

CITADEL BROADCASTING CORP
Form 10-Q
November 10, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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, 2004

OR

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

Commission file number: 001-31740

CITADEL BROADCASTING CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(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

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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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes No

As of November 2, 2004, net of shares held in treasury, there were 126,489,594 shares of common stock, \$.01 par value per share, outstanding.

Citadel Broadcasting Corporation

Form 10-Q
September 30, 2004

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FORWARD-LOOKING INFORMATION

Certain matters in this 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. Forward-looking statements are typically identified by the words "believes," "expects," "anticipates," and similar expressions. 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 which may cause actual results, performance or achievements of Citadel Broadcasting Corporation 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 impact of current or pending legislation and regulation, antitrust considerations and other risks and uncertainties, as well as those matters discussed under the captions Forward-Looking Statements and Risk Factors in Item 1 of our Annual Report on Form 10-K for the year ended December 31, 2003. Citadel Broadcasting Corporation 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 data)
(unaudited)

| | September 30, 2004 | December 31, 2003 |
|--|-------------------------------|------------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,391 | \$ 3,467 |
| Accounts receivable, net | 76,260 | 76,262 |
| Prepaid expenses and other current assets (including deferred income tax assets of \$3,588 and \$3,102, respectively) | 7,284 | 7,554 |
| Total current assets | 86,935 | 87,283 |
| Property and equipment, net | 96,508 | 97,859 |
| FCC licenses | 1,436,802 | 1,349,808 |
| Goodwill | 662,991 | 608,646 |
| Other intangibles, net | 16,092 | 84,832 |
| Other assets, net | 16,168 | 20,905 |
| Total assets | \$ 2,315,496 | \$ 2,249,333 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 30,715 | \$ 26,519 |
| Current maturities of senior debt and other long-term obligations | 288 | 8,583 |
| Total current liabilities | 31,003 | 35,102 |
| Senior debt | 284,000 | 159,980 |
| Convertible subordinated notes | 330,000 | - |
| Subordinated debt | - | 500,000 |
| Other long-term obligations, less current maturities | 41,074 | 24,612 |
| Deferred income tax liabilities | 218,738 | 297,195 |
| Total liabilities | 904,815 | 1,016,889 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock, \$.01 par value - authorized, 200,000,00 shares at September 30, 2004 and December 31, 2003; no shares issued or outstanding at September 30, 2004 and December 31, 2003 | - | - |
| Common stock, \$.01 par value - authorized, 500,000,000 shares at September 30, 2004 and December 31, 2003; issued, 132,507,094 and 122,865,469 shares at September 30, 2004 and December 31, 2003 | 1,325 | 1,229 |

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| | | |
|---|--------------|--------------|
| Treasury stock, at cost, 4,573,300 shares at September 30, 2004 | (63,100) | - |
| Additional paid-in capital | 1,645,473 | 1,468,508 |
| Deferred compensation | (1,465) | (4,928) |
| Accumulated deficit | (171,552) | (232,365) |
| Total shareholders' equity | 1,410,681 | 1,232,444 |
| Total liabilities and shareholders | \$ 2,315,496 | \$ 2,249,333 |

See accompanying notes to consolidated condensed financial statements.

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CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES
Consolidated Condensed Statements of Operations
(in thousands, except share and per share data)
(unaudited)

| | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------|-------------------|-------------|
| | September 30, | | September 30, | |
| | 2004 | 2003 | 2004 | 2003 |
| Net broadcasting revenue | \$ 107,524 | \$ 96,707 | \$ 301,726 | \$ 269,308 |
| Operating Expenses: | | | | |
| Cost of revenues, exclusive of depreciation and amortization shown separately below | 29,584 | 24,901 | 83,500 | 72,071 |
| Selling, general and administrative | 29,617 | 28,171 | 90,103 | 83,133 |
| Corporate general and administrative | 3,094 | 2,456 | 8,629 | 7,399 |
| Corporate non-cash stock compensation | 863 | 2,158 | 3,463 | 8,181 |
| Local marketing agreement fees | 516 | 601 | 1,539 | 1,582 |
| Depreciation and amortization | 22,044 | 34,959 | 84,408 | 105,770 |
| Non-cash charge related to contract obligations | 16,449 | - | 16,449 | - |
| Other, net | (781) | 31 | (953) | 67 |
| Operating expenses | 101,386 | 93,277 | 287,138 | 278,203 |
| Operating income (loss) | 6,138 | 3,430 | 14,588 | (8,895) |
| Non-operating expenses: | | | | |
| Interest expense, net, including amortization of debt issuance costs of \$482, \$666, \$1,517 and \$2,495, respectively | 3,688 | 11,091 | 13,406 | 38,750 |
| Write off of deferred financing costs due to extinguishment of debt | 2,966 | 8,154 | 13,615 | 8,154 |
| Non-operating expenses, net | 6,654 | 19,245 | 27,021 | 46,904 |
| Loss before income taxes | (516) | (15,815) | (12,433) | (55,799) |
| Income tax (benefit) expense | (90,582) | 7,338 | (73,246) | 20,151 |
| Net income (loss) | \$ 90,066 | \$ (23,153) | \$ 60,813 | \$ (75,950) |
| Net income (loss) per share - basic | \$ 0.69 | (\$0.20) | \$ 0.47 | (\$0.74) |
| | \$ 0.62 | (\$0.20) | \$ 0.44 | (\$0.74) |

Net income (loss) per share -
diluted

Weighted average common shares
outstanding:

| | | | | |
|---------|-------------|-------------|-------------|-------------|
| Basic | 130,672,414 | 113,888,751 | 130,201,684 | 102,117,504 |
| Diluted | 146,473,239 | 113,888,751 | 143,758,133 | 102,117,504 |

See accompanying notes to consolidated condensed financial statements

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

| | Nine Months Ended September 30, | |
|---|------------------------------------|-------------|
| | 2004 | 2003 |
| Cash flows from operating activities: | | |
| Net income (loss) | \$ 60,813 | \$ (75,950) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 84,408 | 105,770 |
| Write off of deferred financing costs due to extinguishment of debt | 13,615 | 8,154 |
| Amortization of debt issuance costs | 1,517 | 2,495 |
| Non-cash charge related to contract obligations | 16,449 | - |
| Deferred income taxes | (75,201) | 19,121 |
| Stock compensation expense | 3,463 | 8,181 |
| Other non-cash (gain) loss | (953) | 67 |
| Changes in operating assets and liabilities, net of acquisitions: | | |
| Accounts receivable | 2,202 | (3,017) |
| Prepaid expenses and other current assets | (1,479) | (1,425) |
| Accounts payable, accrued liabilities and other obligations | (2,125) | 1,830 |
| Net cash provided by operating activities | 102,709 | 65,226 |
| Cash flows from investing activities: | | |
| Capital expenditures | (6,981) | (4,697) |
| Cash paid to acquire stations | (157,534) | (171,430) |
| Proceeds from sale of assets | 8,054 | 927 |
| Other assets, net | 1,754 | (591) |
| Net cash used in investing activities | (154,707) | (175,791) |
| Cash flows from financing activities: | | |
| Retirement of subordinated debt | (500,000) | - |
| Issuance of convertible subordinated notes | 330,000 | - |
| Debt issuance costs | (11,060) | (53) |
| Proceeds from senior debt | 486,500 | 106,000 |
| Principal payments on senior debt | (370,611) | (430,889) |
| Principal payments on other long-term obligations | (428) | (336) |
| Repayment of shareholder notes | 1,283 | 766 |
| Proceeds from public stock offerings, net of costs incurred | 175,669 | 448,772 |
| Exercise of stock options, net of costs incurred | 142 | - |
| Repurchase of stock | (59,573) | - |
| Net repurchases of shares of Class B common stock | - | (3,700) |
| Net cash provided by financing activities | 51,922 | 120,560 |
| Net (decrease) increase in cash and cash equivalents | (76) | 9,995 |

