approximately 79% of our Radio Markets' net broadcast revenue was generated from the sale of local advertising, and approximately 21% was generated from the sale of national advertising. For the three and nine months ended September 30, 2008, approximately 80% and 81%, respectively, of our Radio Markets' net broadcast revenue was generated from the sale of local advertising, and approximately 20% and 19%, respectively, was generated from the sale of national advertising. The major categories of our Radio Markets' advertisers include automotive companies, restaurants, fast food chains, banks, entertainment companies, medical companies, and grocery and retail merchants. Our revenue is affected primarily by the advertising rates our radio stations charge as well as the overall demand for radio advertising time in a market. Advertising rates are based primarily on four factors:

a radio station's audience share in the demographic groups targeted by advertisers, as measured principally by quarterly reports issued by The Arbitron Ratings Company (Arbitron);

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the number of radio stations, as well as other forms of media, in the market competing for the same demographic groups;

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

the size of the market.

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 net 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.

Advertising can also be sold on a network basis, which allows advertisers to target commercial messages to a specific demographic audience nationally through the Radio Network business affiliates on a cost-efficient basis compared with placing individual spots across radio station markets. The Radio Network generates substantially all of its revenue from the sale of advertising time accumulated from its affiliate stations. In exchange for the right to broadcast Radio Network programming, its affiliates remit a portion of their advertising time, and in some cases, an additional fee, and may be paid a fee by the Radio Network. This affiliate advertising is then aggregated into packages focused on specific demographic groups and sold by the Radio Network to its advertiser clients who want to reach the listeners who comprise those demographic groups on a national basis. The Radio Network also generates advertising revenue by embedding a defined number of advertising units in its syndicated programs, which it sells to advertisers at premium prices. In addition, the Radio Network generates revenue through affiliate contracts whereby the affiliates agree to air a certain number of commercials on a weekly basis for a set amount of compensation. The Radio Network then sells their airtime to advertisers that want to reach a large audience across all of the Radio Network affiliates. Since the Radio Network generally sells its advertising time on a national basis rather than station by station, the Radio Network generally does not compete for advertising dollars with the stations in the Radio Markets.

The Radio Network is also the exclusive sales representative for the ESPN Radio Network content, providing both sales and distribution services. ESPN produces the network's programming, which includes ESPN SportsCenter, Mike & Mike In The Morning, hosted by Mike Greenberg and former NFL player Mike Golic, as well as national broadcasts of Major League Baseball, the NBA, and Bowl Championship Series. The ESPN Radio Network Sales Representation Agreement, entered into as of June 12, 2007, sets forth the terms under which the Radio Network acts as the exclusive sales representative for the ESPN Radio Network. The Radio Network provides a sales staff to solicit and negotiate the sale of advertising on behalf of the ESPN Radio Network and to manage the advertising trafficking, billing and collection functions in exchange for a portion of all net sales generated on behalf of the ESPN Radio Network.

Both our Radio Markets and Radio Network compete for creative and performing on-air talent in a highly competitive industry with other radio stations, radio networks and other competing media. As such, while the Company tries to hire and maintain key on-air and programming personnel, we may not be successful in doing so. While the Company does not believe that the loss of any one or two on-air personalities would have a material adverse effect on our consolidated financial condition and results of operations, the Company's overall loss of several key on-air personalities combined could have a material adverse effect on our business, and there can be no assurance that we will be able to replace or to retain such key on-air personalities.

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In the radio broadcasting industry, seasonal revenue fluctuations are common and are due primarily to variations in advertising expenditures by local and national advertisers. As is typical in the radio broadcasting industry, we expect our revenue will be lowest in the first calendar quarter of the year; however, changes in the economy and the industry itself are making it increasingly difficult to predict or anticipate seasonal revenue fluctuations.

Components of Expenses

Our most significant expenses associated with the Radio Markets are (1) sales costs, (2) programming expenses, (3) advertising and promotional expenses and (4) administrative and technical expenses. Our most significant expenses associated with the Radio Network are (1) sales costs, (2) programming, production, and distribution costs (including broadcast rights fees), (3) affiliate compensation, and (4) administrative expenses. We strive to control these expenses by working closely with local management and to control general administrative costs by 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, where feasible.

Depreciation and amortization of tangible and definite-lived intangible assets associated with acquisitions and interest expense incurred from such acquisitions, most significantly the ABC Radio Business acquisition, are also significant factors in determining our overall profitability.

