CITADEL BROADCASTING CORP
Form 10-K
March 31, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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)

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

City Center West, Suite 400

7201 West Lake Mead Blvd.

Las Vegas, Nevada 89128

(Address of principal executive offices and zip code)

(702) 804-5200

(Registrant s telephone number, including area code)

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

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

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

NONE

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

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

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

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

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 x

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

The aggregate market value of the voting and nonvoting common equity held by nonaffiliates of the registrant on June 30, 2009, based upon the closing price of the common stock on the OTC Bulletin Board, was $7.3 million.

As of March 19, 2010, there were 265,776,874 shares of common stock, $0.01 par value per share, outstanding.

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Citadel Broadcasting Corporation

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CERTAIN DEFINITIONS

Unless the context requires otherwise, all references in this report to Citadel, the Company, we, us, our and similar terms refer to Citadel Broadcasting Corporation and its consolidated subsidiaries, which would include any variable interest entities that are required to be consolidated pursuant to accounting guidance provided by the Financial Accounting Standards Board (FASB).

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain matters in this report, 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 and may be subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements reflect, when made, the Company s current views with respect to current events and financial performance. Such forward-looking statements are and will be, as the case may be, subject to change and subject to many risks, uncertainties and factors relating to the Company s operations and business environment, which may cause the actual results of the Company to be materially different from any future results, expressed or implied, by such forward-looking statements. Factors that could cause actual results to differ materially from these forward-looking statements include, but are not limited to, the following: (i) the ability of the Company to continue as a going concern; (ii) the Company s ability to obtain court approval with respect to motions in the chapter 11 proceeding prosecuted by it from time to time; (iii) the ability of the Company to develop, prosecute, confirm and consummate one or more plans of reorganization with respect to the chapter 11 cases; (iv) risks associated with third parties seeking and obtaining court approval to terminate or shorten the exclusivity period for the Company to propose and confirm one or more plans of reorganization, for the appointment of a chapter 11 trustee or to convert the cases to chapter 7 cases; (v) the ability of the Company to obtain and maintain normal terms with vendors and service providers; (vi) the Company s ability to maintain contracts and leases that are critical to its operations; (vii) the potential adverse impact of the chapter 11 cases on the Company s liquidity, results of operations and business relations; (viii) the ability of the Company to execute its business plans and strategy; (ix) the ability of the Company to attract, motivate and/or retain key executives and associates; (x) general economic or business conditions affecting the radio broadcasting industry being less favorable than expected; (xi) increased competition in the radio broadcasting industry; (xii) the impact of current or pending legislation and regulation, antitrust considerations, and pending or future litigation or claims; (xiii) changes in the financial markets; (xiv) fluctuations in interest rates; (xv) changes in market conditions that could impair the Company s goodwill or intangible assets; (xvi) changes in governmental regulations; (xvii) changes in policies or actions or in regulatory bodies; (xviii) changes in uncertain tax positions and tax rates; (xix) changes in capital expenditure requirements; and (xx) those matters described in Item 1A. Risk Factors.

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.

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PART I

ITEM 1. BUSINESS

Current Bankruptcy Proceedings

On December 20, 2009 (Petition Date), Citadel Broadcasting Corporation and certain of its subsidiaries (collectively, the Debtors and, together with its other consolidated subsidiaries, the Company) filed voluntary petitions in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) seeking relief under the provisions of chapter 11 of title 11 of the United States Code (the Bankruptcy Code) (collectively, the Cases).

The Debtors are continuing to operate their businesses and manage their properties as debtors in possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Upon commencement of the Cases, the Debtors also announced that the Company had reached an accord with over 60% of its senior secured lenders on the terms of a pre-negotiated financial restructuring that will seek to extinguish approximately $1.4 billion of indebtedness. Specifically, the Company entered into a letter agreement, effective as of December 20, 2009 (the Plan Support Agreement), with over 60% of the holders of the Company s secured debt issued pursuant to the credit agreement dated as of June 12, 2007 (as amended, supplemented or otherwise modified as of the Petition Date, the Credit Agreement), among the Company, the several lenders party thereto from time to time (the Lenders), and JPMorgan Chase Bank, N.A., as administrative agent for the Lenders. A form of the Plan Support Agreement is attached hereto as Exhibit 10.29 and is incorporated herein by reference.

On December 21, 2009, the Company announced that the Bankruptcy Court granted all of the Company s first day motions and applications (the First Day Motion). Pursuant to the First Day Motion, the Company was granted access to more than $36 million of cash on hand, as well as all cash generated from daily operations, which will be used to continue to satisfy the Company s obligations without interruption during the course of its restructuring. Also pursuant to the First Day Motion, the Company received Bankruptcy Court authorization to, among other things, pay pre-petition employee wages, salaries, health benefits and other employee obligations during its restructuring, as well as authority to continue to honor its current customer programs. The Company is authorized under the Bankruptcy Code to satisfy post-petition expenses incurred in the ordinary course of business without seeking Bankruptcy Court approval.

On February 3, 2010, the Debtors filed with the Bankruptcy Court a proposed joint plan of reorganization and a related disclosure statement pursuant to chapter 11 of the Bankruptcy Code. On March 15, 2010, the Debtors filed with the Bankruptcy Court a first modified joint plan of reorganization (the Plan) and the related first modified disclosure statement for the Plan (the Disclosure Statement) pursuant to chapter 11 of the Bankruptcy Code. Copies of the Plan and the Disclosure Statement are publicly available and may be accessed free of charge at the Debtors private website at http://www.kccllc.net/citadel. The foregoing website is an inactive textual reference only, and the information set forth on the foregoing website shall not be deemed to be part of or incorporated by reference into this Form 10-K. Pursuant to the Plan, the Company expects that approximately $2.1 billion of the debt outstanding under the Credit Agreement will be converted into a new term loan (the New Term Loan) in the principal amount of $762.5 million, with a 5-year term and an interest rate of the Eurodollar rate (at a minimum of 3%) plus 800 basis points. Holders of senior secured claims are expected to receive a pro rata share of (i) the New Term Loan, (ii) 90% of the new common stock (the New Common Stock) in the Company as reorganized (Reorganized Citadel) under and pursuant to the Plan on and after Reorganized Citadel s emergence from bankruptcy (the Effective Date), subject to dilution for distributions of New Common Stock under Reorganized Citadel s equity incentive program, and (iii) cash held as of the Effective Date in excess of the sum of $86.0 million and various amounts due pursuant to the reorganization (as described more fully in the Disclosure Statement). Holders of unsecured claims, including the secured Lenders deficiency claim in the stipulated amount of $267.2 million and the Debtors convertible subordinated notes, are

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expected to receive a pro rata share of (i) 10% of the New Common Stock (subject to dilution for distributions of New Common Stock under Reorganized Citadel s equity incentive program) and (ii) $36.0 million in cash.

On March 15, 2010, the Bankruptcy Court approved the Disclosure Statement and authorized the Company to begin soliciting votes on the Plan. The Company has begun the process of soliciting votes for the Plan from eligible claim holders. The Plan will become effective only if it receives the requisite stakeholder and Federal Communications Commission (FCC) approval and is confirmed by the Bankruptcy Court.

Background

In January 2001, the Company was formed by affiliates of Forstmann Little & 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 Agreement and Plan of Merger was subsequently amended as of November 19, 2006. The Company refers to the Agreement and Plan of Merger, as amended, 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, whereby TWDC distributed all of the outstanding common stock of ABC Radio pro rata to TWDC s stockholders through a spin-off (the Spin Off) 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 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). 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. While ABC Radio was the legal acquirer and surviving company in the Merger, the Company was the accounting acquirer in this combination. The Company applied purchase accounting to the assets and liabilities of ABC Radio, and the historical financial statements of the combined company are those of the Company.

Also, on June 12, 2007, to effectuate the Merger, the Company entered into the Credit Agreement (also referred to herein as the Senior Credit and Term Facility as described more fully under the Item 7 Senior Debt section below) 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.

The Company s consolidated balance sheets as of December 31, 2009 and 2008 include the acquired assets and assumed liabilities of ABC Radio. The Company s consolidated statements of operations and cash flows also include the operating results of the ABC Radio Business subsequent to the closing date of the Merger on June 12, 2007.

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The Company is the third largest radio broadcasting company in the United States based on net broadcasting revenue. The Company operates in two reportable segments. Radio stations serving the same geographic area (i.e., principally a city or combination of cities) that are owned and/or operated by the Company are referred to as a market, and the Company aggregates the geographic markets in which it operates into one reportable segment (Radio Markets). In addition to owning and operating radio stations, we also own and operate Citadel Media (Radio Network), which produces and distributes a variety of radio programming and formats and syndicates across approximately 4,000 station affiliates and 9,000 program affiliations, and is a separate reportable segment.

Radio Markets

As of March 19, 2010, we owned and operated 166 FM and 58 AM radio stations, with a national footprint reaching more than 50 markets located in 27 states and the District of Columbia. The Radio Markets generate substantially all of their revenue from the sale of advertising to local, regional and national spot advertisers. We have a well-clustered radio station portfolio that is diversified by programming formats, geographic regions, audience demographics and advertising clients. We face more competition in the larger markets that rank in the top 20 in the country based on total market revenue. However, our stations are dominant in middle and smaller markets. We rank first or second in audience share in 32 of our 54 metropolitan markets rated by Arbitron, Inc. (Arbitron). Our top 25 markets accounted for approximately 76% of Radio Markets segment revenue for each of the years ended December 31, 2009 and 2008. During the year ended December 31, 2009, the Radio Markets segment contributed approximately 83% of our consolidated net revenue, and for the year ended December 31, 2008, the Radio Markets segment contributed approximately 79% of our consolidated pro forma net revenue. As of December 31, 2009 and 2008, the Radio Markets segment represented approximately 89% and 91% of total assets, respectively.

Radio Network

The Radio Network business produces and distributes a variety of programs and formats to affiliates, including syndicated talk and music programs. The Radio Network syndicated programming features popular personalities including Mike Huckabee, Mark Levin and Michael Baisden.

The Radio Network business provides its affiliates with selected proprietary and syndicated content, including *ABC News*, a leading product in radio news, eight 24-hour music formats and targeted programming for urban and Hispanic formatted stations, enabling affiliates to meet their programming needs on a cost-effective basis. Generally, the Radio Network distributes its proprietary content on a non-exclusive basis to several stations in a market on both a branded and non-branded basis. The syndicated content, as well as the 24-hour formats, are typically offered on an exclusive basis to one station in a particular market. In exchange for the right to broadcast the Radio Network programming, stations remit a portion of their advertising time, which the Radio Network can sell to network advertisers, and in some cases an additional cash fee. The Radio Network pays a cash fee to stations to air its network commercials. 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 certain cases, the Radio Network business compensates its affiliates in major markets for carrying specific programming in order to ensure that such programming has the desired national coverage or to maintain a desired commercial inventory level. The Radio Network also 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 this airtime to national advertisers that want to reach a large audience across all of the Radio Network affiliates.

The Radio Network business generates substantially all of its revenue from the sale of advertising time accumulated from its affiliate stations. The Radio Network divides the aggregated inventory into packages focused on specific demographic groups and sold to its advertiser clients who want to reach the listeners who comprise those demographic groups. The Radio Network business has 17 advertising networks, which offer advertisers the opportunity to efficiently reach a variety of demographic groups on a national basis. By purchasing airtime on a network basis rather than station by station, advertisers are able to efficiently and

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effectively reach their desired demographic on a national and regional basis. Since the Radio Network business generally sells its advertising time on a national network basis rather than station by station, the Radio Network generally does not compete for advertising dollars with its radio station affiliates.

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 and Mike In The Morning, hosted by Mike Greenberg and former NFL player Mike Golic, as well as national broadcasts of Major League Baseball, the National Basketball Association, and the Bowl Championship Series. 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.

During the year ended December 31, 2009, the Radio Network segment contributed approximately 17% of our consolidated net revenue, and for the year ended December 31, 2008, the Radio Network segment contributed approximately 21% of our consolidated pro forma net revenue. Radio Network segment represented approximately 8% of total assets at both December 31, 2009 and 2008.

Our Station Portfolio

The table below summarizes the metropolitan markets in which we owned and operated radio stations as of March 1, 2010. (1)

	Market Revenue Rank	Number of Owned and Operated Commercial Stations in the Market		Number of Our Stations (2)		Number of Station Owners in the Market	Our Station Group Audience Share		Our Station Group Revenue Rank (4)
		FM	AM	FM	AM		Share	Rank (3)	
Los Angeles, CA	1	41	34	1	1	25	5.0	5	5
New York, NY	2	45	36	1	1	21	6.8	4	4
Chicago, IL	3	43	39	1	1	23	8.3	4	7
Dallas/Ft. Worth, TX	4	41	31	2	1	22	9.9	4	4
San Francisco, CA	5	46	28		2	17	9.7	5	4
Atlanta, GA	7	26	46	2		24	9.8	5	6
Washington, DC	8	26	29	2	1	16	9.0	5	5
Detroit, MI	14	24	21	2	1	14	15.7	3	4
Minneapolis/St. Paul, MN	16	19	21	5		15	17.1	2	2
Salt Lake City, UT	30	29	23	5	1	19	13.1	3	3
Nashville, TN	38	21	27	2		22	10.1	4	4
Buffalo/Niagara Falls, NY	41	13	13	3		8	16.1	3	3
New Orleans, LA	43	20	18	4		13	9.4	3	3
Oklahoma City, OK (5)	46	23	15	4	2	15	16.4	3	1
Birmingham, AL	49	18	21	4	2	12	19.8	2	2
Tucson, AZ	50	18	14	3	2	10	18.3	2	2
Memphis, TN	52	21	22	4		13	16.7	2	3
Albuquerque, NM (5)	53	23	15	4	3	15	27.4	1	1
Providence, RI	56	14	17	4	2	12	24.7	1	1
Knoxville, TN	61	20	21	4	1	18	25.9	1	1
Grand Rapids, MI	66	16	14	4	1	11	16.0	3	2
Harrisburg/Carlisle/York, PA	69	12	11	3		11	9.1	3	3
Baton Rouge, LA	70	13	7	3	2	5	27.3	1	2
Des Moines, IA	71	15	9	4	1	7	18.6	3	3

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	Market Revenue Rank	Number of Owned and Operated Commercial Stations in the Market		Number of Our Stations (2)		Number of Station Owners in the Market	Our Station Group Audience Share		Our Station Group Revenue Rank (4)
		FM	AM	FM	AM		Share	Rank (3)	
Little Rock, AR (5)	73	22	11	4	3	10	25.6	1	1
Columbia, SC	75	16	10	4	1	7	17.2	3	2
Syracuse, NY	76	18	12	3	1	5	13	2	2
Colorado Springs, CO	77	13	8	4	2	8	28	1	1
Allentown/Bethlehem, PA	78	7	10	2		7	18.2	2	2
Boise, ID	80	20	11	4	2	10	27.9	1	1
Wilkes-Barre/Scranton, PA	82	20	18	5	1	10	20	2	2
Reno, NV	83	17	11	3	1	9	26.0	1	1
Modesto, CA	88	17	6	5	1	8	31.6	1	1
Charleston, SC (5)	90	18	11	3	1	11	19.5	3	2
Chattanooga, TN	90	17	14	3	1	13	17.7	2	2
Lafayette, LA (5)	95	19	10	4	1	11	22.8	2	2
Portland, ME (5)	108	17	8	4		6	18.1	2	2
Springfield, MA	108	11	8	1	1	8	9.9	3	3
Saginaw/Bay City, MI (5)	114	14	5	4		7	29.8	1	1
Lansing/East Lansing, MI	115	11	6	4	2	4	40	1	1
Johnson City/Kingsport/Bristol, TN	120	17	20	2	3	13	11.9	3	2
Portsmouth/Dover/Rochester, NH	121	10	7	4		5	18.1	1	1
Flint, MI	126	9	7	1	1	6	7.5	3	3
Lancaster, PA	147	6	5	1	1	5	10.2	1	1
Worcester, MA	156	5	8	3		7	10.6	2	2
Stockton, CA	172	10	4	2		4	15.5	1	1
Binghamton, NY	177	12	5	3	2	5	34.8	1	1
Erie, PA	182	8	6	3	1	4	20.0	2	2
New London, CT	184	8	2	3	1	3	14.2	2	2
Muskegon, MI	230	9	2	4	1	3	14.9	2	2
Muncie-Marion, IN	239	6	4	1	1	3	11.9	3	3
Tuscaloosa, AL	247	9	5	4	1	5	27.7	1	2
New Bedford, MA	272	6	5	1	1	4	18.2	1	1
Augusta/Waterville, ME	279	9	4	2	2	3	17.4	2	2
Other (6)		N/A	N/A	4		N/A		NR	N/A
Total				**166**	**58**				

NR Not rated.