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| | | | | |
|--|----|-------|----|--------|
| Cash and cash equivalents, beginning of period | | 3,467 | | 2,134 |
| Cash and cash equivalents, end of period | \$ | 3,391 | \$ | 12,129 |

See accompanying notes to consolidated condensed financial statements.

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

| | Nine Months Ended September 30, | |
|---|--|-------------|
| | 2004 | 2003 |
| <i>Supplemental schedule of investing activities</i> | | |
| The Company completed various radio station acquisitions during the nine months ended September 30, 2004 and 2003. In connection with these acquisitions, certain liabilities were assumed. | | |
| Fair value of assets acquired | \$ 158,217 | \$ 179,471 |
| Cash paid to acquire stations | (157,534) | (171,430) |
| Liabilities assumed | \$ 683 | \$ 8,041 |
| On July 29, 2004, the Company completed its exchange of radio stations in the Bloomington, IL market for stations in the Harrisburg/Lancaster, PA market and the Erie, PA market, plus a cash payment to the Company. The non-cash portion of this transaction is not reflected in the table above. | | |
| Non-cash exchange of assets | \$ 39,647 | |
| <i>Supplemental schedule of cash flow information</i> | | |
| Cash Payments: | | |
| Interest | \$ 11,124 | \$ 31,246 |
| Income taxes | 1,292 | 850 |
| Barter Transactions: | | |
| Equipment purchases through barter | 151 | 88 |
| Barter Revenue - included in gross broadcasting revenue | 6,779 | 5,161 |
| Barter Expenses - included in cost of revenues | 6,409 | 5,069 |
| Other Non-Cash Transactions: | | |
| FCC license asset in exchange for other long-term liabilities | | 12,000 |

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

Citadel Broadcasting Corporation was incorporated in Delaware in 1993 but did not have any business or assets until it was capitalized by partnerships affiliated with Forstmann Little & Co. (FL&Co.) in connection with the acquisition of substantially all of the outstanding common stock of Citadel Communications Corporation in a leveraged buyout transaction. In July 2004, Citadel Communications Corporation was liquidated into Citadel Broadcasting Corporation. Citadel Broadcasting Corporation owns all of the issued and outstanding common stock of Citadel Broadcasting Company. Citadel Broadcasting Company owns and operates radio stations and holds Federal Communications Commission (FCC) licenses in twenty-four states. 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 markets in which it operates into one reportable segment as defined by Statement of Financial Accounting Standards (SFAS) No. 131, *Disclosures about Segments of an Enterprise and Related Information*.

The accompanying unaudited consolidated condensed financial statements of Citadel Broadcasting Corporation and Subsidiaries (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 nine months ended September 30, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. 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, 2003.

Certain prior year amounts have been reclassified to conform to the current year's presentation.

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. Actual results could differ from those estimates.

Allowance for Doubtful Accounts

The Company recognizes an allowance for doubtful accounts based on historical experience of bad debts as a percent 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, 2004 | | December 31, 2003 | |
|-------------------|----|-------------------------------|----|--------------------------|----------------|
| | | | | | (in thousands) |
| Trade receivables | \$ | 80,293 | \$ | 80,014 | |
| | | (4,033) | | (3,752) | |

Allowance for doubtful
accounts

| | | | | |
|--------------------------|----|--------|----|--------|
| Accounts receivable, net | \$ | 76,260 | \$ | 76,262 |
|--------------------------|----|--------|----|--------|

2. STOCK-BASED COMPENSATION

The Company accounts for stock-based compensation in accordance with the requirements of APB Opinion No. 25 *Accounting for Stock Issued to Employees*, and related interpretations. SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure*, requires disclosure of the pro forma effects on net income and earnings per share as if the Company had adopted the fair value recognition provisions of SFAS No. 123. Had compensation cost for the Company's stock-based awards to employees been based on the fair value at the grant dates in accordance with the fair value provisions of SFAS No. 123, the Company's net income (loss) and net income (loss) per share for the three-month and nine-month periods ended September 30, 2004 and 2003 would have been changed to the pro forma amounts indicated below:

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| | Three Months Ended September 30, 2004 | | 2003 | | Nine Months Ended September 30, 2004 | | 2003 | |
|--|---|---------|---|----------|---|---------|---|----------|
| | (Amounts in thousands, except per share amounts) | | (Amounts in thousands, except per share amounts) | | (Amounts in thousands, except per share amounts) | | (Amounts in thousands, except per share amounts) | |
| | (unaudited) | | (unaudited) | | (unaudited) | | (unaudited) | |
| Net income (loss) applicable to common shares, as reported | \$ | 90,066 | \$ | (23,153) | \$ | 60,813 | \$ | (75,950) |
| Add: Corporate non-cash stock compensation expense | | 863 | | 2,158 | | 3,463 | | 8,181 |
| Deduct: Total stock-based employee compensation expense determined under fair value method | | (2,911) | | (2,800) | | (9,262) | | (10,582) |
| Incremental tax impact | | 4,311 | | - | | 4,311 | | - |
| Net income (loss) applicable to common shares, pro forma | \$ | 92,329 | \$ | (23,795) | \$ | 59,325 | \$ | (78,351) |
| Basic net income (loss) per common share: | | | | | | | | |
| As reported | \$ | 0.69 | \$ | (0.20) | \$ | 0.47 | \$ | (0.74) |
| Pro forma | \$ | 0.71 | \$ | (0.21) | \$ | 0.46 | \$ | (0.77) |
| Diluted net income (loss) per common share: | | | | | | | | |
| As reported | \$ | 0.62 | \$ | (0.20) | \$ | 0.44 | \$ | (0.74) |
| Pro forma | \$ | 0.64 | \$ | (0.21) | \$ | 0.43 | \$ | (0.77) |

For those awards that result in the recognition of compensation expense under APB Opinion No. 25, the Company records expense for each tranche of the award over the vesting period applicable to such tranche, which results in the accelerated recognition of compensation expense.