In addition, the Company's indefinite-lived intangible assets include FCC broadcast licenses and goodwill. The Company evaluates its goodwill and FCC licenses by reporting unit for possible impairment annually or more frequently if events or changes in circumstances indicate that such assets might be impaired. The Company operates its business in two reportable segments, Radio Markets and the Radio Network. The Company tests for impairment of goodwill at the reporting unit level, which the Company has determined to be a geographic market for its radio stations and the Radio Network for its network operations.

The Company determines the fair value of goodwill using primarily a market approach for each reporting unit. The market approach compares recent sales and offering prices of similar properties or businesses. The Company believes a market approach reflects the best estimate of the fair value of an entire reporting unit as radio markets are generally sold within the industry based on a multiple of EBITDA (earnings before interest, taxes and depreciation and amortization). Therefore, the Company utilizes EBITDA specific to the geographic market and applies a multiple based on recent transactions or a multiple derived from public radio company information to estimate the value of the reporting unit. The Company considered the cost approach to be inapplicable as this approach does not capture going concern value of the business. If the carrying amount of the goodwill is greater than the estimated fair value of the goodwill of the respective reporting unit, the carrying amount of goodwill of that reporting unit is reduced to its estimated fair value, and such reduction may have a material impact on the Company's consolidated financial condition and results of operations.

The Company evaluates the fair value of its FCC licenses at the unit of account level and has determined the unit of account to be the geographic market level. The Company's lowest level of identifiable cash flow is the geographic market level. For purposes of testing the carrying value of the Company's FCC licenses for impairment, the fair value of FCC licenses for each geographic market contains significant assumptions incorporating variables that are based on past experiences and judgments about future performance using industry normalized information for an average station within a market. These variables would include, but are not limited to: (1) forecasted revenue growth rates for each radio geographic market; (2) market share and profit margin of an average station within a market; (3) estimated capital start-up costs and losses incurred during the early years; (4) risk-adjusted discount rate; (5) the likely media competition within the market area; and (6) expected growth rates in perpetuity to estimate terminal values. These variables on a geographic market basis are susceptible to changes in estimates, which could result in significant changes to the fair value of the FCC licenses on a geographic market basis. If the carrying amount of the FCC license is greater than its estimated fair value in a given geographic market, the carrying amount of the FCC license in that geographic market is reduced to its estimated fair value, and such reduction may have a material impact on the Company's consolidated financial condition and results of operations.

As more fully set forth in "Critical Accounting Policies" in Item 7 in Citadel Broadcasting Corporation's Annual Report on Form 10-K for the year ended December 31, 2008, FCC licenses and goodwill represent a substantial portion of our total assets. The fair value of FCC licenses and goodwill is primarily dependent on the future cash flows of the Radio Markets and Radio Network and other assumptions, including, but not limited to, forecasted revenue growth rates, market share, profit margins and a risk-adjusted discount rate.

The Company's annual impairment testing date is October 1st of each year and, therefore, the Company performs its annual impairment analysis in the fourth quarter and, if necessary, performs interim impairment analyses. During the year ended December 31, 2008, the Company recognized non-cash impairment and disposal charges of \$1,197.4 million, which was comprised of \$824.4 million and \$373.0 million relating to FCC licenses and goodwill, respectively, to reduce the carrying values to their

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estimated fair values. The material assumptions utilized in the Company's analyses in 2008 included overall future market revenue growth rates for the residual year of approximately 2.5% at June 30, 2008 and 2.0% at December 31, 2008, a weighted average cost of capital of 9% at June 30, 2008 and 10.0% at December 31, 2008 and estimated EBITDA multiples of between 8.6 times and 9.4 times at June 30, 2008 and 7.0 times at December 31, 2008.

The radio marketplace continued to deteriorate during the first six months of 2009 and the Company expected advertising revenue to continue to decline in comparison to the same periods in the prior year for the remainder of 2009. Radio market revenue estimates for future years had continued to decline at a rate greater than anticipated at December 31, 2008. In May 2009, the Company engaged a financial advisor to assist in the evaluation of the Company's financial options, including a possible refinancing and restructuring of its capital structure. This process is ongoing as of the filing of this report. As a result of the continued deterioration in the radio marketplace through the second quarter of 2009 and the greater than anticipated decline in overall radio market revenue estimates for future years, as well as fair value indicators resulting from the Company's evaluation of its capital structure available at that time, the Company conducted an interim impairment test for its Radio Markets and Radio Network as of June 30, 2009. This interim impairment test resulted in a non-cash impairment charge of approximately \$933.1 million to reduce the carrying value of FCC licenses and goodwill by \$762.3 million and \$170.8 million, respectively, to their estimated fair values. The material assumptions utilized in the Company's analysis as of June 30, 2009 included overall future market revenue growth rates for the residual year of approximately 1.5%, weighted average cost of capital of 12.0% and estimated EBITDA multiples of approximately 5.0 times.