N/A Information not available.

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

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(2) In addition to the stations listed in this table, we are currently operating one station serving the Oklahoma City, OK market and one station serving the Knoxville, TN market under local marketing agreements. Also, we own two stations in Buffalo, NY and two stations in Salt Lake City, UT that are being operated by third parties under local marketing agreements.

(3) The station group audience share rank is the ranking of our station group among all station groups within the demographic of people ages 12+ based upon the total station group s audience share in that market as presented by Arbitron. through BIA Financial Network, Inc. s BIAfn s MEDIA Access Pro .

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

(5) In connection with the Merger, the Company was required to divest certain FM stations to comply with FCC ownership limits, and therefore, these stations were assigned to a trust and are not included in the table above. Also, during 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 assign one of its existing stations in the Salt Lake City market into a divestiture trust. The Company retains a beneficial interest in the stations until such stations are sold to third parties. After the completion of sales of certain of such stations that had been assigned to divestiture trusts in 2007 and 2008, as of March 19, 2010, eight stations remain in the trusts and are excluded from the table above, including one station in Albuquerque, NM; one station in Charleston, SC; one station in Lafayette, LA; three stations in Little Rock, AR; one station in Oklahoma City, OK; and one station in Salt Lake City, UT.

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

Market and Industry Data

We based or derived the station and market data presented in this Form 10-K from third-party sources. Unless otherwise indicated, we derived (i) our station group revenue ranking information for the full year 2009, (ii) our 2009 market revenue rank, (iii) the number of owned and operated stations in the market, and (iv) the number of station owners in the market from BIA Financial Network, Inc. s BIAfn s MEDIA Access Pro media research reporting as of March 1, 2010. We derived the Fall 2009 audience share data presented in this Form 10-K from Arbitron through BIA Financial Network, Inc. s BIAfn s MEDIA Access Pro media research reporting as of March 1, 2010. While we believe these industry publications are reliable, we have not independently verified the information provided.

Strategy

We are the third largest radio group in the United States, and we operate one of the largest radio networks in the country. Thus, we are among the largest pure-play radio operators in the country with one of the leading radio network syndication platforms, and we expect this will benefit us in an increasingly competitive industry partly through our broader listener and customer base and more diverse revenue stream. Our size and scope should enable us to serve our markets and stations more efficiently, and we continuously evaluate our on-air programming of the Radio Markets and the Radio Network, station and program branding and marketing, talent contracts/programming costs and other station and network operating expenses to determine any changes that may be made in order to improve our overall performance and to lower our costs and expenses.

Radio Markets

Operate and Develop Leading Station Clusters. We intend to continue our current strategy of focusing on, among other things, the operation and development of leading station clusters, and we believe it is important to own multiple stations in each of the markets in which we operate in order to maximize our ability to achieve leadership positions, increase operating efficiencies and compete more effectively with other forms of local media. We face more competition in the larger markets that rank in the top 20 in the country based on total market revenue as we own a limited number of stations in these markets, generally two to three stations.

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However, our stations are dominant in middle and smaller markets where we generally own anywhere from two to eight stations. We rank first or second in audience share in 32 of our 54 Arbitron-rated metropolitan markets. Our stations cover a wide range of programming formats, geographic regions, audience demographics and advertising clients. We intend to focus our attention on our stations in the larger markets, and we continue to seek opportunities, if available, to divest some of our stations, including the stations required to be divested as a result of the Merger as further described in the Federal Regulation of Radio Broadcasting section below. There can be no assurance as to whether any such transactions will occur or, if they occur, the amount of proceeds they will generate, their timing or their other terms.

Integrated Sales Approach. The Radio Markets sell radio spots to advertisers, but also offer online advertising, on-air mentions and live talent reads, appearances at offsite events and other nontraditional revenue-generating programs as part of an overall sales structure.

Emphasize Programming. We analyze market research and competitive factors to identify the key programming attributes that we believe will best position each station to develop a distinctive identity or a local brand and to maximize its appeal to local audiences and advertisers. Our programming strategy includes developing or contracting with significant on-air talent and creating recognizable brand names for selected stations. We believe this strategy significantly enhances the presence, marketability and competitiveness of our stations, leading to greater audience share and consequently higher revenue and operating income excluding non-cash expenses (depreciation, amortization, asset impairment charges and non-cash stock compensation expense). We intend to emphasize programming both at the Radio Network and at individual stations, which we believe will develop a distinctive identity or brand and maximize our appeal to audiences and advertisers.

Build Geographic, Format and Customer Diversity. We seek to build geographic, format, and customer diversity. Our stations are located in markets throughout the country that serve diverse target demographics through a broad range of programming formats such as rock, country, adult contemporary, oldies, urban and sports/news/talk. This diversity reduces, in part, our dependence on any particular local economy, market, station, format, on-air personality or advertiser. Similarly, we seek to develop a broad base of local and regional advertisers. During the year ended December 31, 2009, we generated approximately 79% of our net broadcasting revenue from local and regional advertising and approximately 21% from the sale of national advertising. No single advertiser accounted for more than 10% of our net broadcasting revenue.

Apply Improved Sales and Marketing to Capture Greater Share of Advertising Revenue. The development of a high-quality local sales organization in each of our markets is critical to our success. We face more competition in the larger markets that rank in the top 20 in the country based on total market revenue. However, our stations are dominant in middle and smaller markets. We rank first or second in revenue market share in 36 of our 54 ranked markets. In each market, we assess our station portfolio, the local market environment and the strength of our sales personnel to determine whether to pursue a cluster sale strategy or to create a separate sales force for each station. We place significant emphasis on recruiting quality sales people, setting clear financial and sales goals and rewarding achievement of those goals with commissions and bonus compensation. We also target regional sales, which we define as sales in an expanded geographic area beyond the specific market and/or for multiple markets, to companies that advertise in our markets, through our local sales force. We reach national advertisers in partnership with our national representation firm, offering advertising time on individual stations or across our overall network of stations.

Participate in Local Communities. As a local sales and advertising medium, we place significant emphasis on serving the local community in various ways, including but not limited to through our public affairs programming, public service announcements, community events and other on and off air support. We believe our active involvement reinforces our position in local communities and significantly improves the marketability of our radio broadcast time to advertisers who are targeting these communities.

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

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strength as an important consideration in any acquisitions we make. We will continue to focus on our stations digital brands, including local websites, audio/ video streaming, and mobile content. Our intent will be to continue to make our local and national content available to our audiences through multiple media. This will also allow our clients to engage our listeners through multiple touch points.

Radio Network

The Radio Network focuses on three primary aspects: programming; technology; and integrated sales. The success of the Radio Network is driven by the delivery of compelling programming that listeners demand to hear and stations want to air. By providing the best talent and the best shows, the Radio Network can secure distribution of its content and maintain coverage of virtually all U.S. radio markets, reaching roughly 106 million listeners each week. The Radio Network must strive to keep an independent status in the marketplace and provide programming to all station groups, even competitors of the stations in our Radio Markets. As content is a key focus, the Radio Network continually seeks out and develops new talent and distribution opportunities by securing strategic alliances with other station groups and non-traditional partners. Technology plays an important role in not only the delivery of the programs directly to the stations in real-time, but also in regional capabilities that deliver different content and advertising spots to specific parts of the country. Through an integrated sales approach, the Radio Network sells traditional radio spots, but also offers a digital on-line component, on-air mentions, live talent reads, regional copy-splits, event sponsorships and other revenue-generating programs as part of an overall sales structure that crosses a wide variety of programs.

Competition

We operate in a highly competitive industry. Our radio stations compete for audiences and advertising revenue directly with other radio stations as well as with other media, such as broadcast television, newspapers, magazines, cable television, satellite television, satellite radio, the Internet (and Internet radio), outdoor advertising and direct mail within their respective markets. Our radio stations also face increasing competition from consumer products such as portable digital audio players, which allow individuals to listen to music and other content of their own choosing without traditional commercial advertisements. Our audience ratings and market shares are subject to change, and any adverse change in a particular market could have a material adverse effect on our revenue in that market.

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

Factors that are material to a radio station s competitive position include, but are not limited to, management experience, retention of key on-air talent, the station s audience rank in its local market, transmitter power, assigned frequency, audience characteristics, local program acceptance and the number and characteristics of other radio stations in the market area. We attempt to improve our competitive position in each market by researching stations programming, implementing advertising and promotional campaigns aimed at the demographic groups for which our stations program and managing our sales efforts to attract a larger share of advertising revenue. Historically, we have also competed with other radio station groups to purchase additional stations, if available, and when beneficial to our station cluster in a specific market.

Our Radio Network is among the largest radio networks in the United States, competing primarily with Westwood One, Premiere Radio Networks and Dial-Global. These competitors, along with the Radio Network,

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collectively hold a substantial majority of the network market, with smaller networks comprising the remainder. The Radio Network competes for the acquisition of key on-air talent and for listening audience by competing with other program providers for station and program affiliates. The Radio Network markets its programs to radio stations that have the largest and most desirable listening audience for each of its programs, including stations that compete with our Radio Markets, and often has multiple program affiliations with a number of stations in the same geographic market.

In marketing its programs to national advertisers, the Radio Network business directly competes with other radio networks, as well as independent radio syndication producers and distributors and large media and entertainment companies, some of which are diversified into the radio industry and have significant resources. As a result of consolidation in the radio industry, companies owning large groups of stations have the ability to accumulate advertising time from the stations in the various local markets they serve to create national advertising packages that can compete directly with network advertising.

Although the radio broadcasting industry is highly competitive, barriers to entry do exist with respect to the operation of terrestrial radio stations (which can be mitigated to some extent by, among other things, changing existing radio station formats and upgrading power). The operation of a terrestrial radio station requires a license or other authorization from the FCC, and the number of radio stations that can operate in a given market is limited by the availability of FM and AM radio frequencies allotted by the FCC to communities in that market. In addition, the FCC s multiple ownership rules have historically limited the number of stations that may be owned or controlled by a single entity in a given market. Changes in the FCC s multiple ownership rules resulting from the Telecommunications Act of 1996 created opportunities for us to acquire and consolidate radio stations in our markets. Further changes to the FCC s ownership rules (discussed in the Federal Regulation of Broadcasting section below) significantly changed how the FCC reviews radio station transactions, which has the effect in some instances of both (i) decreasing the number of radio stations deemed to be in the market overall, thereby lowering the applicable ownership tier, and (ii) increasing the number of radio stations that we are deemed to own in the market. Under the revised rule, our station portfolio exceeded the applicable ownership limit in seven markets. As a result of the Merger, we were required to divest 11 stations in seven markets because the FCC deemed the Merger to be a substantial change in control (as defined under the FCC s rules and policies) of the Company. The 11 stations were assigned on June 12, 2007 to The Last Bastion Station Trust, LLC (Last Bastion) as trustee under a divestiture trust that complies with FCC rules. During 2008, we acquired a radio station in Salt Lake City, UT, in exchange for the balance of a note receivable, which required us to assign one of our existing stations in our Salt Lake City market into a divestiture trust (together with Last Bastion, the Divestiture Trusts). After the completion of sales of certain stations that had been transferred to the Divestiture Trusts in 2007 and 2008, as of December 31, 2009, we had eight stations remaining in the Divestiture Trusts. We retain a beneficial interest in the stations until such stations are sold to third parties. The revised rule also affects our ability to expand our ownership in certain markets.

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

- audio programming by cable television systems, direct broadcast satellite systems, Internet content providers, consumer products such as portable digital audio players, iPods, cellular phones, other personal communications systems, and other digital audio broadcast formats;
- satellite digital audio radio service, including numerous niche formats, with enhanced sound quality;
- HD Radio digital radio technology, which provides multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM stations, including stations owned by us; and
- low power FM radio, which has resulted in additional FM radio broadcast outlets that are designed to serve small, localized areas.

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For a discussion of the risks to our business raised by competition and evolving technologies, see Item 1A. Risk Factors below.

Federal Regulation of Radio Broadcasting

Our ownership, operation, purchase and sale of radio stations is regulated by the FCC, which acts under authority derived from the Communications Act of 1934, as amended by the Telecommunications Act of 1996 (the Communications Act). The Radio Network business, as a producer and distributor of radio programs and information services, is generally not subject to regulation by the FCC. Among other things, the FCC:

- assigns frequency bands for broadcasting;
- determines the particular frequencies, locations, operating powers and other technical parameters of stations;
- issues, renews, revokes and modifies station licenses;
- determines whether to approve changes in ownership or control of station licenses;
- regulates equipment used by stations; and
- adopts and implements regulations and policies that directly or indirectly affect the ownership, operation and employment practices of stations.

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

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

License Grant and Renewal

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

In a pending rule-making proceeding, the FCC has sought comments on the adoption of processing guidelines for renewal applications regarding a station s locally-oriented programming performance. The effect of whether and to what extent any such requirements are ultimately adopted and become effective cannot currently be determined.

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

- Class A stations, which operate on an unlimited time basis and are designed to render primary and secondary service over an extended area;
- Class B stations, which operate on an unlimited time basis and are designed to render service only over a primary service area; or
- Class D stations, which operate either during daytime hours only, during limited times only or on an unlimited time basis with low nighttime power.

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

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

The following table sets forth the metropolitan market served (the city of license may differ), call letters, FCC license classification, and FCC license expiration date of each of the stations that we own as of December 31, 2009. Several wholly-owned subsidiaries hold our licenses. Pursuant to FCC rules and regulations, many AM radio stations are licensed to operate at a reduced power during the nighttime broadcasting hours, which results in reducing the radio station s coverage during the nighttime hours of operation. The market assignments on this table reflect our regional station groups for accounting and operational purposes and do not necessarily reflect assignment of a station to the relevant market as defined by Arbitron.