The incremental tax impact shown in the table above represents the effect of the additional tax benefit that the Company would have accumulated in prior and current periods had compensation expense related to its stock options been recognized utilizing the fair value method. The amount for the three and nine months ended September 30, 2004 is the same since the Company reversed the valuation allowance associated with its deferred tax assets in the third quarter of 2004 (see Note 8).

3. INTANGIBLE ASSETS AND GOODWILL

Indefinite-Lived Intangibles and Goodwill

Intangible assets consist primarily of Federal Communications Commission (FCC) broadcast licenses and goodwill, but also include certain other intangible assets acquired in purchase business combinations. Upon the adoption of Statement of Financial Accounting Standards (SFAS) No. 142 on January 1, 2002, the Company ceased amortization of goodwill and FCC licenses, which are indefinite-lived intangible assets. Other intangible assets are amortized on a straight-line basis over the contractual lives or estimated lives of the assets.

The changes in the carrying amounts of FCC licenses and goodwill for the period from December 31, 2003 through September 30, 2004 are as follows:

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| | FCC Licenses | Goodwill |
|--|-----------------------|-----------------|
| | (in thousands) | |
| Balance, December 31, 2003 | \$ 1,349,808 | \$ 608,646 |
| Station acquisitions and other additions | 142,253 | 45,371 |
| Station dispositions | (31,046) | (11,581) |
| Other | (24,213) | 20,555 |
| Balance, September 30, 2004 | \$ 1,436,802 | \$ 662,991 |

Other changes in the balances of FCC licenses and goodwill represent primarily adjustments resulting from the finalization of purchase price allocations from prior year transactions.

Definite-Lived Intangibles

The Company's definite-lived intangible assets consist primarily of an advertiser base. The amount of the amortization expense for definite-lived intangible assets was \$17.2 million and \$30.2 million for the three months ended September 30, 2004 and 2003, respectively and \$69.5 million and \$91.4 million for the nine months ended September 30, 2004 and 2003, respectively. As of September 30, 2004, other intangibles, net in the accompanying consolidated condensed balance sheet consists of \$16.1 million in unamortized definite-lived assets.

During the third quarter of 2004, the Company reevaluated the remaining useful life of its advertiser base asset. The Company revised the useful life, which will result in additional amortization expense of approximately \$8.0 million in the second half of 2004.

The following table presents the Company's estimate of amortization expense for each of the five succeeding years ending December 31, for definite-lived assets:

| | Amortization Expense |
|--|---------------------------------|
| | (in thousands) |
| 2004 (excludes the nine months ended September 30, 2004) | 11,769 |
| 2005 | 1,549 |
| 2006 | 696 |
| 2007 | 211 |
| 2008 | 159 |
| | \$ 14,384 |

As acquisitions and dispositions occur in the future and as purchase price allocations are finalized, amortization expense may vary from the amounts detailed above.

4. ACQUISITIONS AND DISPOSITIONS***Acquisitions***

During the nine months ended September 30, 2004, the Company completed the acquisition of four radio stations in the Memphis, TN market and two radio stations in the Springfield, MA market for an aggregate cash purchase price of

approximately \$122.2 million.

Additionally, the Company completed its agreement to exchange five of its radio stations in the Bloomington, IL market for two stations in the Harrisburg/Lancaster, PA market and four stations in the Erie, PA market, plus a cash payment to the Company. This transaction resulted in a gain of approximately \$1.9 million, which is included in Other, net, in the accompany consolidated condensed statements of operations.

All of the Company s acquisitions have been accounted for using the purchase method of accounting. As such, the accompanying consolidated condensed balance sheets include the acquired assets and liabilities and the accompanying consolidated condensed statements of operations include the results of operations of the acquired entities from their respective dates of acquisition.

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Below is a table that details the preliminary purchase price allocations for all acquisitions completed in the nine months ended September 30, 2004, as well as adjustments to the purchase price allocations of previously completed acquisitions. The purchase price allocations were based upon information available as of September 30, 2004. The Company is awaiting information to finalize its valuation of FCC licenses, property and equipment, other intangible assets, and certain other acquired assets and assumed liabilities. The final determination of the fair market value of assets acquired and liabilities assumed and final allocation of the purchase price may differ significantly from the amounts included in these financial statements. Adjustments to the purchase price allocation are expected to be finalized in the fourth quarter of 2004 or the first three quarters of 2005 and will be reflected in future filings. There can be no assurance that such adjustments will not be material.

| Asset Description | Acquisition of | | Total (in thousands) | Asset lives |
|--------------------------------|------------------------------|--|-------------------------|---|
| | Memphis Radio Stations | Other Radio Station Acquisitions | | |
| Property and equipment, net | \$ 3,832 | \$ 4,140 | \$ 7,972 | 3-25 years |
| FCC licenses | 62,713 | 79,540 | 142,253 | non-amortizing |
| Goodwill | 32,906 | 12,465 | 45,371 | non-amortizing less than one year |
| Other intangibles, net | 801 | 1,419 | 2,220 | |
| Other assets | - | 48 | 48 | |
| Liabilities assumed | (40) | (643) | (683) | |
| Total aggregate purchase price | \$ 100,212 | \$ 96,969 | \$ 197,181 | |

The following summarized unaudited pro forma results of operations for the three and nine months ended September 30, 2004 and 2003 assume that all significant radio station acquisitions and dispositions occurred as of January 1, of each period presented. These pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations which actually would have resulted had the significant radio station acquisitions and dispositions occurred as of January 1, of each period presented, or the results of operations which may occur in the future.

| | Pro Forma Three Months Ended September 30, | | Pro Forma Nine Months Ended September 30, | |
|--|---|------------|--|------------|
| | 2004 | 2003 | 2004 | 2003 |
| Net broadcasting revenue | \$ 107,524 | \$ 105,244 | \$ 305,960 | \$ 294,241 |
| Net income (loss) | 90,066 | (23,984) | 60,980 | (83,876) |
| Basic net income (loss) per common share | \$ 0.69 | \$ (0.21) | \$ 0.47 | \$ (0.82) |
| Diluted net income (loss) per common share | \$ 0.62 | \$ (0.21) | \$ 0.44 | \$ (0.82) |

Dispositions

During the nine months ended September 30, 2004, the Company sold nine radio stations for an aggregate price of approximately \$4.8 million.

5. SENIOR DEBT

In August 2004, the Company entered into a new senior credit facility that provides for \$600.0 million in revolving loans through January 15, 2010. In connection therewith, the Company repaid amounts outstanding under the previous senior credit facility and wrote off approximately \$3.0 million in deferred financing costs.

Below is a table that sets forth the rates and the amounts borrowed under the Company's senior debt facilities as of September 30, 2004 and December 31, 2003:

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| Type of Borrowing | September 30, 2004 | | December 31, 2003 | |
|-------------------|--|------------------|--|------------------|
| | Amount of Borrowing (in thousands) | Interest Rate | Amount of Borrowing (in thousands) | Interest Rate |
| Term A | \$ - | | \$ 69,111 | 2.19% |
| Revolving Loan | - | | 99,000 | 2.17 to 4.00% |
| Revolving Loan | 284,000 | 2.29 to 4.50% | - | |

The increase in borrowings under the Company's senior debt was primarily due to the acquisition of radio stations during the first nine months of 2004 and the repurchase of the Company's common stock (see Note 7).