If the material assumptions utilized are less favorable than those projected by us or if market conditions and operational performance of the Company's reporting units were to continue to deteriorate and management had no expectation that the performance would improve within a reasonable period of time 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 additional impairment charges in future periods, which could have a material impact on our financial condition and results of operations. As an example and based on the impairment analysis performed as of June 30, 2009, increasing the weighted average cost of capital from 12.0% to 12.5% would result in an additional impairment charge of approximately \$42.2 million to the Company's FCC licenses and decreasing the estimated future market revenue growth rates from approximately 1.5% to 1.0% would result in an additional impairment charge of approximately \$27.1 million to the Company's FCC licenses. As of September 30, 2009, the Company concluded that there had been no conditions or events that would require an additional interim asset impairment analysis.

In connection with the Merger, the Company is required to divest certain stations to comply with FCC ownership limits. Therefore, these stations, the carrying value of which is immaterial, were assigned to The Last Bastion Station Trust, LLC ("Last Bastion") as trustee under a divestiture trust that complies with FCC rules as of the closing date of the Merger. During the year ended December 31, 2008, the Company acquired a radio station in Salt Lake City, UT, in exchange for the balance of a note receivable, which required the Company to transfer one of its existing stations in its Salt Lake City market into a divestiture trust (together with Last Bastion, the "Divestiture Trusts"). The Company recognized non-cash impairment and disposal charges of \$10.0 million in the second quarter of 2009 in order to write down the FCC licenses of stations held in the Divestiture Trusts to their estimated fair value since these stations are more likely than not to be disposed. The Company recognized \$10.8 million of non-cash impairment and disposal charges during the year ended December 31, 2008, including \$7.3 million during the three months ended September 30, 2008 primarily as a result of the transfer of the Salt Lake City station discussed above. This non-cash impairment and disposal charge was recognized in order to write down the FCC license of the transferred station to its estimated fair value since this station is more likely than not to be disposed. The Company continues to evaluate the carrying values of these stations and may be required to record a write-down of the assets in future periods if the carrying values exceed their estimated fair market values.

In connection with the Company's June 30, 2009 interim impairment test, the Company also assessed the carrying value of certain material definite-lived intangible assets at the Radio Network. This assessment resulted in a non-cash impairment charge of approximately \$42.6 million to reduce the carrying value of the definite-lived intangibles to their estimated fair values.

Results of Operations

Our results of operations represent the operations of the radio stations owned or operated by us, or for which we provided sales and marketing services, during the applicable periods, and of the Radio Network. The following discussion should be read in conjunction with the accompanying consolidated condensed 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 ("LMAs") and joint sales agreements ("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.

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Additionally, as opportunities arise, we may, on a selective basis, change or modify a station's format due to changes in listeners' tastes or changes in a competitor's format. This could have an immediate negative impact on a station's ratings, and there are no guarantees that the modification or change to a station's format will be beneficial at some future time. In addition, we try to hire and maintain key on-air and programming personnel, but may not be successful in doing so. Our management is continually focused on these opportunities as well as the risks and uncertainties associated with any change to a station's format, key on-air personalities or programming personnel. We believe that the diversification of formats at our stations helps to insulate our Radio Markets from the effects of changes in the musical tastes of the public with respect to any particular format. We strive to develop strong listener loyalty as audience ratings in local markets are crucial to our stations' financial success.

Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008*Net Revenue*

| | September 30, 2009 | September 30, 2008 (Amounts in millions) | \$ Change |
|--------------|--------------------|---|-----------|
| Net revenue: | | | |
| Local | \$ 122.9 | \$ 136.8 | \$ (13.9) |
| National | 60.9 | 77.1 | (16.2) |
| Net revenue | \$ 183.8 | \$ 213.9 | \$ (30.1) |

Net revenue for the three months ended September 30, 2009 decreased by approximately \$30.1 million, or 14.1%, from approximately \$213.9 million during the three months ended September 30, 2008 to approximately \$183.8 million. This decline was due to lower revenue of \$17.1 million from our Radio Markets, primarily due to decreases in local advertising revenue, and \$13.5 million from the Radio Network, due primarily to an industry wide decline in radio advertising and the Radio Network's loss of the Sean Hannity and Paul Harvey syndicated programs. Generally, our stations in larger metropolitan markets performed better than those stations in medium to small metropolitan markets. Among the larger metropolitan markets, our stations in Chicago, IL, Dallas, TX and Detroit, MI significantly outperformed their markets, while revenues in our San Francisco stations declined more than the overall market. On average, our stations in medium to small metropolitan markets experienced lower revenue declines than the markets in which they operate.