Market	Station (1)	FCC Class	Expiration date of license
Albuquerque, NM	KKOB(AM)	B	10/1/2013
	KKOB-FM	C	10/1/2013
	KMGA(FM)	C	10/1/2013
	KNML(AM)	B	10/1/2013
	KRST(FM)	C	10/1/2013
	KTBL(AM)	B	10/1/2013
	KDRF(FM)	C	10/1/2013
Allentown/Bethlehem, PA	WCTO(FM)	B	8/1/2014
	WLEV(FM)	B	8/1/2014
Atlanta, GA	WKHX-FM	C0	4/1/2012
	WYAY(FM)	C	4/1/2012
Augusta/Waterville, ME	WEBB(FM)	C1	4/1/2014
	WJZN(AM)	C	4/1/2014
	WMME-FM	B	4/1/2014
	WTVL(AM)	C	4/1/2014

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Market	Station (1)	FCC Class	Expiration date of license
Baton Rouge, LA	KQXL-FM	C2	6/1/2012
	WCDV(FM)	C	6/1/2012
	WEMX(FM)	C1	6/1/2012
	WIBR(AM)	B	6/1/2012
	WXOK(AM)	B	6/1/2012
Binghamton, NY	WAAL(FM)	B	6/1/2014
	WHWK(FM)	B	6/1/2014
	WNBF(AM)	B	6/1/2014
	WWYL(FM)	A	6/1/2014
	WYOS(AM)	B	6/1/2014
Birmingham, AL	WAPI(AM)	B	4/1/2012
	WJOX(AM)	B	4/1/2012
	WAPI-FM	C1	4/1/2012
	WUHT(FM)	C1	4/1/2012
	WJOX-FM	C0	4/1/2012
	WZRR(FM)	C0	4/1/2012
Boise, ID	KBOI(AM)	B	10/1/2013
	KIZN(FM)	C	10/1/2013
	KKGL(FM)	C	10/1/2013
	KQFC(FM)	C	10/1/2013
	KZMG(FM)	C	10/1/2013
	KTIK(AM)	B	10/1/2013
Buffalo, NY	WEDG(FM)	B	6/1/2014
	WGRF(FM)	B	6/1/2014
	WHLD(AM)	B	6/1/2014
	WHTT-FM	B	6/1/2014
	WBBF(AM)	D	6/1/2014
Charleston, SC	WSSX-FM	C0	12/1/2011
	WIWF(FM)	C	12/1/2011
	WTMA(AM)	B	12/1/2011
	WWWZ(FM)	C2	12/1/2011
Chattanooga, TN	WGOW(AM)	B	8/1/2012
	WGOW-FM	A	8/1/2012
	WOGT(FM)	C3	8/1/2012
	WSKZ(FM)	C	8/1/2012
Chicago, IL	WLS(AM)	A	12/1/2012
	WLS-FM	B	12/1/2012
Colorado Springs, CO	KKFM(FM)	C	4/1/2013
	KKMG(FM)	C	4/1/2013
	KKPK(FM)	C	4/1/2013
	KCSF(AM)	B	4/1/2013
	KVOR(AM)	B	4/1/2013
	KATC-FM	C	4/1/2013
Columbia, SC	WISW(AM)	B	12/1/2011
	WLXC(FM)	A	12/1/2011
	WNKT(FM)	C2	12/1/2011
	WOMG(FM)	A	12/1/2011
	WTCB(FM)	C1	12/1/2011

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Market	Station (1)	FCC Class	Expiration date of license
Dallas-Fort Worth, TX	WBAP(AM)	A	8/1/2013
	KPMZ(FM)	C	8/1/2013
	KSCS(FM)	C	8/1/2013
Des Moines, IA	KBGG(AM)	B	2/1/2013
	KHKI(FM)	C1	2/1/2013
	KGGO(FM)	C0	2/1/2013
	KJJY(FM)	C2	2/1/2013
	KWQW(FM)	C2	2/1/2013
Detroit, MI	WJR(AM)	A	10/1/2012
	WDVD(FM)	B	10/1/2012
	WDRQ(FM)	B	10/1/2012
Erie, PA	WXKC(FM)	B	8/1/2014
	WXTA(FM)	B1	8/1/2014
	WRIE(AM)	B	8/1/2014
	WQHZ(FM)	A	8/1/2014
Flint, MI	WFBE(FM)	B	10/1/2012
	WTRX(AM)	B	10/1/2012
Grand Rapids, MI	WJRW(AM)	B	10/1/2012
	WTNR(FM)	B	10/1/2012
	WLAV-FM	B	10/1/2012
	WBBL-FM	B	10/1/2012
	WHTS(FM)	B	10/1/2012
Harrisburg/Carlisle/York, PA	WMHX(FM)	B	8/1/2014
	WQXA-FM	B	8/1/2014
	WCAT-FM	A	8/1/2014
Johnson City/Kingsport/Bristol, TN	WXSM(AM)	B	8/1/2012
	WJCW(AM)	B	8/1/2012
	WGOC(AM)	B	8/1/2012
	WKOS(FM)	A	8/1/2012
	WQUT(FM)	C	8/1/2012
Knoxville, TN	WIVK-FM	C	8/1/2012
	WNML(AM)	B	8/1/2012
	WNML-FM	A	8/1/2012
	WOKI(FM)	C3	8/1/2012
	WNRX(FM)	A	8/1/2012
Kokomo, IN	WWKI(FM)	B	8/1/2012
Lafayette, LA	KNEK(AM)	D	6/1/2012
	KRRQ(FM)	C2	6/1/2012
	KSMB(FM)	C	6/1/2012
	KXKC(FM)	C0	6/1/2012
	KNEK-FM	C3	6/1/2012
Lancaster, PA	WIOV-FM	B	8/1/2014
	WIOV(AM)	C	8/1/2014
Lansing/East Lansing, MI	WFMK(FM)	B	10/1/2012
	WITL-FM	B	10/1/2012
	WJIM(AM)	C	10/1/2012
	WJIM-FM	B	10/1/2012
	WMMQ(FM)	B	10/1/2012
	WVFN(AM)	D	10/1/2012

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Market	Station (1)	FCC Class	Expiration date of license
Little Rock, AR	KAAY(AM)	A	6/1/2012
	KARN(AM)	B	6/1/2012
	KIPR(FM)	C1	6/1/2012
	KLAL(FM)	C1	6/1/2012
	KPZK(AM)	B	6/1/2012
	KURB(FM)	C	6/1/2012
	KARN-FM	C2	6/1/2012
Los Angeles, CA	KABC(AM)	B	12/1/2013
	KLOS(FM)	B	12/1/2013
Memphis, TN	WRBO(FM)	C1	6/1/2012
	WGKX(FM)	C	8/1/2012
	WXMX(FM)	C1	8/1/2012
	WKIM(FM)	C1	8/1/2012
Minneapolis, MN	KQRS-FM	C	4/1/2013
	KXXR(FM)	C	4/1/2013
	WGVX(FM)	A	4/1/2013
	WGVY(FM)	C3	4/1/2013
	WGVZ(FM)	A	4/1/2013
Modesto, CA	KATM(FM)	B	12/1/2013
	KDJK(FM)	A	12/1/2013
	KESP(AM)	B	12/1/2013
	KHKK(FM)	B	12/1/2013
	KHOP(FM)	B	12/1/2013
	KWNN(FM)	A	12/1/2013
Muncie/Marion, IN	WMDH(AM)	B	8/1/2012
	WMDH-FM	B	8/1/2012
Muskegon, MI	WLCS(FM)	A	10/1/2012
	WKLQ(AM)	C	10/1/2012
	WVIB(FM)	A	10/1/2012
	WLAW(FM)	A	10/1/2012
	WEFG-FM	A	10/1/2012
Nashville, TN	WGFX(FM)	C1	8/1/2012
	WKDF(FM)	C0	8/1/2012
New Bedford, MA	WBSM(AM)	B	4/1/2014
	WFHN(FM)	A	4/1/2014
New London, CT	WQGN-FM	A	4/1/2014
	WSUB(AM)	D	4/1/2014
	WMOS(FM)	A	4/1/2014
	WXLM(FM)	A	6/1/2014
New Orleans, LA	KMEZ(FM)	C1	6/1/2012
	KKND(FM)	C3	6/1/2012
	WDVW(FM)	C	6/1/2012
	WMTI(FM)	C2	6/1/2012
New York, NY	WABC(AM)	A	6/1/2014
	WPLJ(FM)	B	6/1/2014
Oklahoma City, OK	KATT-FM	C1	6/1/2013
	KKWD(FM)	A	6/1/2013
	WWLS-FM	C1	6/1/2013
	KYIS(FM)	C	6/1/2013
	WWLS(AM)	B	6/1/2013
	WKY(AM)	B	6/1/2013

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Market	Station (1)	FCC Class	Expiration date of license
Portland, ME	WBLM(FM)	C	4/1/2014
	WCYY(FM)	B1	4/1/2014
	WHOM(FM)	C	4/1/2014
	WJBQ(FM)	B	4/1/2014
Portsmouth/Dover/Rochester, NH	WOKQ(FM)	B	4/1/2014
	WPKQ(FM)	C	4/1/2014
	WSAK(FM)	A	4/1/2014
	WSHK(FM)	A	4/1/2014
Presque Isle, ME	WBPW(FM)	C	4/1/2014
	WOZI(FM)	C2	4/1/2014
	WQHR(FM)	C	4/1/2014
Providence, RI	WPRO(AM)	B	4/1/2014
	WPRO-FM	B	4/1/2014
	WPRV(AM)	B	4/1/2014
	WEAN-FM	A	4/1/2014
	WWLI(FM)	B	4/1/2014
	WWKX(FM)	A	4/1/2014
Reno, NV	KBUL-FM	C	10/1/2013
	KKOH(AM)	B	10/1/2013
	KNEV(FM)	C	10/1/2013
	KWYL(FM)	C	12/1/2013
Saginaw/Bay City, MI	WHNN(FM)	C	10/1/2012
	WILZ(FM)	A	10/1/2012
	WIOG(FM)	B	10/1/2012
	WKQZ(FM)	C2	10/1/2012
Salt Lake City, UT	KKAT(AM)	D	10/1/2013
	KBEE(FM)	C	10/1/2013
	KBER(FM)	C	10/1/2013
	KENZ(FM)	C	10/1/2013
	KHTB(FM)	C	10/1/2013
	KFNZ(AM)	B	10/1/2013
	KJQS(AM)	C	10/1/2013
	KUBL-FM	C	10/1/2013
San Francisco, CA	KGO(AM)	A	12/1/2013
	KSFO(AM)	B	12/1/2013
Springfield, MA	WHLL(AM)	C	4/1/2014
	WMAS-FM	B	4/1/2014
Stockton, CA	KJOY(FM)	A	12/1/2013
	KWIN(FM)	A	12/1/2013
Syracuse, NY	WAQX-FM	B1	6/1/2014
	WLTI(FM)	A	6/1/2014
	WSKO(AM)	B	6/1/2014
	WNTQ(FM)	B	6/1/2014
Tucson, AZ	KCUB(AM)	B	10/1/2013
	KHYT(FM)	C	10/1/2013
	KIIM-FM	C	10/1/2013
	KSZR(FM)	A	10/1/2013
	KTUC(AM)	C	10/1/2013

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Market	Station (1)	FCC Class	Expiration date of license
Tuscaloosa, AL	WBEI(FM)	C2	4/1/2012
	WDGM(FM)	C3	4/1/2012
	WFFN(FM)	C2	4/1/2012
	WTSK(AM)	D	4/1/2012
	WTUG-FM	C1	4/1/2012
Washington, D.C	WMAL(AM)	B	10/1/2011
	WRQX(FM)	B	10/1/2011
	WVRX(FM)	B	10/1/2011
Wilkes-Barre/Scranton, PA	WARM(AM)	B	8/1/2014
	WBHT(FM)	A	8/1/2014
	WBSX(FM)	B	8/1/2014
	WSJR(FM)	A	8/1/2014
	WBHD(FM)	A	8/1/2014
	WMGS(FM)	B	8/1/2014
Worcester, MA	WORC-FM	A	4/1/2014
	WWFX(FM)	A	4/1/2014
	WXLO(FM)	B	4/1/2014

(1) The FCC deemed that the Merger resulted in a substantial change in control (as defined under the FCC s rules and policies), and we were required to divest 11 stations that exceeded the applicable ownership limits under the FCC s rules. Therefore, these stations were assigned to Last Bastion as of the closing date of the Merger. Also, the Company has transferred a station to the Divestiture Trusts to comply with FCC ownership limits in connection with a station acquisition. After the completion of sales of certain of such stations that had been assigned to the Divestiture Trusts in 2007 and 2008, as of March 19, 2010, eight stations remain in the Divestiture Trusts.

(2) WGVX, WGVY and WGVZ are operated as a single station.

Transfers or Assignments of Licenses

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

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

To obtain FCC consent to assign a broadcast license or transfer control of a broadcast licensee, appropriate applications must be filed with the FCC. If the application involves a substantial change in ownership or control (as defined under the FCC s rules and policies), the application must be placed on public notice for not less than 30 days, during which time interested parties, including listeners, advertisers, competitors, public interest groups and other members of the public may file petitions to deny or other objections against the application. These types of petitions are filed from time to time with respect to proposed acquisitions. Informal objections to assignment and transfer of control applications may be filed at any time up until the FCC acts on the application. Once the FCC staff grants an application, interested parties may seek reconsideration of that grant for 30 days. The FCC commissioners may reconsider the grant by the FCC staff on the FCC s own motion for 40 days. If the application does not involve a substantial change in ownership or control (as defined under the FCC s rules and policies), it is a pro forma application. The pro forma application is nevertheless subject to having informal

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objections filed against it. When passing on an assignment or transfer application, the FCC is prohibited from considering whether the public interest might be served by an assignment or transfer of the broadcast license to any party other than the assignee or transferee specified in the application.

Multiple Ownership Rules

The Communications Act imposes specific limits on the number of commercial radio stations an entity can own in a single market. FCC rules and regulations implement these limitations. In 2003, the FCC adopted new multiple ownership rules following a comprehensive review of its ownership regulations. The ownership rules adopted in 2003 included: (i) new cross-media limits that in certain markets eliminated the newspaper-broadcast cross-ownership ban and altered the television-radio cross-ownership limitations; and (ii) regulations that revised the manner in which the radio numeric ownership limitations were to be applied, substituting where available geographic markets as determined by Arbitron in place of the former standard which was based on certain overlapping signal contours. The FCC s decision was appealed to the Third Circuit, which stayed the effective date for the new rules. In June 2004, the Third Circuit affirmed the FCC s decision to use Arbitron radio market definitions, where available, in the application of the ownership limitations, but remanded the case to the FCC for further consideration of, among other matters, the numerical limits imposed on the number of AM or FM stations a single party could own in such markets. On September 3, 2004, the Third Circuit granted the FCC s request for a partial lifting of the stay of the 2003 radio ownership rules and allowed four aspects of the new rules to take effect: (a) the use of Arbitron markets to define local radio markets where available; (b) the inclusion of non-commercial radio stations in determining the number of stations in the market; (c) the attribution of joint sales agreements with in-market stations; and (d) the limitations on the transfers of non-compliant ownership clusters. In December 2007, the FCC adopted an order that modified only the newspaper/broadcast cross-ownership rule to adopt a rebuttable presumption permitting the cross-ownership of one newspaper and one television or radio station in the top 20 television markets under certain circumstances, and establishing a waiver procedure applicable to such combinations in smaller markets. The FCC declined to make changes to any other broadcast ownership rules and retained the rules as then in effect. This decision was also appealed to the Third Circuit. The FCC advised the Court that the December 2007 decision may not represent the majority view of the current FCC, and asked the Court to defer to further proceedings contemplated before the FCC. The Court has recently requested that the FCC show cause why the stay of the newspaper/broadcast cross-ownership rule, as adopted in December 2007, should not be lifted and the appeals heard. At this time, the decision remains subject to administrative and judicial appeal. The FCC s ownership rules are briefly summarized below.