The amount available under the Company's senior credit facility at September 30, 2004 was \$316.0 million in the form of revolving credit commitments. This excludes approximately \$2.0 million in letters of credit outstanding as of September 30, 2004. The Company's ability to borrow under its senior credit facility is limited by its ability to comply with several financial covenants as well as a requirement that it make various representations and warranties at the time of borrowing.

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

The Company's operating subsidiary, Citadel Broadcasting Company, is the primary borrower under this senior credit facility. The Company has guaranteed the performance of Citadel Broadcasting Company under its senior credit facility. The Company has also pledged to its lenders all of the equity interests in and intercompany notes issued by Citadel Broadcasting Company.

The Company's senior credit facility contains customary restrictive non-financial covenants, which, among other things, and with certain exceptions, limit its ability to incur additional indebtedness, liens and contingent obligations, enter into transactions with affiliates, make acquisitions, declare or pay dividends, redeem or repurchase capital stock, enter into sale and leaseback transactions, consolidate, merge or effect asset sales, make investments, loans, enter into derivative contracts, or change the nature of its business. At September 30, 2004, the Company was in compliance with all non-financial covenants under its senior credit facility.

The Company's senior credit facility contains covenants related to the satisfaction of financial ratios and compliance with financial tests, including ratios with respect to maximum leverage, minimum interest coverage and minimum fixed charge coverage. At September 30, 2004, the Company was in compliance with all financial covenants under its senior credit facility.

6. SUBORDINATED DEBT AND CONVERTIBLE SUBORDINATED NOTES

On June 26, 2001, the Company completed the issuance of \$500.0 million of 6% Subordinated Debentures (6% Debentures). On February 18, 2004, the Company sold 9,630,000 shares of the Company's common stock at \$19.00 per share, before underwriting discounts of \$0.66 per share. Additionally, the Company concurrently sold \$330.0 million principal amount of convertible subordinated notes, before underwriting discounts of approximately \$6.6 million. The Company used all of the net proceeds from these transactions to retire the \$500.0 million of subordinated debentures. In connection with the repayment of the subordinated debentures, the Company wrote off deferred

financing costs of approximately \$10.6 million, which is presented as write off of deferred financing costs due to extinguishment of debt on the accompanying consolidated condensed statements of operations. The convertible subordinated notes are due February of 2011 and were issued in a private placement to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A. The notes bear interest at a rate of 1.875% per annum, payable February 15 and August 15 each year. Holders may convert these notes into common stock at a conversion rate of 39.2157 shares of common stock per \$1,000 principal amount of notes, equal to a conversion price of \$25.50 per share. The Company may redeem the 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 notes at par plus accrued interest upon the occurrence of a fundamental change (as defined in the indenture governing the terms of the convertible subordinated notes). On May 13, 2004, the Company effected the shelf registration covering resales of its convertible subordinated notes with the Securities and Exchange Commission.

7. SHAREHOLDERS EQUITY

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On February 18, 2004, the Company sold 9,630,000 shares, and certain shareholders sold 20,000,000 shares, of the Company's common stock at \$19.00 per share, before underwriting discount of \$0.66 per share. The proceeds of the shares of common stock sold by the Company were utilized as partial repayment of the Company's subordinated debt (see Note 6).

On June 29, 2004, the Company announced that its board of directors had authorized the Company to spend up to \$100.0 million to repurchase shares of its outstanding common stock. As of September 30, 2004, the Company had repurchased 4,573,300 shares of common stock for an aggregate amount of approximately \$63.1 million under this program. As of September 30, 2004, net of shares held in treasury, the Company had 127,933,794 shares of common stock outstanding.

Stock Option Plan

In October 2002, the Company adopted the Citadel Broadcasting Corporation 2002 Long-Term Incentive Plan (the "Plan") pursuant to which the Company's board of directors can grant options to officers, employees, directors and independent contractors. At December 31, 2003, the total number of shares of common stock that remain authorized, reserved and available for issuance under the Plan was 3,191,875, not including shares underlying outstanding grants. During the nine months ended September 30, 2004, the Company granted 2,142,500 options to the Company's employees and directors. The options were granted with an exercise price equal to the common stock's fair market value at the date of grant. The stock options granted 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 termination of employment. As of September 30, 2004, the total number of shares of common stock that remain authorized, reserved, and available for issuance under the plan was 1,295,750, not including shares underlying outstanding grants.

8. INCOME TAXES

Income tax benefit for the three and nine months ended September 30, 2004 was primarily due to the reversal of the Company's valuation allowance associated with its deferred tax assets, the most significant of which was the Company's net operating loss carry-forward. The Company believes the net operating loss will be utilized within the carry-forward period. This determination is based on management's estimates of future taxable income; to the extent that actual results differ materially from management's estimates, a valuation allowance could be required. The income tax expense for the three and nine months ended September 30, 2003 was primarily due to the amortization of indefinite lived intangibles for income tax purposes, for which no benefit can be recognized in the financial statements until the assets are disposed of.

9. NET INCOME (LOSS) PER SHARE

Net income per share is calculated in accordance with SFAS No. 128, *Earnings Per Share* which requires presentation of basic net income per share and diluted net income per share. Basic net income per share excludes dilution, and for the three and nine months ended September 30, 2004 is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. During the three and nine months ended September 30, 2004, diluted net income per share is computed in the same manner as basic net income per share after assuming issuance of common stock for all potentially dilutive equivalent shares, which includes (1) stock options (using the treasury stock method), and (2) the conversion of the Company's convertible subordinated notes after eliminating from net income the interest expense incurred on the convertible subordinated notes. Anti-dilutive instruments are not considered in this calculation. During the three and nine months ended September 30, 2003, basic net loss per share is computed by dividing loss available to common shareholders by the weighted average number of common shares outstanding, which includes 96,134,329 shares of Class A common stock outstanding until July 31, 2003 and 122,911,490 shares of common stock outstanding after the recapitalization

immediately prior to, or simultaneously with, the completion of the Company's initial public offering. The Company had options to issue 7,835,375 and 6,011,250 shares of common stock outstanding as of September 30, 2004 and 2003, respectively. However, these options have been excluded from the calculations of diluted net loss per share as their effect is antidilutive for the three and nine months ended September 30, 2003.