As a result of the current economic environment, the Company believes net revenue will continue to decline in the remaining quarter of 2009 as compared to the same period in the prior year.

Cost of Revenue

| | September 30, 2009 | September 30, 2008 (Amounts in millions) | \$ Change |
|---|--------------------|---|-----------|
| Cost of revenue (exclusive of depreciation and amortization shown separately below) | \$ 76.4 | \$ 86.9 | \$ (10.5) |

Cost of revenue decreased approximately \$10.5 million, or 12.1%, to \$76.4 million for the three months ended September 30, 2009 as compared to \$86.9 million for the three months ended September 30, 2008. This decrease is primarily attributable to reductions in programming costs at both the Radio Markets and the Radio Network, including costs associated with the Sean Hannity and Paul Harvey syndicated programs as well as reductions in compensation paid to affiliates by the Radio Network.

Selling, General and Administrative

| | September 30, 2009 | September 30, 2008 (Amounts in millions) | \$ Change |
|--|--------------------|---|-----------|
| Selling, general and administrative expenses | \$ 51.2 | \$ 55.7 | \$ (4.5) |

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Selling, general and administrative expenses for the three months ended September 30, 2009 decreased approximately \$4.5 million, or 8.1%, to \$51.2 million from \$55.7 million for the three months ended September 30, 2008. This decrease was primarily attributed to decreases in selling-related costs at both the Radio Markets and the Radio Network due to lower revenue, as well as decreases in overall general and administrative costs at the Radio Markets.

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| | September 30, 2009 | September 30, 2008 (Amounts in millions) | \$ Change |
|---|--------------------|---|-----------|
| Corporate general and administrative expenses | \$ 5.2 | \$ 7.3 | \$ (2.1) |

Corporate general and administrative expenses decreased \$2.1 million, or 28.8%, from \$7.3 million during the three months ended September 30, 2008 to \$5.2 million for the three months ended September 30, 2009. The decrease in corporate general and administrative expense is primarily the result of a decrease in stock-based compensation expense of \$1.6 million.

Asset Impairment and Disposal Charges

| | September 30, 2009 | September 30, 2008 (Amounts in millions) | \$ Change |
|---------------------------------------|--------------------|---|-----------|
| Asset impairment and disposal charges | \$ | \$ 7.3 | \$ (7.3) |

During the three months ended September 30, 2008, the Company acquired a radio station in Salt Lake City, UT, in exchange for the balance of a note receivable, which required the Company to transfer one of its existing stations in its Salt Lake City market into the Divestiture Trusts. The Company recognized a non-cash impairment and disposal charge of \$7.3 million, primarily as a result of this transfer, in order to write down the FCC license of the transferred station to its estimated fair value since this station is more likely than not to be disposed.

Our annual impairment testing date is October 1st of each year; therefore, we will perform our annual impairment analysis in the fourth quarter. If market conditions and operational performance of the Company's reporting units were to continue to deteriorate and management had no expectation that the performance would improve within a reasonable period of time, or if facts and circumstances change that would, more likely than not, reduce the estimated fair value of the FCC licenses and goodwill below their adjusted carrying amounts, the Company may be required to recognize additional non-cash impairment charges in future periods, which could have a material impact on the Company's financial condition and results of operations.

Depreciation and Amortization

| | September 30, 2009 | September 30, 2008 (Amounts in millions) | \$ Change |
|-------------------------------------|--------------------|---|-----------|
| Depreciation and amortization: | | | |
| Depreciation | \$ 3.8 | \$ 4.3 | \$ (0.5) |
| Amortization | 3.7 | 6.8 | (3.1) |
| Total depreciation and amortization | \$ 7.5 | \$ 11.1 | \$ (3.6) |

Depreciation and amortization expense was \$7.5 million during the three months ended September 30, 2009, compared to \$11.1 million for the three months ended September 30, 2008, a decrease of \$3.6 million, or 32.4%. The decrease in depreciation and amortization expense is primarily attributable to lower asset values as a result of the asset impairment charge for definite-lived intangible assets recognized in the second quarter of 2009.

Other, Net

For the three months ended September 30, 2009, other, net of approximately \$5.3 million represents restructuring costs for financial advisory services and legal expenditures.

Operating Income

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| | September 30, 2009 | September 30, 2008 (Amounts in millions) | \$ Change |
|------------------|--------------------|---|-----------|
| Operating income | \$ 38.0 | \$ | |