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

- in markets with 45 or more radio stations, ownership is limited to eight commercial stations, no more than five of which can be either AM or FM;

- in markets with 30 to 44 radio stations, ownership is limited to seven commercial stations, no more than four of which can be either AM or FM;

- in markets with 15 to 29 radio stations, ownership is limited to six commercial stations, no more than four of which can be either AM or FM; and

- in markets with 14 or fewer radio stations, ownership is limited to five commercial stations or no more than 50% of the market s total, whichever is lower, and no more than three of which can be either AM or FM.

For radio stations located outside of an Arbitron metropolitan market, the FCC will continue to use its previous signal contour-based methodology, with two modifications. In June 2003, the FCC also initiated as part of its biennial review of the media ownership rules a new rulemaking proceeding to develop a new method of

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defining markets located outside of Arbitron metropolitan markets. This rulemaking proceeding remains pending. We own a few radio stations in unrated markets. We do not believe that the FCC s rule changes as they apply to unrated markets will have any material effect on our business plan.

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

The FCC s newspaper-broadcast cross-ownership rules impose limitations on the circumstances under which the same party may own a broadcast station and a daily newspaper in the same geographic market, as described above. The FCC radio-television cross-ownership rules limit the number of radio stations that a local owner of television stations may hold. We own no television stations or daily newspapers, but the cross-media rules may limit the prospective buyers in the market of any stations we may wish to sell. The ownership rules also effectively prevent us from selling stations in a market to a buyer that has reached its ownership limit in the market.

At this time, it is uncertain whether any new rules or potential congressional proposals will become law or what effect such legislation will have on us and our ability to acquire additional stations. A requirement that companies divest stations to come into compliance with the Arbitron-based geographic market approach for defining local radio markets would not materially affect us because we are already fully-compliant due to divestitures made to the Divestiture Trusts. Such a requirement, however, may have the effect of leveling the competitive playing field in markets where existing competitors own radio stations in excess of the revised limits, which may create acquisition opportunities for us in other markets.

Ownership Attribution Rules

The FCC s multiple ownership rules apply to attributable interests in broadcast stations or daily newspapers held by an individual, corporation, partnership or other association. In the case of corporations directly or indirectly controlling broadcast licenses, the interests of officers, directors and those who, directly or indirectly, have the right to vote 5% or more of the corporation s voting stock are generally attributable. Some passive investors are attributable only if they hold 20% or more of the corporation s voting stock. However, all minority shareholder interests (other than interests subject to the debt/equity plus rule discussed in the next paragraph) are exempt from attribution if a single shareholder controls a majority of the voting shares in the corporation.

Notwithstanding the presence of a single majority shareholder, the FCC will attribute the interests of various creditors or investors in a corporation under the so-called debt/equity plus rule. Under this rule, a major programming supplier or a same-market owner will be treated as an attributable owner of a station if the supplier or owner holds debt or equity, or both, in the station that is greater than 33% of the value of the station s total debt plus equity. A major programming supplier includes any programming supplier that provides more than 15% of the station s weekly programming hours. A same-market owner includes any attributable owner of a media company, including broadcast stations, cable television, and newspapers, located in the same market as the station, but only if the owner is attributable under an FCC attribution rule other than the debt/equity plus rule.

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

Alien Ownership Rules

The Communications Act prohibits the issuance or holding of broadcast licenses by persons who are not U.S. citizens, whom the FCC rules refer to as aliens, including any corporation organized under the laws of a foreign country or of which more than 20% of its capital stock is collectively owned or voted by aliens. In addition, the FCC may prohibit any corporation from holding a broadcast license if the corporation is directly or indirectly controlled by any other corporation of which more than 25% of the capital stock is owned of record or voted by aliens. These restrictions apply in similar fashion to other forms of businesses and organizations, including partnerships and limited liability companies. Our certificate of incorporation provides that our capital stock is subject to redemption by action of our board of directors to the extent necessary to bring us into compliance with the Communications Act or FCC regulations to prevent the loss of any of our FCC licenses.

Time Brokerage

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

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

The FCC s revised ownership rules extend ownership attribution to certain joint sales agreements as well. See the Multiple Ownership Rules section above. Under a joint sales agreement, one radio station sells the commercial time on a separately owned and licensed radio station, but does not provide programming as under a time brokerage or local marketing agreement. A radio station that sells more than 15% of the advertising time of another radio station in the same market will be considered to have an attributable ownership interest in the other station for purposes of the FCC s multiple ownership rules.

Programming and Operation

The Communications Act requires broadcasters to serve the public interest. Since 1981, the FCC has gradually relaxed or eliminated many of the more formalized procedures it developed to promote the broadcast of types of programming that are responsive to the needs of a station s community of license. However, licensees continue to be required to present programming that is responsive to community problems, needs and interests

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and to maintain records demonstrating responsiveness. Complaints from listeners concerning a station s programming will be considered by the FCC when it evaluates the licensee s renewal application, although listener complaints may be filed and considered at any time and must be maintained in the station s public file.

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

The FCC s equal employment opportunity (EEO) rules are outreach and recruitment focused and require that broadcasters: (1) widely disseminate information for each full-time job vacancy, except for vacancies filled in exigent circumstances; (2) provide notification to community and recruitment organizations that have requested information on all or selected job vacancies; and (3) participate in longer-term recruitment initiatives, such as job fairs, internships, scholarships and EEO/anti-discrimination training programs. Broadcasters remain subject to the FCC s anti-discrimination policy, but the use of minority or women-targeted recruitment sources is no longer mandated. The EEO rules also require a broadcaster to keep extensive internal records regarding its recruitment efforts including information regarding its recruitment sources and interviewees, notification to requesting community groups and specifics regarding participation in the longer-term initiatives.

Broadcasters must also prepare and place in the public inspection file (and on their website if they maintain one) an annual EEO public file report that details recruitment efforts and interviewee totals, the referral sources used for each vacancy, the community groups notified, and specifics regarding participation in longer-term recruitment initiatives. Broadcasters are subject to an FCC mid-term review in the fourth year of the license term and an FCC review as part of the license renewal application, both requiring the submission of the annual EEO public file report for the preceding two years with a statement certifying that the broadcaster s reports are accurate. The FCC is expected to address the annual workforce employment information and filing requirements in a separate report and order. The FCC has obtained public comment on its review of possible recruitment requirements for part-time vacancies but has yet to adopt rules in this area.

The Communications Act and an implementing FCC rule require that when money, goods, services or other valuable consideration has been paid or promised to a station or any employee for the broadcast of programming, appropriate sponsorship identification announcement(s) must be given. Following inquiries initiated by the FCC regarding sponsorship identification practices at several media companies, including the Company, the Company and other media companies entered into consent decrees resolving the matter in 2007. Pursuant to the consent decree, the Company agreed to adopt certain business reforms and compliance plans that remain in effect for three years. The Company admitted no violations of any FCC rules in connection with the investigation, and the FCC found none. The FCC also has under consideration rule-making proceeding concerning sponsorship identification issues, such as product placement. Whether any new regulations are ultimately adopted and become effective, and, if so, the effect of such rules on our operations, cannot currently be determined.

Periodically, we may be required to obtain special temporary authority (STA) from the FCC to operate one or more of our stations in a manner different from the licensed parameters so that we can complete scheduled construction or maintenance or so that we may repair damaged or broken equipment without interrupting service. We are currently operating some stations under STAs in the ordinary course of business. In the ordinary course of business, we have received complaints or the FCC has initiated inquiries about whether we have broadcast indecent programming or violated technical requirements.

Indecency Regulation

The FCC s rules prohibit the broadcast of obscene material at any time and indecent material between the hours of 6 a.m. and 10 p.m. Broadcasters risk violating the prohibition on the broadcast of indecent material because of the vagueness of the FCC s definition of indecent material, coupled with the spontaneity of live programming. The FCC in recent years has stepped up its enforcement activities as they apply to indecency and has threatened to initiate license revocation or license renewal proceedings against broadcast licensees for a category of undefined serious indecency violations. In July 2007, the FCC implemented increased forfeiture amounts that were enacted by Congress for indecency violations. The maximum permitted fine for an indecency violation is $325,000 per incident, with a maximum forfeiture exposure of $3,000,000 for any continuing violation arising from a single act or failure to act. As a result, we could face increased costs in the form of fines and greater risk that we could lose one or more broadcasting licenses. In the ordinary course of business, we have received complaints or the FCC has initiated inquiries about whether a limited number of our radio stations have broadcast indecent programming. We also have a few outstanding indecency proceedings against our stations. The pendency of these proceedings, as well as the FCC s more vigorous enforcement of its indecency rules, may encourage third parties to challenge our license renewal or assignment applications.

Several appeals of certain of the FCC s recent enforcement actions and of the FCC s underlying indecency standards are pending in the federal courts. We cannot predict the outcome of these proceedings or whether Congress will consider or adopt further legislation in this area.

Proposed and Recent Changes

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

- changes in the FCC s ownership rules and policies, including changes to the local radio ownership rules and the limitations on the cross-ownership of radio and other media (see the Multiple Ownership Rules section above);
- proposals to increase regulatory fees or to impose spectrum use or other fees on FCC licensees;
- technical and frequency allocation matters and changes to broadcast technical requirements;
- proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages;
- proposals to restrict or prohibit the advertising of on-line casinos or on-line sports-betting services;
- proposals to alter provisions of the tax laws affecting broadcast operations and acquisitions;
- restatement in revised form of the FCC s EEO rules and revision to rules relating to political broadcasting;
- proposals to regulate or prohibit payments to stations by independent record promoters, record labels and others for the inclusion of specific content in broadcast programming;
- proposals to shorten the term of broadcasting licenses from eight to three years;
- proposals to require radio broadcasters to pay royalties to musicians and record labels for the performance of music played on the stations; and

proposals to require broadcast stations to operate studios in the communities to which they are licensed, which would require construction of new studios, to provide staffing on a 24 hour per day basis, and to increase and/or quantify locally oriented program content and diversity.

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

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Federal Antitrust Considerations

The Federal Trade Commission (FTC) and the Department of Justice (DOJ), the federal agencies responsible for enforcing the federal antitrust laws, may evaluate certain transactions.

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

At any time before or after the completion of a proposed acquisition, the FTC or the DOJ could take action under the antitrust laws as it considers necessary or desirable in the public interest, including seeking to enjoin the acquisition or seeking divestiture of the business or other assets acquired. Acquisitions that are not required to be reported under the Hart-Scott-Rodino Act may be investigated by the FTC or the DOJ under the antitrust laws before or after completion. In addition, private parties may, under certain circumstances, bring legal action to challenge an acquisition under the antitrust laws.

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

Environmental

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

Seasonality

In the radio broadcasting industry, seasonal revenue fluctuations are common and are due primarily to variations in advertising expenditures by local and national advertisers. Typically, revenue is lowest in the first calendar quarter of the year. Due to recent economic and industry changes, however, seasonal revenue fluctuations are becoming increasingly more difficult to predict or anticipate.

Employees

As of December 31, 2009, we had approximately 2,600 full-time employees and approximately 1,400 part-time employees, of which approximately 200 are covered by collective bargaining agreements. We consider our relations with our employees generally to be good.

We employ many on-air personalities in our businesses and enter into employment agreements with certain on-air personalities in order to protect our interests in these employee relationships; however, talent may sometimes be lost to competitors or for various other reasons. While we do 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 loss of several key on-air personalities combined could have a material adverse effect on our business.

Available Information

Our Internet address is *www.citadelbroadcasting.com*. You may obtain through our Internet website, free of charge, access to copies of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934. These reports will be available as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission (SEC). You may read and copy any materials we filed with the SEC at the SEC s Public Reference Room at 100 F Street, N.E., Washington, DC, 20549, or you may call 1-800-SEC-0330 for more information.

ITEM 1A. RISK FACTORS

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

We may not be able to obtain confirmation of the Plan.

With regard to any proposed plan of reorganization, the debtor seeking confirmation of a plan may not receive the requisite acceptances to confirm such plan. If the requisite acceptances of our Plan are received, we intend to seek confirmation of the Plan by the Bankruptcy Court. If the requisite acceptances of our Plan are not received, we may nevertheless seek Confirmation of the Plan notwithstanding the existence of a dissenting class or classes. The Bankruptcy Court may confirm the Plan pursuant to the cramdown provisions of the Bankruptcy Code if the plan satisfies section 1129(b) of the Bankruptcy Code. To confirm a plan over the objection of a dissenting class, the Bankruptcy Court also must find that at least one impaired class (which cannot be an insider class) has accepted the plan.

Even if the requisite acceptances of a proposed plan are received, the Bankruptcy Court is not obligated to confirm the plan as proposed. A dissenting holder of a claim against us could challenge the balloting procedures as not being in compliance with the Bankruptcy Code, which could mean that the results of the balloting may be invalid. If the Bankruptcy Court determined that the balloting procedures were appropriate and the results were valid, the Bankruptcy Court could still decline to confirm the Plan, if the Bankruptcy Court found that any of the statutory requirements for confirmation had not been met.

If our Plan is not confirmed by the Bankruptcy Court, (a) we may not be able to reorganize our businesses; (b) the distributions that holders of claims ultimately would receive, if any, with respect to their claims are uncertain; and (c) there is no assurance that we will be able to successfully develop, prosecute, confirm, and consummate an alternative plan that will be acceptable to the Bankruptcy Court and the holders of claims. It is also possible that third parties may seek and obtain approval from the Bankruptcy Court to terminate or shorten the exclusivity period during which only we may propose and confirm a plan of reorganization.

Our emergence from chapter 11 of the Bankruptcy Code is not assured.

While we expect to emerge from chapter 11 of the Bankruptcy Code, there can be no assurance that we will successfully reorganize or when this reorganization will occur, irrespective of our obtaining confirmation of the Plan.

The conditions precedent to the Effective Date of the Plan may not occur.

As more fully set forth in the Plan, the Effective Date is subject to a number of conditions precedent. If such conditions precedent are not met or waived, the Effective Date will not take place.

We may not be able to achieve our projected financial results.