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations for the three and nine months ended September 30, 2004:

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| | For the Quarter Ended September 30, 2004 | | | For the Nine Months Ended September 30, 2004 | | |
|---|---|-------------------------|---------------------|---|-------------------------|---------------------|
| | Income (Numerator) (in thousands) | Shares (Denominator) | Per Share Amount | Income (Numerator) (in thousands) | Shares (Denominator) | Per Share Amount |
| Basic EPS | | | | | | |
| Income available to common stockholders | \$ 90,066 | 130,672 | \$ 0.69 | \$ 60,813 | 130,202 | \$ 0.47 |
| Effect of Dilutive Securities | | | | | | |
| Options | - | 2,860 | | - | 2,882 | |
| Convertible subordinated notes | 944 | 12,941 | | 2,328 | 10,674 | |
| Diluted EPS | | | | | | |
| Income available to common stockholders and assumed conversions | \$ 91,010 | 146,473 | \$ 0.62 | \$ 63,141 | 143,758 | \$ 0.44 |

Options to purchase 3,635,375 and 2,121,000 shares of common stock were outstanding during the three and nine months ended September 30, 2004, but were not included in the computation of diluted earnings per share because their effect would have been antidilutive.

10. NON-CASH CHARGE RELATED TO CONTRACT OBLIGATIONS

The third quarter operating income for 2004 reflects a non-cash charge of approximately \$16.4 million primarily due to the Company's settlement with its previous national representation firm (McGavren). Under the terms of the settlement, the Company's new representation firm (Katz) settled the Company's obligations under the settlement agreement with McGavren and entered into a new long term contract with the Company. The non-cash charge will be amortized over the life of the new contract. The deferred amount related to this contract is included in other long term obligations in the accompanying consolidated condensed balance sheets.

11. COMMITMENTS AND CONTINGENCIES

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

The Company is involved in certain legal actions and claims that arose in the ordinary course of the Company's business. Management believes that such litigation and claims will be resolved without a material effect on the Company's financial position and results of operations.

12. SUBSEQUENT EVENTS

On November 3, 2004, the Company announced that its board of directors had authorized the Company to spend up to an additional \$300.0 million to repurchase shares of its outstanding common stock.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

Certain matters in this Form 10-Q, including, without limitation, certain matters discussed in this 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," and similar expressions. 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 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 impact of current or pending legislation and regulation, antitrust considerations and other risks and uncertainties, 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, 2003. The Company undertakes no obligation to publicly update or revise these forward-looking statements because of new information, future events or otherwise.

Introduction

Citadel Broadcasting Company was founded in 1991 and grew rapidly through acquisitions subsequent to the passage of the Telecommunications Act of 1996. In June 2001, affiliates of Forstmann Little & Co. acquired Citadel Broadcasting Company for an aggregate purchase price, including the redemption of debt and exchangeable preferred stock, of approximately \$2.0 billion (the Acquisition).

Our operating subsidiary, Citadel Broadcasting Company, owns and operates radio stations and holds Federal Communications Commission (FCC) licenses in twenty-four states.

Sources of Revenue

Our net broadcasting revenue is primarily derived from the sale of broadcasting time to local, regional and national advertisers. Net broadcasting revenue is gross revenue less agency commissions. 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 who 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. 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, or Arbitron;

- 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.

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

Components of Expenses

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

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Depreciation and amortization of costs associated with the acquisition of radio stations and interest carrying charges historically have been significant factors in determining our overall profitability. Based on intangible assets currently held by us and the preliminary allocation of the aggregate purchase price of acquisitions completed during the nine months ended September 30, 2004, we expect the total amortization expense incurred will continue to decrease due to the remaining weighted-average amortization period of intangible assets subject to amortization.

RESULTS OF OPERATIONS

Our results of operations represent the operations of the radio stations owned or operated by us, or for which we provide sales and marketing services, during the applicable periods. The following discussion should be read in conjunction with the accompanying consolidated 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, or LMAs, and joint sales agreements, or JSAs. Under an LMA or a JSA, the company operating a station provides programming or sales and marketing or a combination of such services on behalf of the owner of a station. The broadcast revenue and operating expenses of stations operated by us under LMAs and JSAs have been included in our results of operations since the respective effective dates of such agreements.

THREE MONTHS ENDED SEPTEMBER 30, 2004 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 2003

NET BROADCASTING REVENUE. Net broadcasting revenues in the third quarter of 2004 were \$107.5 million compared with \$96.7 million in the third quarter of 2003, an increase of \$10.8 million, or 11.2%. The increase in revenue is due to station acquisitions completed in 2003 and 2004 and higher revenues from most of our existing stations, primarily due to increases in local advertising revenue. Our existing stations' increase in net revenues was positively impacted by our Providence and Albuquerque markets, while our Birmingham and Buffalo markets experienced lower net revenues.

OPERATING EXPENSES. Operating expenses increased \$8.1 million, or 8.7%, to \$101.4 million for the three months ended September 30, 2004 from \$93.3 million for the three months ended September 30, 2003. Operating expenses in the third quarter of 2004 include a non-cash charge of approximately \$16.4 million primarily related to our settlement with our previous national representation firm. Under the terms of the settlement, our new national representation firm settled our obligations under the settlement agreement with the prior national representation firm and entered into a new long term contract with us. Excluding this non-cash charge, operating expenses in the third quarter of 2004 were \$85.0 million compared to \$93.3 million in the same period for 2003, a decrease of \$8.3 million, or 8.9%. The decrease in operating expenses was primarily due to decreases in depreciation and amortization expense of \$13.0 million and non-cash stock compensation expense of \$1.3 million, offset by increases in cost of revenues and selling, general, and administrative expenses of \$6.1 million, primarily due to radio stations acquired in 2003 and 2004.

Depreciation and amortization expense of \$22.0 million for the quarter ended September 30, 2004 was \$13.0 million, or 37.1%, lower than the \$35.0 million for the quarter ended September 30, 2003. Amortization expense for the quarters ended September 30, 2004 and 2003 included approximately \$16.0 million and \$28.7 million, respectively, of expense related to our advertiser base asset. During the third quarter of 2004, we reevaluated the remaining useful life of our advertiser base asset. We revised the useful life, which will result in additional amortization expense of approximately \$8.0 million in the second half of 2004. Amortization of the advertiser base asset should be

substantially completed in the fourth quarter of 2004 and is estimated at \$10.8 million.

OPERATING INCOME. Operating income for the third quarter 2004 was \$6.1 million compared with \$3.4 million in the corresponding 2003 period, resulting in an overall improvement of \$2.7 million, or 79.4%. The increase in operating income for the third quarter in 2004 was primarily due to higher net broadcasting revenue along with decreases in depreciation and amortization and corporate non-cash stock compensation, offset by the non-cash charge related to contract obligations and increases in cost of revenues and selling, general and administrative expenses.

INTEREST EXPENSE, NET. Net interest expense decreased \$7.4 million to \$3.7 million for the quarter ended September 30, 2004 from \$11.1 million for the quarter ended September 30, 2003, a decrease of 66.7%. Net interest expense included amortization of deferred financing costs of approximately \$0.5 million and \$0.7 million for the three-month periods ended September 30, 2004 and 2003, respectively. The decrease in net interest expense was primarily due to the repayment of \$500.0 million of 6% subordinated notes on February 18, 2004, partially offset by the concurrent issuance of \$330.0 million of 1.875% convertible notes. The \$500.0 million of 6% subordinated notes were repaid with proceeds from our concurrent offering of our common stock and the issuance of the convertible notes completed in February of 2004.