The financial projections that we have set forth in an exhibit to the Disclosure Statement represent our management s best estimate of our future financial performance based on the information that was available to management at the time of the estimate. The estimate incorporated facts and assumptions about our future operations as well as the U.S. and world economy in general and the industry segments in which we operate in particular. Our actual financial results may differ significantly from the projections and, as such, could impact the Plan and confirmation of the Plan. If we do not achieve our projected financial results, the trading prices of the New Common Stock may be negatively affected, and we may lack sufficient liquidity to continue operating as planned after the Effective Date of the Plan. Moreover, the financial condition and results of operations of Reorganized Citadel from and after the Effective Date of the Plan may not be comparable to the financial condition or results of operations reflected in our historical financial statements.

Our restructuring will eliminate our net operating loss carryforwards and reduce our current tax attributes.

As of December 31, 2009, we had approximately $91.3 million of net operating loss carryforwards for federal income tax purposes (expiring in the years 2025 and 2029). In addition, as of such date, we had approximately $109.8 million of net operating loss carryforwards for state income tax purposes, expiring in years 2013 through 2029. Currently, such tax net operating losses can accumulate and be used to offset our future taxable income. As a result of implementation of the Plan, we expect our net operating loss carryforwards to be eliminated. In addition, we expect certain tax attributes, primarily tax basis in depreciable and amortizable assets, to be reduced due to the Plan and, therefore, future tax deductible depreciation and amortization will be significantly reduced.

Indebtedness may adversely affect Reorganized Citadel s operations and financial condition.

According to the terms and conditions of the Plan, upon confirmation, Reorganized Citadel is expected to have outstanding indebtedness of approximately $762.5 million under the New Term Loan.

Reorganized Citadel s ability to service its debt obligations will depend upon, among other things, its future operating performance. These factors depend partly on economic, financial, competitive and other factors beyond Reorganized Citadel s control. Reorganized Citadel may not be able to generate sufficient cash from operations to meet its debt service obligations as well as fund necessary capital expenditures. In addition, if Reorganized Citadel needs to refinance its debt, obtain additional financing or sell assets or equity, it may not be able to do so on commercially reasonable terms, if at all.

Any default under the New Term Loan could adversely affect their growth, financial condition, results of operations, the value of their equity and ability to make payments on such debt. Reorganized Citadel may incur significant additional debt in the future. If current debt amounts increase, the related risks that Reorganized Citadel now faces will intensify.

The New Term Loan Agreement is expected to contain certain restrictions and limitations that could significantly affect Reorganized Citadel s ability to operate its business, as well as significantly affect its liquidity.

The New Term Loan Agreement is expected to contain a number of significant covenants that could adversely affect Reorganized Citadel s ability to operate its businesses, as well as significantly affect its liquidity, and therefore could adversely affect Reorganized Citadel s results of operations. These covenants are expected to restrict (subject to certain exceptions) Reorganized Citadel s ability to: incur additional indebtedness; grant liens; consummate mergers, acquisitions, consolidations, liquidations and dissolutions; sell assets; pay dividends and make other payments in respect of capital stock; make capital expenditures; make investments, loans and advances; make payments and modifications to subordinated and other material debt instruments; enter into transactions with affiliates; consummate sale-leaseback transactions; change its fiscal year; enter into hedging arrangements (except as otherwise expressly permitted); allow third parties to manage its stations, and sell substantially all of the stations programming or advertising; transfer or assign FCC licenses to third parties; and change its lines of business. In addition, Reorganized Citadel will be required to maintain a minimum interest coverage ratio and a maximum leverage ratio.

The breach of any covenants or obligations in the New Term Loan, not otherwise waived or amended, could result in a default under the New Term Loan Agreement and could trigger acceleration of those obligations. Any default under the New Term Loan could adversely affect Reorganized Citadel s growth, financial condition, results of operations and ability to make payments on debt.

Decreased spending by advertisers and changes in the economy have had a material adverse effect on our business, and a continuing downturn in the economy may have an even greater adverse impact on the Debtors.

Since virtually all of our net revenue is generated from the sale of local, regional and national advertising for broadcast on our radio stations, and the net revenue of Radio Network is also dependent on national advertising, the recent downturn in the United States economy has had a material adverse impact on our revenue and profit margins. A continuing recession or further downturn in the United States economy could have an even greater adverse impact on us, as advertisers generally reduce their spending during economic downturns. In addition, because a substantial portion of our revenue is derived from local advertisers, our ability to generate advertising revenue in specific markets could be adversely affected by continuing local or regional economic downturns. The current state of the economy could also adversely affect our ability to collect accounts receivable from advertisers.

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

We operate in a highly competitive industry. The Radio Markets and Radio Network compete for audiences, creative and performing talent, broadcast rights, market share and advertiser support with other radio stations and station groups, radio networks, other syndicated programming and other media such as broadcast television, newspapers, magazines, cable television, satellite television, satellite radio, the Internet and hand-held programmable devices, such as iPods and cellular phones. Any adverse change in a particular market or in the relative market positions of the stations located in a particular market, or any adverse change in listeners preferences could have a material adverse effect on our revenue or ratings. Other radio broadcasting companies may enter the markets in which we operate or may operate in the future or offer syndicated programming that competes with our programming, and these companies may be larger and have more financial resources than we do. In addition, from time to time, other stations may change their format or programming, or a station may adopt a format to compete directly with us for audiences and advertisers. These tactics could result in lower ratings, lower market share and lower advertising revenue or increased promotion and other expenses and, consequently, lower earnings and cash flow for us. Audience preferences as to format or programming may also shift due to demographic changes, personnel or other programming changes, a decline in broadcast listening trends or other reasons.

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We may lose key on-air talent to competing radio stations, radio networks or other types of media competitors.

The Radio Markets and Radio Network compete for creative and performing on-air talent with other radio stations and station groups, radio networks, and other providers of syndicated programming and other media such as broadcast television, cable television, satellite television, the Internet and satellite radio. Our employees and other on-air talent are subject to change and may be lost to competitors or for other reasons. Any adverse changes in particular programs, formats or on-air talent could have a material adverse effect on our ability to attract local and/or national advertisers, on our revenue and/or ratings, or could require increased expenses.

Future losses could be caused by future asset impairment of our FCC licenses and/or goodwill.

As of December 31, 2009, our FCC licenses and goodwill comprise 65% of our total assets. The Company has recently recognized significant non-cash impairment charges relating to these assets. Interim and/or annual impairment testing, as applicable, could result in future impairment losses. The fair value of FCC licenses and goodwill is primarily dependent on the expected future cash flows of the Radio Markets and Radio Network. If actual market conditions and operational performance for the respective reporting units underlying the intangible assets were to deteriorate, or if facts and circumstances change that would more likely than not reduce the estimated fair value of the FCC licenses or goodwill for these reporting units below their adjusted carrying amounts, the Company may also 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. Factors that could result in future impairment losses are further discussed in the section entitled Critical Accounting Policies within Item 7.

Our results may be adversely affected if long-term contracts are not renewed on sufficiently favorable terms.

We sometimes enter into long-term contracts in the ordinary course of business for both the acquisition and distribution of media programming and products, including contracts for both the acquisition and distribution of programming rights for sporting events and other programs, contracts for the distribution of programming to satellite operators, and contracts relating to programming produced by third parties on our stations and by our network business. As these contracts expire, the parties must renew or renegotiate the contracts, and if they are unable to renew them on acceptable terms, we may lose these rights, the related programming and applicable revenue. Even if these contracts are renewed, the cost of obtaining programming rights may increase (or increase at faster rates than in the past) or the revenue from distribution of programs may be reduced (or increase at slower rates than in the past). With respect to the acquisition of programming rights, the impact of these long-term contracts on our results over the terms of the contracts will depend on a number of factors, including the strength of advertising markets, effectiveness of marketing efforts, the size of viewer audiences, and the related contract expenses and costs. There can be no assurance that revenue from programming based on these rights will exceed the cost of the rights plus the other costs of producing and distributing the programming.

The loss of affiliation agreements by our network business could materially adversely affect our results of operations.

Our Radio Network has approximately 4,000 station affiliates and 9,000 program affiliations. It receives advertising inventory from its affiliated stations, either in the form of stand-alone advertising time within a specified time period or commercials inserted by the Radio Network into its programming. In addition, primarily with respect to satellite radio providers, we receive a fee for providing such programming. The loss of network affiliation agreements of the Radio Network could adversely affect our results of operations by reducing the reach of our network programming and, therefore, its attractiveness to advertisers. Renewal on less favorable terms may also adversely affect our results of operations through reduction of advertising revenue.

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The failure or destruction of satellites and transmitter facilities that we depend upon to distribute our programming could materially adversely affect our businesses and results of operations.

We use studios, satellite systems, transmitter facilities and the Internet to originate and/or distribute our station programs and network programs and commercials to affiliates. We rely on third-party contracts and services to operate our origination and distribution facilities. These third-party contracts and services include, but are not limited to, electrical power, satellite transponders, uplinks and downlinks and telecom circuits. Distribution may be disrupted due to one or more third parties losing their ability to provide particular services to us, which could adversely affect our distribution capabilities. A disruption can be caused as a result of any number of events such as local disasters (accidental or environmental), various acts of terrorism, power outages, major telecom connectivity failures or satellite failures. Our ability to distribute programming to station audience and/or network affiliates may be disrupted for an undetermined period of time until alternate facilities are engaged and put on-line. Furthermore, until third-party services resume, the inability to originate or distribute programming could have a material adverse effect on our businesses and results of operations.

If we lose key executive officers, our business could be disrupted and our financial performance could suffer.

Our businesses depend upon the continued efforts, abilities and expertise of our executive officers, primarily our chairman and chief executive officer, Farid Suleman. We believe that the unique combination of skills and experience possessed by Mr. Suleman would be difficult to replace, and his loss could have a material adverse effect on us, including impairing our ability to execute our business strategy.

To remain competitive, we must respond to changes in technology, services and standards that characterize our industry.

The radio broadcasting industry is subject to technological change, evolving industry standards and the emergence of new media technologies. We may not have the resources to acquire new technologies or to introduce new services that could compete with these new technologies.

The radio broadcasting industry historically has grown despite the introduction of new technologies for the delivery of entertainment and information, including the introduction of new technologies used in automobiles, as a result, in part, of an increasingly large human population, greater use of the automobile and increased commuter times. Some of the new technologies, particularly satellite digital audio radio service and Internet radio, compete for the consumer s attention in the car, workplace and elsewhere. We cannot guarantee that this historical growth will continue. In addition, we cannot predict the effect, if any, that competition arising from new technologies or regulatory changes may have on the radio broadcasting industry or on our financial condition and results of operations, some of which could result in the imposition of significant costs and expenses not previously part of our business operations.

Our businesses depend upon licenses issued by the FCC, and if licenses were not renewed or we were to be out of compliance with FCC regulations and policies, our business would be materially impaired.

Our businesses depend upon maintaining their broadcasting licenses issued by the FCC, which are currently issued for a maximum term of eight years and are renewable. Interested parties may challenge a renewal application. On rare occasions, the FCC has revoked licenses, not renewed them, or renewed them with significant qualifications, including renewals for less than a full term of eight years. In the last renewal cycle, all of our licenses were renewed; however, we cannot be certain that our future renewal applications will be approved, or that the renewals will not include conditions or qualifications that could adversely affect our operations, could result in material impairment and could adversely affect our liquidity and financial condition. If any of our FCC licenses are not renewed, it could prevent us from operating the affected station and generating revenue from it. Further, the FCC has a general policy restricting the transferability of a station license while a renewal application for that station is pending. In addition, we must comply with extensive FCC regulations and policies governing the ownership and operation of our radio stations. FCC regulations limit the number of radio stations that a licensee can

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own in a market, which could restrict our ability to consummate future transactions. The FCC s rules governing our radio station operations impose costs on our operations, and changes in those rules could have an adverse effect on our businesses. The FCC also requires radio stations to comply with certain technical requirements to limit interference between two or more radio stations. If the FCC relaxes these technical requirements, it could impair the signals transmitted by our radio stations and could have a material adverse effect on our businesses. Moreover, governmental regulations and policies may change over time, and the changes may have a material adverse impact upon our businesses, financial condition and results of operations.

There will be FCC approval requirements in connection with emergence from chapter 11 of the Bankruptcy Code.

We operate our businesses and certain of our facilities under authority granted by the FCC. Under Section 310(d) of the Communications Act, the consent of the FCC is required for the assignment of FCC licenses or for the transfer of control of an entity that holds or controls FCC licenses. Except in the case of involuntary assignments and transfers of control, prior consent of the FCC is required before an assignment of FCC licenses or a transfer of control of FCC licensees may be consummated.

The FCC treats emergence from bankruptcy by a licensee or its parent company as a voluntary transfer of control or assignment of FCC licenses when control will be transferred to a permanent holder, rather than to a trustee, a liquidating trust or some other court-appointed interim holder. The FCC thus expects that when the outcome of the proceeding will be a restructuring (or a sale of collateral for the benefit of the debtor s creditors) that the restructuring (or sale) will not be implemented until the FCC has granted applications seeking approval of the new control structure and demonstrating the legal qualifications of any new parties that will have attributable ownership interests or positions in the new entity.

Because the restructuring proposed under the Plan will result in new parties holding 50% or more of the stock of the restructured company, the Company has filed long form applications with the FCC (*i.e.* Form 314 (assignment) or Form 315 (transfer of control)) (Long Form Applications). Even though a company may emerge from bankruptcy or receivership through a court order, the transaction may not be consummated until the FCC has granted its consent to the Long Form Applications.

Oppositions to our Long Form Applications (in connection with emerging from bankruptcy) can delay the process.

Following the public notice of the filing of the Long Form Applications, interested parties have 30 days to file petitions to deny the applications. If petitions to deny are filed against the Long Form Applications, the applicants will have an opportunity to file an opposition, with the petitioner then having an opportunity to file a reply. The pleading cycle generally will be completed within 60 days. The FCC then will consider the applications and the filings made by the parties to the proceeding. Thus, the filing of petitions to deny or objections can significantly delay the FCC s grant of the Long Form Applications.

If no oppositions are filed against the applications and the FCC finds the applications to be in compliance with its rules and policies and finds the parties to the application qualified, the FCC may grant the applications shortly after the close of the 30 day public notice period. In some instances, the FCC may request that the applicants supply additional information through amendments to the applications. There is no time limit on how long the FCC may consider transfer applications before acting on them, but the FCC has a stated goal of processing all transfer applications within 180 days, and most applications are granted much more quickly. The FCC will not grant the applications, however, until the bankruptcy court has approved a plan of reorganization and the applications have been amended to reflect that the bankruptcy court has authorized the transaction.

As a variation in the structure for FCC approval described above, the FCC also may be asked to grant consent for a court-approved voluntary transfer of control of the FCC licensees to a liquidating trust as a temporary step pending FCC action on the FCC Long Form Application to transfer control of the licensees to their permanent holder.

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We may be adversely affected by the FCC s more rigorous enforcement of its indecency regulations against the broadcast industry as well as by the increased amounts of the potential fines.

The FCC s rules prohibit the broadcast of obscene material at any time and indecent material between the hours of 6 a.m. and 10 p.m. Broadcasters risk violating the prohibition against broadcasting indecent material because of the vagueness of the FCC s definition of indecent material, coupled with the spontaneity of live programming. The FCC vigorously enforces its indecency rules against the broadcasting industry as a whole. The FCC has indicated that it is stepping up its enforcement activities as they apply to indecency and has threatened to initiate license revocation proceedings against broadcast licensees for serious indecency violations. The FCC has found on a number of occasions that the content of broadcasts has contained indecent material. In such instances, the FCC issued fines to the offending licensees. The FCC also imposes separate fines for each allegedly indecent utterance, in contrast with its previous policy, which generally considered all indecent words or phrases within a given program as constituting a single violation. In addition, a new law increased the maximum forfeiture for a single indecency violation to $325,000, with a maximum forfeiture exposure of $3,000,000 for any continuing violation arising from a single act or failure to act. Several appeals of certain of the FCC s recent enforcement actions and of the FCC s underlying indecency standards are pending in the federal courts. We cannot predict the outcome of these court proceedings or whether Congress will consider or adopt further legislation in this area. In the ordinary course of business, we have received complaints or the FCC has initiated inquiries about whether a limited number of our radio stations have broadcast indecent programming. To the extent these inquiries or other proceedings by the FCC result in the imposition of fines, a settlement with the FCC, revocation of any of our station licenses or denials of license renewal applications, our results of operations and business could be materially adversely affected.

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

The radio broadcasting industry is subject to technological change, evolving industry standards and the emergence of new media technologies. We may not have the resources to acquire new technologies or to introduce new services that could compete with these new technologies. Several media technologies and evolving industry and policy changes are being developed or have emerged, including the following:

- audio programming by cable television systems, direct broadcast satellite systems, Internet content providers (both landline and wireless), consumer products such as portable digital audio players, iPods, cellular phones, other personal communications systems, and other digital audio broadcast formats;
- satellite digital audio radio service, which has numerous channels and niche formats and enhanced sound quality;
- HD Radio digital radio technology, which provides multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM stations, including stations owned by us;
- low power FM radio, which has resulted in additional FM radio broadcast outlets that are designed to serve small, localized areas; and
- proposals to require radio broadcasters to pay a performance tax or copyright royalties to musicians and record labels for the performance of music played on the stations.

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

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regulatory change may have on the radio broadcasting industry or on our financial condition and results of operations, some of which could result in the imposition of significant costs and expenses not previously part of our existing business operations.

We may be adversely affected by the occurrence of extraordinary events, such as terrorist attacks or natural disasters.

The occurrence of extraordinary events, such as terrorist attacks, natural disasters, intentional or unintentional mass casualty incidents or similar events may substantially impact the Company s operations in specific geographic areas, as well as nationally, and it may decrease the use of and demand for advertising, which may decrease the Company s revenue or expose it to substantial liability. The September 11, 2001 terrorist attacks, for example, caused a nationwide disruption of commercial activities. The occurrence of future terrorist attacks, military actions by the United States, contagious disease outbreaks or other unforeseen similar events cannot be predicted, and their occurrence can be expected to further negatively affect the economies where we do business generally, specifically the market for advertising. In addition, an act of God or a natural disaster could adversely impact any one or more of the markets where we do business. For example, Hurricane Katrina and the aftermath left in its wake significantly impacted the operations of our New Orleans radio cluster.

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

The radio broadcasting industry is subject to extensive and changing federal regulation. The FTC, DOJ and FCC carefully review proposed business acquisitions and dispositions under their respective regulatory authority, focusing on the effects on competition, the number of stations owned in a market and the effects on concentration of market revenue share. Any delay, prohibition or modification required by regulatory authorities could adversely affect the terms of a proposed transaction or could require us to modify or abandon an otherwise attractive opportunity. We can give no assurances that the DOJ, FTC and/or FCC will not seek to bar us from acquiring additional radio stations in any market where we already have a significant position.

Due to various market and financial conditions, the Company may not be able to successfully complete future dispositions of our radio stations or future acquisitions of other radio stations.

We engage in strategic sales of our radio stations, as it makes financial sense to do so and meets the Company s overall business needs, and have also been required by the FCC to divest certain of our radio stations. However, in light of the current financial and economic market conditions, both in the radio industry and in the overall U. S. economy, our consummation of future radio station dispositions, even those required divestitures, may be very difficult, and our ability to consummate future dispositions is uncertain. The number of radio stations currently for sale from our competitors has dramatically increased, and demand by third party purchasers has decreased, as potential purchasers may have difficulty securing the necessary financing to purchase our radio stations. In addition, the Company pursues strategic acquisitions of individual radio stations and groups of radio stations in order to grow the Company. However, our ability to identify and consummate future acquisitions is uncertain, as the Company may not be able to secure the necessary financing to make additional future acquisitions.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES AND FACILITIES

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

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We currently own studio facilities in 23 of our markets and own transmitter and antenna sites in 52 of our markets. We lease the remaining studio and office facilities, including office space in Las Vegas, NV, New York, NY, and Dallas, TX, which are not related to the operations of a particular station, as well as the remaining transmitter and antenna sites. Office space in New York, NY and Dallas, TX is also used for the production and distribution of the Radio Network programming. We do not anticipate any significant difficulties in renewing any facility leases or in leasing alternative or additional space, if required. We own substantially all of our other equipment, consisting principally of transmitting antennae, transmitters, studio equipment and general office equipment, with the exception of the lease of satellite transponder space used to distribute the majority of the Radio Network programming.

ITEM 3. LEGAL PROCEEDINGS

On December 20, 2009, the Debtors filed voluntary petitions in Bankruptcy Court seeking relief under the provisions of chapter 11 of title 11 of the Bankruptcy Code. On February 3, 2010, the Debtors filed with the Bankruptcy Court a proposed joint plan of reorganization and a related disclosure statement pursuant to chapter 11 of the Bankruptcy Code. On March 15, 2010, the Debtors filed the Plan and Disclosure Statement, which modified the earlier filings. As discussed in Item 1. Business, the Company has been operating as debtor in possession under the jurisdiction of the Bankruptcy Court and in accordance with provisions of the Bankruptcy Code. In the event it becomes necessary to confirm the Plan over the objection of a dissenting class, the Company may seek confirmation of the Plan notwithstanding the dissent of such objecting classes. Two shareholders objected to the approval of the Disclosure Statement and may object to confirmation of the Plan as well. The Bankruptcy Court may confirm the Plan pursuant to the cramdown provisions of the Bankruptcy Code, which allow the Bankruptcy Court to confirm a plan that has been rejected by an impaired class if it determines that the plan satisfies section 1129(b) of the Bankruptcy Code. See Item 1A. Risk Factors We may not be able to obtain confirmation of the Plan.

In a complaint filed on June 5, 2003 with the United States District Court for the District of Connecticut, the Company was named as one of numerous defendants in litigation seeking monetary damages arising from the injuries and deaths at a Rhode Island nightclub. On January 27, 2005, the Company filed an answer to the complaint, substantially denying plaintiffs allegations against the Company. On February 18, 2005, an identical suit was filed on behalf of one additional concertgoer. On January 5 and 31, 2006, substantially identical suits were filed on behalf of two additional concertgoers. In 2009, the plaintiffs voluntarily agreed to dismiss all claims with prejudice against the Company, and the Company was dismissed from these actions as of February 6, 2009.

We are involved in certain other claims and lawsuits arising in the ordinary course of our business. We believe that such litigation matters and claims will be resolved without a material adverse impact on our financial condition, results of operations, or cash flows.

ITEM 4. RESERVED

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PART II

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

Our common stock, which through March 5, 2009 was traded on the NYSE under the symbol CDL, has traded over-the-counter under the symbol CTDB or CTDBQ since March 6, 2009. The table below sets forth, for the periods indicated, the range of high and low sales prices for our common stock as reported by the NYSE or the over-the-counter bulletin board, as appropriate.

	Price Range	
	High	Low
Fiscal Year 2008		
First Quarter	$ 2.15	$ 1.00
Second Quarter	$ 1.94	$ 1.15
Third Quarter	$ 1.24	$ 0.67
Fourth Quarter	$ 0.84	$ 0.12
Fiscal Year 2009		
First Quarter	$ 0.29	$ 0.01
Second Quarter	$ 0.15	$ 0.03
Third Quarter	$ 0.09	$ 0.02
Fourth Quarter	$ 0.18	$ 0.01

The Company s common stock was delisted from the NYSE as of March 6, 2009 because the Company had fallen below the NYSE s continued listing criteria. The Company s common stock trades over-the-counter, which may be viewed less favorably by investors, could make trading the Company s common stock more difficult for its investors, and could make it more difficult for the Company to raise additional capital.

Number of Stockholders

On March 19, 2010, the last reported sale price of our common stock was $0.04 per share. Based on information available to us and our transfer agent, we believe that as of March 19, 2010, there were approximately 1.2 million shareholders of our common stock.

Dividend Policy

In 2005, we began paying a quarterly dividend in the amount of $0.18 per share on our common stock. Quarterly dividends were paid to holders of record on November 30, 2005, March 30, 2006, June 30, 2006, October 5, 2006 and February 12, 2007. During the year ended December 31, 2007, we paid cumulative dividends of $0.18 per share and have not paid regular or quarterly dividends subsequent to February 12, 2007. Our board of directors is free to change its dividend practices from time to time and to decrease or increase or otherwise change the amount and form of the dividend paid, or to not pay a dividend, on our common stock on the basis of restrictions imposed by applicable law, contractual limitations (including those imposed by our Senior Credit and Term Facility, which are discussed below) and financial limitations, including on the basis of results of operations, financial condition, cash requirements and future prospects and other factors deemed relevant by the board of directors. Our Senior Credit and Term Facility contains a covenant restricting the payment of dividends by us, which is subject to a number of specific exceptions. There can be no assurance of future cash flows from our wholly-owned subsidiaries to pay dividends.

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Equity Compensation Plan Information

The following tables set forth, as of December 31, 2009, the number of shares of common stock that are issuable upon the exercise of stock options outstanding and upon vesting of nonvested shares of common stock or common stock units of the Company under the Citadel Broadcasting Corporation Amended and Restated 2002 Stock Option and Award Plan (the 2002 Long-Term Incentive Plan) and the TWDC Rollover Equity Agreements (the ABC Rollover Plan).

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Option, Warrants and Rights	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights
Equity Compensation Plans Approved by Stockholders		
2002 Long-Term Incentive Plan	3,272,175	$ 6.30
ABC Rollover Plan	5,046,067	$ 3.19
Equity Compensation Plans Not Approved by Stockholders		
None		
Total	8,318,242	

Plan Category	Number of Shares to be Issued Upon Vesting of Nonvested Shares or Nonvested Share Units	Weighted Average Grant Date Fair Value
Equity Compensation Plans Approved by Stockholders		
2002 Long-Term Incentive Plan	1,357,828	$ 2.27
ABC Rollover Plan	581,857	$ 5.90
Equity Compensation Plans Not Approved by Stockholders		
None		
Total	1,939,685	

As of December 31, 2009, the total number of shares of common stock that remain authorized, reserved, and available for issuance under the 2002 Long-Term Incentive Plan and the ABC Rollover Plan was 10.5 million and 7.9 million, respectively, not including shares underlying outstanding grants.

Purchase of Equity Securities

The table below summarizes stock repurchase information for the quarter ended December 31, 2009.

REGISTRANT PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share
October 1, 2009 through October 31, 2009	882	$ 0.13
November 1, 2009 through November 30, 2009		0.00
December 1, 2009 through December 31, 2009	780	0.02

Total	1,662	$ 0.08

The Company acquired 1,662 shares of common stock during the quarter ended December 31, 2009 through transactions related to the vesting of previously awarded nonvested shares of common stock. Upon vesting, the Company withheld shares of stock in an amount sufficient to pay the employee s minimum statutory tax withholding rates required by the relevant tax authorities. These shares do not reduce the amounts authorized under the Company s repurchase programs described under the heading Purchases of Equity Securities below.

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Stock Performance Graph

The following graph compares the cumulative total stockholder return on common stock of the Company since December 31, 2004 against the cumulative total return of (i) the S&P 500 Index, (ii) the S&P Broadcasting & Cable TV Index, and (iii) an index consisting of certain peer radio broadcasting companies with which the Company competes. The peer group index is comprised of the common stock of Cumulus Media, Inc., Emmis Communications and Entercom Communications Corp. The current year peer group index was modified from that utilized in previous periods because Cox Radio, Inc., which was formerly included in the peer group, no longer has public information readily available.

	12/31/2004	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009
Total returns						
Citadel Broadcasting Corporation	$ 100.00	$ 83.07	$ 65.87	$ 17.64	$ 1.37	$ 0.14
Peer Group	$ 100.00	$ 88.46	$ 71.79	$ 41.22	$ 6.98	$ 17.01
S&P 500	$ 100.00	$ 104.90	$ 121.47	$ 128.14	$ 80.73	$ 102.10
S&P Broadcasting & Cable TV	$ 100.00	$ 83.47	$ 120.19	$ 92.83	$ 51.80	$ 91.57

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Purchases of Equity Securities

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 December 31, 2009, the Company had repurchased approximately 26.2 million shares of common stock for an aggregate amount of approximately $337.6 million under these repurchase programs. In addition, the Company acquired approximately 0.6 million and 1.0 million shares of common stock for approximately $0.1 million and $1.3 million during the years ended December 31, 2009 and 2008, respectively, primarily through transactions related to the vesting of previously awarded nonvested shares of common stock. Upon vesting, the Company withheld shares of stock in an amount sufficient to pay the employee s minimum statutory tax withholding rates required by the relevant tax authorities. These shares do not reduce the amounts authorized under the Company s repurchase programs discussed above. However, as a result of limitations under the Company s Plan and any new restrictions imposed under the proposed New Term Loan, the Company may only repurchase additional shares under very limited circumstances.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

You should read the selected historical consolidated financial data below in conjunction with our consolidated financial statements and the accompanying notes. You should also read Management s Discussion and Analysis of Financial Condition and Results of Operations. All of these materials are included elsewhere in this report. We derived the historical consolidated financial data as of December 31, 2009 and 2008 and for the years ended December 31, 2009, 2008 and 2007 from our audited consolidated financial statements included in this report. We derived the historical consolidated financial data as of December 31, 2007, 2006, and 2005, and for the years ended December 31, 2006 and 2005 from our audited consolidated financial statements, which are not contained in this report. The selected consolidated historical financial data may not be indicative of future performance.