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WRITE OFF OF DEFERRED FINANCING COSTS DUE TO EXTINGUISHMENT OF DEBT. In connection with the repayment of our previous senior credit facility, we wrote off deferred financing costs of approximately \$3.0 million during the three months ended September 30, 2004.

INCOME TAX (BENEFIT) EXPENSE. Income tax benefit for the quarter ended September 30, 2004 was \$90.6 million compared to income tax expense of \$7.3 million for the quarter ended September 30, 2003. Income tax benefit for the three months ended September 30, 2004 was primarily due to the reversal of our valuation allowance associated with our deferred tax assets, the most significant of which was our net operating loss carry-forward. We believe the net operating loss will be utilized within the carry-forward period. The income tax expense for the three months ended September 30, 2003 was primarily due to the amortization of indefinite lived intangibles for income tax purposes, for which no benefit can be recognized in the financial statements until the assets are disposed of.

NET INCOME (LOSS). Net income for the quarter ended September 30, 2004 was \$90.1 million, or \$0.69 and \$0.62 per basic and diluted share, as compared to a net loss of \$23.2 million, or (\$0.20) per basic and diluted share, for the same period in 2003. The increase in net income for the three months ended September 30, 2004 over the prior year period was primarily due to the income tax benefit of \$90.6 million.

NET INCOME (LOSS) PER SHARE. During the three months ended September 30, 2004 and 2003, basic net income (loss) per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding. During the three months ended September 30, 2004, diluted net income per share is computed in the same manner as basic net income after assuming issuance of common stock for all potentially dilutive equivalent shares. The diluted shares outstanding for the quarter ended September 30, 2004 include additional shares due to outstanding stock options and approximately 12.9 million shares related to our convertible notes, as the computation of diluted shares assumes the notes are converted into shares as of the beginning of the period. For the three months ended September 30, 2003, basic shares outstanding of approximately 113.9 million are equal to diluted shares outstanding as any increase in shares due to outstanding stock options would be anti-dilutive due to the net loss for the quarter.

NINE MONTHS ENDED SEPTEMBER 30, 2004 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 2003

NET BROADCASTING REVENUE. Net broadcasting revenues for the nine months ended September 30, 2004 were \$301.7 million compared with \$269.3 million for the nine months ended September 30, 2003, an increase of \$32.4 million, or 12.0%. The increase in revenue is due to station acquisitions completed in 2003 and 2004 and higher revenues from most of our existing stations, primarily due to increases in local advertising revenue. Our existing stations' increase in net revenues was positively impacted by our Providence and Albuquerque markets, while our Birmingham and Saginaw/Flint markets experienced lower net revenues.

OPERATING EXPENSES. Operating expenses increased \$8.9 million, or 3.2%, to \$287.1 million for the nine months ended September 30, 2004 from \$278.2 million for the nine months ended September 30, 2003. Operating expenses for the nine months ended September 30, 2004 include a non-cash charge of approximately \$16.4 million primarily related to our settlement with our previous national representation firm in the third quarter of 2004. Under the terms of the settlement, our new national representation firm settled our obligations under the settlement agreement with the prior national representation firm and entered into a new long term contract with us. Excluding this non-cash charge, operating expenses for the nine months ended September 30, 2004 were \$270.7 million compared to \$278.2 million in the same period for 2003, a decrease of \$7.5 million, or 2.7%. The decrease in operating expenses was primarily due to decreases in depreciation and amortization expense of \$21.4 million and non-cash stock compensation expense of \$4.7 million, offset by increases in cost of revenues and selling, general, and administrative expenses of \$18.4 million, primarily due to radio stations acquired in 2003 and 2004.

Depreciation and amortization expense of \$84.4 million for the nine months ended September 30, 2004 was \$21.4 million, or 20.2%, lower than the \$105.8 million for the nine months ended September 30, 2003. Amortization expense for the nine months ended September 30, 2004 and 2003 included approximately \$64.9 million and \$86.4 million, respectively, of expense related to our advertiser base asset. During the third quarter of 2004, we reevaluated the remaining useful life of our advertiser base asset. We revised the useful life, which will result in additional amortization expense of approximately \$8.0 million in the second half of 2004. Amortization of the advertiser base asset should be substantially completed in the fourth quarter of 2004 and is estimated at \$10.8 million.

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OPERATING INCOME (LOSS). Operating income for the nine months ended September 30, 2004 was \$14.6 million compared with an operating loss of \$8.9 million in the corresponding 2003 period, resulting in an overall improvement of \$23.5 million. The increase in operating income for the third quarter in 2004 was primarily due to higher net broadcasting revenue along with decreases in depreciation and amortization and corporate non-cash stock compensation, offset by the non-cash charge related to contract obligations and increases in cost of revenues and selling, general and administrative expenses.

INTEREST EXPENSE, NET. Net interest expense decreased \$25.4 million to \$13.4 million for the nine months ended September 30, 2004 from \$38.8 million for the nine months ended September 30, 2003, a decrease of 65.5%. Net interest expense included amortization of deferred financing costs of approximately \$1.5 million and \$2.5 million for the nine-month periods ended September 30, 2004 and 2003, respectively. The decrease in net interest expense was primarily due to a reduction in both average outstanding borrowings under our senior credit facility and lower interest rates for the nine months ended September 30, 2004 as compared to the nine months ended September 30, 2003 and the repayment of \$500.0 million of 6% subordinated notes on February 18, 2004, partially offset by the concurrent issuance of \$330.0 million of 1.875% convertible notes. The \$500.0 million of 6% subordinated notes were repaid with proceeds from the our concurrent offering of our common stock and the issuance of the convertible notes completed in February of 2004.

WRITE OFF OF DEFERRED FINANCING COSTS DUE TO EXTINGUISHMENT OF DEBT. For the nine months ended September 30, 2004, we wrote off \$3.0 million of deferred financing costs due to our repayment of our previous senior credit facility and \$10.6 million of deferred financing costs as a result of the repayment of \$500.0 million in senior subordinated notes. For the nine months ended September 30, 2003, we wrote off \$8.2 million of deferred financing costs as a result of the repayment of senior debt from proceeds of our initial public offering of its common stock on August 1, 2003.

INCOME TAX (BENEFIT) EXPENSE. Income tax benefit for the nine months ended September 30, 2004 was \$73.2 million compared to income tax expense of \$20.2 million for the nine months ended September 30, 2003. Income tax benefit for the nine months ended September 30, 2004 was primarily due to the reversal of our valuation allowance associated with our deferred tax assets, the most significant of which was our net operating loss carry-forward. We believe the net operating loss will be utilized within the carry-forward period. The income tax expense for the nine months ended September 30, 2003 was primarily due to the amortization of indefinite lived intangibles for income tax purposes, for which no benefit can be recognized in the financial statements until the assets are disposed of.

NET INCOME (LOSS). Net income for the nine months ended September 30, 2004 was \$60.8 million, or \$0.47 and \$0.44 per basic and diluted share, as compared to a net loss of \$76.0 million, or (\$0.74) per basic and diluted share, for the same period in 2003. The increase in net income for the nine months ended September 30, 2004 over the prior year period was primarily due to the income tax benefit of \$73.2 million and the reduction in depreciation and amortization expense of approximately \$21.4 million.

NET LOSS PER SHARE. During the nine months ended September 30, 2004 and 2003, basic net income (loss) per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding. During the nine months ended September 30, 2004, diluted net income per share is computed in the same manner as basic net income after assuming issuance of common stock for all potentially dilutive equivalent shares. The diluted shares outstanding for the nine months ended September 30, 2004 include additional shares due to outstanding stock options and approximately 10.7 million shares related to our convertible notes, as the computation of diluted shares assumes the notes are converted into shares as of the date the convertible notes were issued. For the nine months ended September 30, 2003, basic shares outstanding of approximately 102.1 million are equal to diluted shares outstanding as any increase in shares due to outstanding stock options would be anti-dilutive due to the net loss for the nine month period.

LIQUIDITY AND CAPITAL RESOURCES

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

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

OPERATING ACTIVITIES. Net cash provided by operating activities was \$102.7 million for the nine months ended September 30, 2004 as compared to \$65.2 million for the comparable nine-month period in 2003. The increase was primarily due to the increase in net broadcasting revenues of \$32.4 million and the decrease in net interest expense of \$25.4 million, offset by an increase in cost of revenues and selling, general and administrative expenses of \$18.4 million.

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INVESTING AND FINANCING ACTIVITIES. Net cash used in investing activities decreased to \$154.7 million for the nine months ended September 30, 2004, as compared to \$175.8 million for the nine months ended September 30, 2003. During 2004, approximately \$164.5 million was used for acquisitions of radio stations and capital expenditures, which includes buildings, studio equipment, towers and transmitters, vehicles and other assets utilized in the operation of our stations, offset by proceeds from the sale of assets of \$8.1 million, compared to \$176.1 million for similar costs in the 2003 period.

Net cash provided by financing activities was \$51.9 million for the nine months ended September 30, 2004, as compared to \$120.6 million for the same period in 2003. For the nine months ended September 30, 2004, the net cash provided by financing activities included proceeds from the issuance of our common stock of \$175.7 million, net of underwriting commissions and other stock issuance costs of approximately \$7.3 million, and the concurrent sale of \$330.0 million principal amount of convertible subordinated notes, before underwriting discount and other debt issuance costs of approximately \$7.4 million. We used all of the net proceeds from these transactions to retire the \$500.0 million of subordinated debentures. Additionally, during the first nine months of 2004, we increased our net borrowings under our senior debt by \$115.9 million primarily to complete the acquisition of radio stations in Memphis, TN and Springfield, MA and repurchase shares of our common stock for an aggregate amount of approximately \$59.6 million. In August 2004, we entered into a new senior credit facility that provides for \$600.0 million in revolving loans through January 15, 2010. In connection therewith, we paid approximately \$3.2 million in debt issuance costs. For the nine months ended September 30, 2003, the net cash provided by financing activities was primarily due to proceeds from the issuance of our common stock of \$448.8 million, offset by total net repayments of senior debt of \$324.9 million.

During the nine months ended September 30, 2004, we completed the acquisition of four radio stations in the Memphis, TN market and two radio stations in the Springfield, MA market for an aggregate cash purchase price of approximately \$122.2 million. We funded these and other acquisitions through cash flows from operating activities and borrowings under our revolving credit facility.

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

In addition to debt service, our principal liquidity requirements are for working capital and general corporate purposes, capital expenditures and acquisitions of additional radio stations. Our capital expenditures totaled \$7.0 million during the nine months ended September 30, 2004, as compared to \$4.7 million during the nine months ended September 30, 2003. For the fiscal year ending December 31, 2004, we estimate that capital expenditures necessary for our facilities will be approximately \$10.0 million. We believe that cash flows from operating activities, together with availability under our revolving credit facility, should be sufficient for us to fund our current operations for at least the next 12 months.

On June 29, 2004, we announced that our board of directors had authorized us to spend up to \$100.0 million to repurchase shares of our outstanding common stock. As of November 2, 2004, we had repurchased approximately 6.0 million shares of our common stock for an aggregate amount of approximately \$82.8 million under this program. On November 3, 2004, we announced that our board of directors had authorized us to spend up to an additional \$300.0 million to repurchase shares of our outstanding common stock.

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

Senior Debt

In August 2004, we entered into a new senior credit facility that provides for \$600.0 million in revolving loans through January 15, 2010. In connection therewith, we repaid amounts outstanding under the previous senior credit facility and wrote off approximately \$3.0 million in deferred financing costs. As of September 30, 2004, our senior credit facility consisted of the following:

| | Commitment | | Balance Outstanding (as of September 30, 2004) |
|---------------------------|-------------------|----|---|
| | (in thousands) | | |
| Revolving credit facility | \$ 600,000 | \$ | 284,000 |

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Availability. The amount available under our senior credit facility at September 30, 2004 was \$316.0 million in the form of revolving credit commitments. This excludes approximately \$2.0 million in letters of credit outstanding as of September 30, 2004. Our ability to borrow under our senior credit facility is limited by our ability to comply with several financial covenants as well as a requirement that we make various representations and warranties at the time of borrowing.

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

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

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

Non-Financial Covenants. Our senior credit facility contains customary restrictive non-financial covenants, which, among other things, and with certain exceptions, limit our ability to incur additional indebtedness, liens and contingent obligations, enter into transactions with affiliates, make acquisitions, declare or pay dividends, redeem or repurchase capital stock, enter into sale and leaseback transactions, consolidate, merge or effect asset sales, make investments, loans, enter into derivative contracts, or change the nature of our business. At September 30, 2004, we were in compliance with all non-financial covenants under our senior credit facility.

Financial Covenants. Our senior credit facility contains covenants related to the satisfaction of financial ratios and compliance with financial tests, including ratios with respect to maximum leverage, minimum interest coverage and minimum fixed charge coverage. At September 30, 2004, we were in compliance with all financial covenants under our senior credit facility.

Subordinated Debt and Convertible Subordinated Notes

In June 2001, we issued an aggregate of \$500.0 million of subordinated debentures. On February 18, 2004, we sold 9,630,000 shares of our common stock at \$19.00 per share, before underwriting discount of \$0.66 per share. Additionally, we concurrently sold \$330.0 million principal amount of convertible subordinated notes, before underwriting discount of approximately \$6.6 million. We used all of the net proceeds from these transactions to retire the \$500.0 million of subordinated debentures. In connection with the repayment of the subordinated debentures, we wrote off deferred financing costs of approximately \$10.6 million. The convertible subordinated notes are due 2011 and were issued in a private placement to qualified institutional buyers in reliance on the exemption from registration provided by Rule 144A. The notes bear interest at a rate of 1.875% per annum, payable February 15 and August 15 each year. Holders may convert these notes into common stock at a conversion rate of 39.2157 shares of common stock per \$1,000 principal amount of notes, equal to a conversion price of \$25.50 per share. We may redeem the notes at any time prior to maturity if the closing price of our common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days. Upon such a redemption, an additional payment would be due to the holder. Holders may require us to repurchase all or part of their notes at par plus accrued interest upon the occurrence of a fundamental change (as defined in the indenture governing the terms of the notes). On May 13, 2004, we effected the shelf registration covering resales of our convertible subordinated notes with the Securities and Exchange Commission.