	Years Ended December 31,				
	2009	2008	2007	2006	2005
	(in thousands, except per share amounts)				
Operating Data: (1)					
Net revenue	$ 723,620	$ 863,121	$ 719,757	$ 432,930	$ 419,907
Operating expenses:					
Cost of revenue, exclusive of depreciation and amortization shown separately below (2)	306,648	353,014	254,727	120,270	114,727
Selling, general and administrative (2)	203,871	227,517	195,611	126,558	122,711
Corporate general and administrative	26,320	32,049	44,642	30,287	15,363
Local marketing agreement fees	1,027	1,334	1,326	1,268	1,723
Asset impairment and disposal charges (3)	985,653	1,208,208	1,612,443	174,049	
Depreciation and amortization	35,599	45,264	30,678	16,740	22,346
Non-cash amounts related to contractual obligations (4)		21,440			
Other, net (5)	6,841	(1,688)	(3,900)	(1,026)	(353)
Total operating expenses	1,565,959	1,887,138	2,135,527	468,146	276,517
Operating (loss) income	(842,339)	(1,024,017)	(1,415,770)	(35,216)	143,390
Reorganization costs (6)	4,556				
Interest expense, net	190,175	211,818	100,741	32,911	21,137
Gain on extinguishment of debt (7)	(428)	(114,736)			
Write-off of deferred financing costs and debt discount upon extinguishment of debt (7)	814	11,399	555		
(Loss) income before income taxes	(1,037,456)	(1,132,498)	(1,517,066)	(68,127)	122,253
Income tax (benefit) expense	(254,097)	(162,679)	(231,830)	(20,113)	52,496
Net (loss) income applicable to common shares	$ (783,359)	$ (969,819)	$ (1,285,236)	$ (48,014)	$ 69,757
Net (loss) income per share:					
Basic	$ (2.97)	$ (3.69)	$ (6.61)	$ (0.43)	$ 0.59
Diluted	$ (2.97)	$ (3.69)	$ (6.61)	$ (0.43)	$ 0.55
Dividends declared per share	$	$	$ 0.18	$ 0.54	$ 0.18
Special distribution declared per share	$	$	$ 2.4631	$	$
Weighted average common shares outstanding:					
Basic	263,989	262,812	194,374	111,453	119,234
Diluted	263,989	262,812	194,374	111,453	134,534
Other Data:					
Cash flow provided by (used in):					
Operating activities	$ 65,653	$ 130,852	$ 171,923	$ 136,277	$ 140,773

Investing activities	(10,148)	(9,838)	(1,588)	(41,516)	(45,535)
Financing activities	(16,698)	(302,701)	26,239	(95,234)	(91,966)
Capital expenditures	7,761	8,920	12,345	11,790	8,112
Current tax (benefit) expense	(8,580)	13,489	3,512	2,491	2,861
Deferred tax (benefit) expense	(245,517)	(176,168)	(235,342)	(22,604)	49,635

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	2009	2008	December 31, 2007 (in thousands)	2006	2005
Balance Sheet Data:					
Cash and cash equivalents	$ 57,441	$ 18,634	$ 200,321	$ 3,747	$ 4,220
Intangible assets, net (3)	960,058	1,963,973	3,211,303	1,967,204	2,125,794
Total assets	1,417,989	2,432,970	3,843,435	2,173,696	2,333,325
Long-term debt and other liabilities (including current portion)	2,204,825	2,162,593	2,532,527	751,021	675,055
Liabilities subject to compromise (8)	2,270,418				
Stockholders (deficit) equity	(1,071,858)	(298,948)	627,239	1,124,308	1,274,699
Working capital (9)	201,443	(2,035,255)	324,497	50,438	21,995
Working capital with liabilities subject to compromise (9)	(2,068,975)				

(1) The selected consolidated historical financial data includes the operating results, acquired assets and assumed liabilities of the ABC Radio Business subsequent to the closing date of the Merger, June 12, 2007.

(2) Certain reclassifications have been made to prior year amounts to conform to the current year presentation. In order to conform to ABC Radio s presentation subsequent to the Merger, barter expenses relating to selling, general and administrative activities were reclassified from cost of revenue to selling, general and administrative in the amount of $5.1 million for the year ended December 31, 2007, and certain expenses relating to employee benefits were reclassified from selling, general and administrative to cost of revenue in the amount of $1.5 million for the year ended December 31, 2007.

(3) We conducted impairment tests during the years ended December 31, 2009, 2008, 2007 and 2006, which resulted in non-cash impairment charges of $933.1 million, $1,197.4 million, $1,591.5 million and $174.0 million, respectively, on a pre-tax basis to reduce the carrying amounts of FCC licenses and goodwill. Asset impairment charges of $42.6 million, on a pre-tax basis, were recognized during the year ended December 31, 2009 to reduce the carrying amounts of customer and affiliate relationships to their estimated fair values. Additionally, we recognized non-cash impairment and disposal charges of $10.0 million, $10.8 million and $20.9 million during the years ended December 31, 2009, 2008 and 2007, respectively, to write down the carrying amounts of certain stations to be divested to their estimated fair market values.

(4) Operating income for 2008 reflects a non-cash charge of approximately $21.4 million primarily due to the Company s settlement with its previous national representation firm. Under the terms of the settlement, the Company s new representation firm settled the Company s obligations under the settlement agreement with its previous representation firm and entered into a new long-term contract with the Company.

(5) Other, net of approximately $6.8 million for 2009 includes $9.0 million of restructuring costs for financial advisory services and legal expenditures, offset by a contract adjustment related to the acquisition of the ABC Radio Business in 2007 of approximately $2.4 million.

(6) This cost is due primarily to approximately $4.1 million for the write-off of deferred financing costs and $0.6 million in professional fees.

(7) On June 12, 2007, the Company entered into a new Senior Credit and Term Facility and used the proceeds to repay the outstanding balance of Citadel Broadcasting s existing senior credit facility. As a result, we wrote off approximately $0.6 million of deferred financing costs. The Senior Credit and Term Facility was amended in 2008 and 2009, which among other things, permitted the Company to make voluntary prepayments of the Tranche A and B Term Loans, subject to certain conditions. In connection with these modifications and the related prepayments, during the years ended December 31, 2009 and 2008, the Company wrote off $0.2 million and $3.5 million of debt issuance costs, respectively. Additionally, in connection with the fourth amendment to the Senior Credit and Term Facility in March 2009, the Company recognized expense of $0.6 million related to costs paid to third parties, and the Company wrote off $0.6 million in debt issuance costs related to the third amendment to the Senior Credit and Term Facility in November 2008, which permanently reduced the aggregate revolving credit commitments available. In connection with the repurchase of a portion of the Company s convertible subordinated notes, we also wrote off approximately $2.3 million of debt issuance costs and $5.0 million of debt discount during the year ended December 31, 2008. Also in 2008, the Company recognized gains of approximately $58.4 million and

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$56.3 million, both net of transaction fees, related to the early extinguishment of a portion of its Senior Credit and Term Facility and the repurchase of a portion of its convertible subordinated notes, respectively. The repurchase of a portion of convertible subordinated notes during the year ended December 31, 2009 resulted in a gain of $0.4 million.

(8) Liabilities subject to compromise consist of pre-petition claims that are expected to be restructured or impaired pursuant to the Plan and includes primarily the balance of the Company s senior debt as of December 31, 2009.

(9) Working capital is calculated using current assets less current liabilities not subject to compromise. Working capital with liabilities subject to compromise is calculated using current assets less current liabilities and liabilities subject to compromise.

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

On December 20, 2009, Citadel Broadcasting Corporation and certain of its subsidiaries (collectively, the Debtors and, together with its other consolidated subsidiaries, the Company) filed voluntary petitions in the United States Bankruptcy Court for the Southern District of New York (the Bankruptcy Court) seeking relief under the provisions of chapter 11 of title 11 of the United States Code (the Bankruptcy Code) (collectively, the Cases).

The Debtors are continuing to operate their businesses and manage their properties as debtors in possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Upon commencement of the Cases, the Debtors also announced that the Company had reached an accord with over 60% of its senior secured lenders on the terms of a pre-negotiated financial restructuring that will seek to extinguish approximately $1.4 billion of indebtedness. Specifically, the Company entered into a letter agreement, effective as of December 20, 2009 (the Plan Support Agreement), with over 60% of the holders of the Company s secured debt issued pursuant to the credit agreement dated as of June 12, 2007 (as amended, supplemented or otherwise modified as of the Petition Date, the Credit Agreement), among the Company, the several lenders party thereto from time to time (the Lenders), and JPMorgan Chase Bank, N.A., as administrative agent for the Lenders. A form of the Plan Support Agreement is attached hereto as Exhibit 10.29 and is incorporated herein by reference.

On December 21, 2009, the Company issued a press release announcing that the Bankruptcy Court granted all of the Company s first day motions and applications (the First Day Motion). Pursuant to the First Day Motion, the Company was granted access to more than $36 million of cash on hand, as well as all cash generated from daily operations, which will be used to continue to satisfy the Company s obligations without interruption during the course of its restructuring. Also pursuant to the First Day Motion, the Company received Bankruptcy Court authorization to, among other things, pay pre-petition employee wages, salaries, health benefits and other employee obligations during its restructuring, as well as authority to continue to honor its current customer programs. The Company is authorized under the Bankruptcy Code to satisfy post-petition expenses incurred in the ordinary course of business without seeking Bankruptcy Court approval.

On February 3, 2010, the Debtors filed with the Bankruptcy Court a proposed joint plan of reorganization and a related disclosure statement pursuant to chapter 11 of the Bankruptcy Code. On March 15, 2010, the Debtors filed with the Bankruptcy Court a first modified joint plan of reorganization (the Plan) and the related first modified disclosure statement for the Plan (the Disclosure Statement) pursuant to chapter 11 of the Bankruptcy Code. Copies of the Plan and the Disclosure Statement are publicly available and may be accessed free of charge at the Debtors private website at http://www.kccllc.net/citadel. Pursuant to the Plan, the Company expects that approximately $2.1 billion of the debt outstanding under the Credit Agreement will be converted into a new term loan (the New Term Loan) in the principal amount of $762.5 million, with a 5-year term and an interest rate of the Eurodollar rate (at a minimum of 3%) plus 800 basis points. Holders of senior secured claims are expected to receive a pro rata share of (i) the New Term Loan, (ii) 90% of the new common stock (the New Common Stock) in the Company as reorganized (Reorganized Citadel) under and pursuant to the Plan on and after the Effective Date, subject to dilution for distributions of New Common Stock under Reorganized Citadel s equity incentive program, and (iii) cash held as of the Effective Date in excess of the sum of $86.0 million and various amounts due pursuant to the reorganization (as described more fully in the Disclosure Statement). Holders of unsecured claims, including the secured Lenders deficiency claim in the stipulated amount of $267.2 million and the Debtors convertible subordinated notes, are expected to receive a pro rata share of (i) 10% of the New Common Stock (subject to dilution for distributions of New Common Stock under Reorganized Citadel s equity incentive program) and (ii) $36.0 million in cash.

On March 15, 2010, the Bankruptcy Court approved the Disclosure Statement and authorized the Company to begin soliciting votes on the Plan. The Company has begun the process of soliciting votes for the Plan from eligible claim holders. The Plan will become effective only if it receives the requisite stakeholder and FCC approval and is confirmed by the Bankruptcy Court.

Overview

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 Agreement and Plan of Merger was subsequently amended as of November 19, 2006. The Company refers to the Agreement and Plan of Merger, as amended, 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, whereby TWDC distributed all of the outstanding common stock of ABC Radio pro rata to TWDC s stockholders through a spin-off (the Spin-Off), 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). 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.

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 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 9,000 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 years ended December 31, 2009 and 2008. The Radio Markets segment and the Radio Network segment contributed approximately 83% and approximately 17%, respectively, of our consolidated net revenues for the year ended December 31, 2009 and approximately 79% and approximately 21%, respectively, of our consolidated pro forma net revenue for the year ended December 31, 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

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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. Approximately 79% and 81% of our Radio Markets net broadcast revenue was generated from the sale of local advertising in 2009 and 2008, respectively, and approximately 21% and 19% was generated from the sale of national advertising, respectively. The major categories of our Radio Markets advertisers include automotive companies, restaurants, fast food chains, entertainment companies, medical companies, banks, 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 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.

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 and 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 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.

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 generally considers 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, 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.

During 2008, the Company performed an interim impairment analysis as of June 30, 2008 due to the overall deterioration in the radio marketplace, the decline in operating results of the ABC Radio Business and the Company s other radio stations, as well as a continued decline in the Company s stock price. The Company performed its annual impairment test as of October 1, 2008. However, prior to the completion of the annual impairment analysis, certain critical events occurred in the United States during the fourth quarter of 2008, including the failure of certain financial institutions and other businesses, which had a material adverse effect on the economy overall and significantly impacted the Company s operations in particular. This downturn in the United States economy resulted in an overall reduction in the level of business activity in the radio industry and decreased spending by radio advertisers, which led to a decline in radio broadcasting revenue and a further deterioration in the Company s stock price, which fell 77.5% from October 1, 2008 to December 31, 2008. The Company considered this severe economic downturn to represent a separate triggering event occurring subsequent to October 1, 2008 that required an interim impairment analysis updated through December 31, 2008. Although the Company did not complete its annual test at October 1, the Company did determine there was no improvement in the fair values of FCC licenses or goodwill from its October 1 annual testing date to the interim testing date as of December 31, 2008. As a result of these evaluations 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 million and $373.0 million of 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 interim analysis in the second quarter of 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 and 4.5 times for Radio Markets and the Radio Network, respectively.

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 Company performed its 2009 annual evaluation of FCC licenses and goodwill at its Radio Markets as of October 1, its annual testing date. The material assumptions utilized in the Company s annual analysis included overall future market revenue growth rates for the residual year of approximately 2.0%, weighted average cost of capital of 11.5% and estimated EBITDA multiples of approximately 6.0 times. The Company also performed its 2009 annual evaluation of goodwill at the Radio Network as of October 1, its annual testing date. Although the Company generally applies the market approach to estimate the fair value of its reporting units, the Company believed the income approach to be more appropriate for purposes of evaluating goodwill at the Radio Network as it incorporated forward-looking data, which was critical in the evaluation of the Radio Network due to significant changes to the operations of this segment in 2009 and the expected impact for 2010 and forward. In conjunction with the evaluation of goodwill at the Radio Network at the date of the annual impairment test, the Company utilized a weighted average cost of capital of 13.0%.

Based on the results of the Company s 2009 annual impairment evaluation, the fair values of the Company s FCC licenses more likely than not exceeded their carrying values and therefore, no impairment of these assets had occurred as of the date of the annual test. Additionally, the Company concluded that the fair values of its reporting units more likely than not exceeded their related carrying values, and goodwill had not been impaired as of the annual testing date.

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 its 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.

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 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.

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.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Net Revenue

	December 31, 2009	December 31, 2008 (Amounts in millions)	$ Change
Net revenue:			
Local	$ 478.3	$ 559.1	$ (80.8)
National	245.3	304.0	(58.7)
Net revenue	$ 723.6	$ 863.1	$ (139.5)

Net revenue for the year ended December 31, 2009 decreased by approximately $139.5 million from approximately $863.1 million during the year ended December 31, 2008 to approximately $723.6 million. This decline was due to lower revenue of $84.7 million from our Radio Markets and $58.0 million from the Radio Network. The revenue decline at the Radio Markets was primarily caused by decreases in local advertising revenue primarily attributable to an industry-wide decline in radio advertising. 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, New York, NY, and Dallas, TX 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 generally performed at a level consistent with that of the markets in which they operate.

The Radio Network revenue decreased $58.0 million, 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.

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Cost of Revenue

	December 31, 2009	December 31, 2008	$ Change
		(Amounts in millions)	
Cost of revenue (exclusive of depreciation and amortization shown separately below)	$ 306.6	$ 353.0	$ (46.4)

Cost of revenue decreased approximately $46.4 million to $306.6 million for the year ended December 31, 2009 as compared to $353.0 million for the year ended December 31, 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 at the Radio Markets and compensation paid to station affiliates by the Radio Network.