Critical Accounting Policies

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, which require us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosures of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable judgments. Actual results could differ from these estimates under different assumptions and conditions. In Management's Discussion and Analysis contained in our Annual Report on Form 10-K for the year ended December 31, 2003, we summarized the policies and estimates that we believe to be most critical in understanding the judgments involved in preparing our financial statements and the uncertainties that could affect our results of operations, financial condition and cash flows. There have been no material changes on such policies or estimates other than for income taxes discussed below, since we filed our Annual Report on Form 10-K for the year ended December 31, 2003.

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

Table of Contents**Contractual and Commercial Commitments**

Due to the completion of our secondary offering in February of 2004 (See Liquidity and Capital Resources - Stock and Convertible Notes Offerings), the contractual commitments under our senior debt and subordinated debt have been significantly reduced. In August 2004, we entered into a new senior credit facility that provides for \$600.0 million in revolving loans through January 15, 2010. In connection therewith, we repaid amounts outstanding under the previous senior credit facility. As of September 30, 2004, we had \$284.0 million outstanding under the revolving portion of our senior debt and \$330.0 million outstanding under our convertible notes. The table below details the revised payments due under our senior debt and convertible subordinated notes. Interest payments related to the convertible subordinated notes and our senior credit facility have not been included in the contractual obligation table below.

| Contractual Obligation | Total | Less than 1 year | 1 to 3 years | Beyond 3 Years |
|--|--------------|-----------------------------|---------------------|-----------------------|
| Senior debt and convertible subordinated notes | \$ 614.0 | \$ - | \$ - | \$ 614.0 |

There have been no other significant changes in our contractual and commercial commitments as of September 30, 2004 as compared to amounts disclosed in our Annual Report on Form 10-K for the year ended December 31, 2003.

Off-Balance Sheet Arrangements

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

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

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

Impact of Inflation

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a number of financial market risks in the ordinary course of business. We believe our primary financial market risk exposure pertains to interest rate changes, primarily as a result of our credit agreement, which bears interest based on variable rates. We have not taken any action to cover interest rate market risk, and are not a party to any interest rate market risk management activities. We have performed a sensitivity analysis assuming a hypothetical increase in interest rates of 100 basis points applied to the \$284.0 million of variable rate debt that was outstanding as of September 30, 2004. Based on this analysis, the impact on future earnings for the following twelve months would be approximately \$2.8 million of increased interest expense. This potential increase is based on certain simplifying assumptions, including a constant level of variable rate debt and a constant interest rate based on the variable rates in place as of September 30, 2004.

We believe our receivables do not represent a significant concentration of credit risk due to the wide variety of customers and markets in which we operate.

ITEM 4. CONTROLS AND PROCEDURES

Prior to the filing of this report, we carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and our Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the Exchange Act)). Our disclosure controls and procedures are designed to timely alert senior management of material information and to provide a reasonable level of assurance of reaching our desired disclosure objective. Based on this evaluation, our Chief Executive Officer and our Principal Financial Officer concluded that, as of September 30, 2004, our disclosure controls and procedures were effective.

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There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this report that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION**ITEM 1. LEGAL PROCEEDINGS**

We are involved in certain legal actions and claims that arose in the ordinary course of our business. Management believes that such litigation and claims will be resolved without a material effect on our financial position and results of operations.

ITEM 2. CHANGES IN SECURITIES, USE OF PROCEEDS AND ISSUER PURCHASES OF EQUITY SECURITIES

On June 29, 2004, our Board of Directors authorized us to spend up to \$100.0 million to repurchase shares of our outstanding common stock and on November 3, 2004, our Board of Directors authorized us to spend up to an additional \$300.0 million to repurchase shares of our outstanding common stock. We expect such repurchases to be effected from time to time, in the open market, in private transactions or otherwise, subject to market conditions. No assurance can be given as to the time period over which the shares will be repurchased or as to whether and to what extent the share repurchase will be consummated. The table below summarizes stock repurchase information for the quarter ended September 30, 2004.

REGISTRANT PURCHASES OF EQUITY SECURITIES

| Period | Total Number of Shares Purchased | Average Price Paid per Share | Total Number of Shares Purchased as Part of Publicly Announced Plan | Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plan |
|--|---|-------------------------------------|--|--|
| July 1, 2004 through July 31, 2004 | 1,029,300 | \$ 13.86 | 1,029,300 | \$ 85,737,323 |
| August 1, 2004 through August 31, 2004 | 1,460,500 | 14.55 | 1,460,500 | 64,484,130 |
| September 1, 2004 through September 30, 2004 | 2,083,500 | 13.20 | 2,083,500 | 36,991,135 |
| Total | 4,573,300 | \$ 13.87 | 4,573,300 | |

Notes:

- 1) We announced the stock repurchase plan on June 29, 2004 and on November 3, 2004 announced an increase to the stock repurchase plan.
- 2) The Board of Directors has approved up to \$400 million to repurchase shares of its outstanding common stock.
- 3) No assurance can be given as to the time period over which the shares will be repurchased or as to whether and to what extent the share repurchase will be consummated.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

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The following exhibits are furnished or filed herewith:

| Exhibit Number | Exhibit Description |
|----------------|--|
| 10.1 | Credit Agreement, dated as of August 17, 2004, among Citadel Broadcasting Company, the Registrant, certain lenders, JPMorgan Chase Bank, as Administrative Agent, Bank of America, N.A. and Wachovia Bank, National Association, as Syndication Agents, and Suntrust Bank and Harris Nesbitt Financing, Inc. (d/b/a Harris Nesbitt), as Documentation Agent. |
| 31.1 | Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2 | Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

(b) Reports on Form 8-K

The Company filed a Current Report on Form 8-K (Item 12) dated August 5, 2004 for the purpose of furnishing its earnings release dated August 5, 2004 regarding its financial results for the second quarter of 2004.

The Company filed a Current Report on Form 8-K (Items 1.01, 5.02, and 9.01) dated September 30, 2004 for the purpose of announcing an additional member to the Board of Directors and the Audit Committee.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CITADEL BROADCASTING CORPORATION

Date: November 10, 2004

By: /s/ FARID SULEMAN

Farid Suleman
Chief Executive Officer
(Principal Executive Officer)

Date: November 10, 2004

By: /s/ RANDY L. TAYLOR

Randy L. Taylor
Vice President - Finance
(Principal Financial and Accounting Officer)

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