Selling, General and Administrative

	December 31, 2009	December 31, 2008	$ Change
		(Amounts in millions)	
Selling, general and administrative expenses	$ 203.9	$ 227.5	$ (23.6)

Selling, general and administrative expenses for the year ended December 31, 2009 decreased approximately $23.6 million to $203.9 million from $227.5 million for the year ended December 31, 2008. This decrease was primarily attributed to reductions in compensation at the Radio Markets and 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.

Corporate General and Administrative Expenses

	December 31, 2009	December 31, 2008	$ Change
		(Amounts in millions)	
Corporate general and administrative expenses	$ 26.3	$ 32.0	$ (5.7)

Corporate general and administrative expenses decreased $5.7 million, from $32.0 million during the year ended December 31, 2008 to $26.3 million for the year ended December 31, 2009. The decrease in corporate general and administrative expenses is primarily the result of decreases in professional fees and travel-related costs, as well as a $1.5 million decrease in non-cash stock-based compensation expense.

Asset Impairment and Disposal Charges

	December 31, 2009	December 31, 2008	$ Change
		(Amounts in millions)	
Asset impairment and disposal charges	$ 985.7	$ 1,208.2	$ (222.5)

During 2008, the Company performed an interim impairment analysis as of June 30, 2008 due to the overall deterioration in the radio marketplace, the decline in operating results of the ABC Radio Business and the Company s other radio stations, as well as a continued decline in the Company s stock price. The Company performed its annual impairment test as of October 1, 2008. However, prior to the completion of the annual impairment analysis, certain critical events occurred in the United States during the fourth quarter of 2008, including the failure of certain financial institutions and other businesses, which had a material adverse effect on the economy overall and significantly impacted the Company s operations in particular. This downturn in the United States economy resulted in an overall reduction in the level of business activity in the radio industry and decreased spending by radio advertisers, which led to a decline in radio broadcasting revenue and a further deterioration in the Company s stock price, which fell 77.5% from October 1, 2008 to December 31, 2008. The Company considered this severe economic downturn to represent a separate triggering event occurring subsequent to October 1, 2008 that required an interim impairment analysis updated through December 31, 2008. Although the Company did not complete its annual test at October 1, the Company did determine there was no improvement in the fair values of FCC licenses or goodwill from its October 1 annual testing date to the interim testing date as of December 31, 2008. As a result of these evaluations 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 million and $373.0 million of FCC licenses and goodwill, respectively, to reduce the carrying values to their estimated fair values.

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 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 Company performed its 2009 annual evaluation of FCC licenses at its Radio Markets and goodwill at the Radio Markets and Radio Network as of October 1, its annual testing date. Based on the results of the Company s 2009 annual impairment evaluation, the fair values of the Company s FCC licenses more likely than not exceed their carrying values and therefore, no impairment of these assets has occurred as of the date of the annual test. Additionally, the Company concluded that the fair values of its reporting units more likely than not exceed their related carrying values, and goodwill has not been impaired as of the annual testing date.

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

	December 31, 2009	December 31, 2008 (Amounts in millions)	$ Change
Depreciation and amortization:			
Depreciation	$ 15.4	$ 18.0	$ (2.6)
Amortization	20.2	27.3	(7.1)
Total depreciation and amortization	$ 35.6	$ 45.3	$ (9.7)

Depreciation and amortization expense was $35.6 million during the year ended December 31, 2009, compared to $45.3 million for the year ended December 31, 2008. The decrease in depreciation and amortization expense is primarily attributable to $3.5 million of additional amortization expense recorded in the June 30, 2008 quarter as a result of the Company s final allocation of the purchase price for the ABC Radio Business in addition to lower amortization expense as a result of the asset impairment charge for definite-lived intangible assets recognized in the second quarter of 2009.

Non-Cash Charge Related to Contractual Obligations

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, and 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 liabilities subject to compromise and other long-term liabilities in the accompanying consolidated balance sheets as of December 31, 2009 and 2008, respectively. This deferred amount is being amortized over the years of service represented by this new contract, which expires on March 31, 2019, as a reduction to national commission expense, which is included in cost of revenue. The 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.

Other, Net

For the year ended December 31, 2009, other, net of approximately $6.8 million includes $9.0 million of restructuring costs for financial advisory services and legal expenditures, offset by a contract adjustment related to the acquisition of the ABC Radio Business in 2007 of approximately $2.4 million. For the year ended December 31, 2008, other, net resulted in a credit of approximately $1.7 million primarily due to a negotiated settlement and the sale of certain assets.

Operating Loss

	December 31, 2009	December 31, 2008 (Amounts in millions)	$ Change
Operating loss	$ (842.3)	$ (1,024.0)	$ 181.7

Operating loss for the year ended December 31, 2009 was $842.3 million as compared to $1,024.0 million for the corresponding 2008 period. The years ended December 31, 2009 and 2008 reflected asset impairment charges of approximately $985.7 million and $1,208.2 million, respectively. Excluding the non-cash asset impairment charges and amounts related to contractual obligations of $21.4 million recorded in the year ended December 31, 2008, the operating income for the years ended December 31, 2009 and 2008 would have been

$143.4 million and $205.6 million, respectively. The decrease in this adjusted income of approximately $62.2 million is primarily the result of the decrease in revenue of $139.5 million partially offset by lower operating expenses of approximately $77.2 million.

Reorganization Costs

	December 31, 2009	December 31, 2008	$ Change
		(Amounts in millions)	
Reorganization costs	$ 4.6	$	$ 4.6

Reorganization costs due to bankruptcy for the year ended December 31, 2009 were $4.6 million. This amount represents primarily approximately $4.1 million for the write-off of deferred financing costs and $0.6 million in professional fees. There were no similar costs during the year ended December 31, 2008.

Interest Expense, Net

	December 31, 2009	December 31, 2008	$ Change
		(Amounts in millions)	
Interest expense, net	$ 190.2	$ 211.8	$ (21.6)

Net interest expense decreased to $190.2 million for the year ended December 31, 2009 from $211.8 million for the year ended December 31, 2008, a decrease of $21.6 million. Included in net interest expense for the year ended December 31, 2009 is $64.9 million of expense for facility fees incurred pursuant to the fourth amendment to the Senior Credit and Term Facility entered into in March 2009 (the Fourth Amendment), as further described in the Senior Debt section below. As of the effective date of the Fourth Amendment, the revolving loans and Tranche A Term Loans incurred a facility fee in the amount of 4.50% per annum, and the Tranche B Term Loans incurred a rate of 4.25% per annum. On each interest payment date, this additional interest increased the principal amount of the related debt and were to be payable upon the termination of the revolving loans, Tranche A Term Loans, and Tranche B Term Loans, as applicable. The Company had incurred $64.9 million of total facility fee through December 19, 2009, and this liability was converted to a component of senior debt as of that date.

Pursuant to the terms of the Senior Credit and Term Facility and convertible subordinated notes and the resulting classification as current liabilities beginning with the quarter ended March 31, 2009, the Company had been amortizing the remaining amount of debt issuance costs, as well as the remaining amount of debt discount related to the convertible subordinated notes, as of March 31, 2009 over the 9.5 month period through January 15, 2010. However, the Company ceased amortization of these assets as of December 19, 2009 since subsequent to the Company s voluntary petitions for reorganization, interest expense is only recognized to the extent it will be paid. During the years ended December 31, 2009 and 2008, the amortization of debt issuance costs related to the Senior Credit and Term Facility was $41.1 million and $5.1 million, respectively. The Company wrote off the remaining balance of deferred financing costs since the amount of the allowed claim for the Company s senior debt was known as of December 31, 2009. The write off of $4.0 million is classified as a reorganization expense for the year ended December 31, 2009. For the years ended December 31, 2009 and 2008, the amortization of the debt issuance costs on the convertible subordinated notes was $0.3 million and $0.6 million, respectively, and for debt discount was $0.6 million and $0.9 million, respectively. The Company wrote off the remaining balance of deferred financing costs and debt discount associated with the convertible subordinated notes since the amount of the allowed claim for the convertible subordinated notes was known as of December 31, 2009. The write off of $0.1 million is classified as a reorganization expense for the year ended December 31, 2009.

The Company s interest rate swap was initially designated to hedge specific cash flow variability associated with certain interest payments. During the fourth quarter of 2008, it became probable that the hedged transaction would not occur. Therefore, the hedging relationship was dedesignated, and hedge accounting was discontinued. Changes in the fair value of the interest rate swap liability were recognized as a component of interest expense, which amounted to a gain of $9.6 million during the year ended December 31, 2009 and expense of $82.4 million during the year ended December 31, 2008.

At the time that the Company modified the terms of the convertible subordinated notes discussed further at Note 11 to the consolidated financial statements, the underlying terms contained contingent interest rate features that were required to be accounted for as a derivative. The estimated value of the contingent interest rate derivative was recorded as a liability as of the date of the modification of the convertible subordinated notes, and at each subsequent reporting date, the Company measured the estimated fair value of the derivative instrument, and any increase or decrease in the estimated fair value of the derivative liabilities is recognized immediately in earnings as an adjustment to interest expense. During the years ended December 31, 2009 and 2008, we recognized gains of $1.8 million and $3.3 million, respectively.

Excluding the facility fees incurred pursuant to the Fourth Amendment, the amortization of debt issuance costs and debt discount, and the changes in the estimated fair values of the interest rate swap agreement and derivative liabilities, net interest expense was $95.2 million for the year ended December 31, 2009 as compared to $128.7 million for the year ended December 31, 2008, a decrease of $33.5 million. This remaining decrease in interest expense was primarily the result of lower interest rates under the Company s Senior Credit and Term Facility and a decrease in the aggregate average principal balance of the Company s long-term debt.

As a result of the Company s voluntary petitions for reorganization, all of the Company s senior debt obligations were accelerated, and the outstanding balances were aggregated. As of the Petition Date, the Company had $2,075.6 million outstanding under its Senior Credit and Term Facility, including $64.9 million of total facility fee incurred through December 19, 2009. In addition, the liability of $72.8 million outstanding under the interest rate swap agreement was converted to a component of senior debt as of that date. The total modified amount of interest-bearing senior debt as of the Petition Date of $2,148.4 million began incurring interest at the non-default rate previously applicable to the Tranche B Term Loans under the Senior Credit and Term Facility, which is due in monthly payments. In December 2009, the $4.0 million that had been remitted to a cash collateral account as of September 30, 2009 for the benefit of the Company s Lenders pursuant to a covenant under the Senior Credit and Term Facility was applied as a reduction to the outstanding balance of the Company s senior debt. This payment reduced the year end balance to $2,144.4 million. During the first quarter of 2010, we expect interest incurred and paid related to our senior debt to be lower than in the 2009 first quarter due primarily to the conversion of the interest rate swap agreement to senior debt and reduced overall interest rates.

Through March 31, 2009, we repurchased an aggregate amount of $281.7 million in principal amount of convertible subordinated notes. Although we had been repurchasing the convertible subordinated notes, under the terms of the Fourth Amendment, we are now prohibited from doing so, except in very limited circumstances. Partially offsetting the decrease in the balance was an increase in the interest rate. The annual interest rate on the majority of our convertible subordinated notes outstanding as of January 1, 2009 was changed to 8.0% compared to 4.0% during the 2008 period.

Gain on Extinguishment of Debt and Write Off of Deferred Financing Costs and Debt Discount

The terms of the Senior Credit and Term Facility were amended three times in 2008, which, among other things, permitted the Company to make voluntary prepayments of the Tranche A and B Term Loans at a discount to their principal amounts, subject to certain conditions and maximums. During the year ended December 31, 2008, the Company paid down $72.8 million and $187.5 million of the Tranche A Term Loans and Tranche B Term Loans, respectively, for payments of approximately $200.0 million. The Company recognized a gain of approximately $58.4 million, net of transaction fees, in the year ended December 31, 2008 resulting from the early extinguishment of a portion of its Senior Credit and Term Facility.

The Company 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 also wrote off $0.2 million in debt issuance costs in connection with the modification of the Senior Credit and Term Facility under this fourth amendment. During the year ended December 31, 2008, the Company wrote off approximately $3.5 million of debt issuance costs relating to the prepayments and $0.6 million related to the modification of the revolving credit facility under the third amendment to the Senior Credit and Term Facility.

During 2008 we reached a settlement with respect to litigation involving our convertible subordinated notes whereby we repurchased $55.0 million of such notes that were tendered and not withdrawn. The remaining convertible subordinated notes that were tendered into the exchange offer were exchanged for approximately $274.5 million aggregate principal amount of amended and restated convertible subordinated notes with increased interest rates and specifically negotiated redemption terms (Amended Notes). During the years ended December 31, 2009 and 2008, we repurchased an aggregate amount of $0.7 million and $281.0 million, respectively, in principal amount of primarily our Amended Notes, including the $55.0 million related to the initial exchange offer, and recognized gains of $0.4 million and $56.3 million, respectively, net of transaction fees.

In connection with the repurchase of a portion of the convertible subordinated notes, we also wrote off $2.3 million of debt issuance costs that had been capitalized related to the convertible subordinated notes and $5.0 million of debt discount during the year ended December 31, 2008.

Income Tax Benefit

	December 31, 2009	December 31, 2008 (Amounts in millions)	$ Change
Income tax benefit	$ (254.1)	$ (162.7)	$ (91.4)

For the year ended December 31, 2009, the Company recognized an income tax benefit of $254.1 million based on a loss before income taxes of $1,037.5 million. Excluding the valuation allowance charge of $83.2 million and asset impairment charge of $985.7 million and the tax benefit associated with this charge of approximately $327.2 million, which was adversely impacted by the impairment of non-deductible goodwill, loss before income taxes would have been $51.8 million and tax benefit would have been approximately $10.1 million, resulting in an effective tax rate of 19.5%. This effective rate differs from the federal tax rate of 35% as the result of a $2.6 million non-cash write-down of the Company s deferred tax asset related to stock compensation as discussed below, state tax expense net of federal benefit, non-deductible restructuring costs, certain non-deductible compensation costs, and other non-deductible expenses. In the first quarter of 2009, the compensation committee of the Company s board of directors determined that specified performance goals were achieved for certain of the outstanding stock-based awards. In addition, time-vesting restricted shares vested during the year ended December 31, 2009, and the Company recognized a $2.6 million non-cash write down of its 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 the stock-based awards.

For the year ended December 31, 2008, the Company recognized an income tax benefit of $162.7 million based on a loss before income taxes of $1,132.5 million. Excluding the valuation allowance charge of $131.9 million and asset impairment charge of $1,208.2 million and the tax benefit associated with this charge of approximately $338.9 million, which was adversely impacted by the impairment of non-deductible goodwill, income before taxes would have been $75.7 million and tax expense would have been $44.3 million, resulting in an effective tax rate of 58.5%. This effective rate differs from the federal tax rate of 35% as the result of a $8.5 million non-cash write-down of the Company s deferred tax asset related to stock compensation as discussed below, state tax expense, net of federal benefit, certain non-deductible compensation costs, and other non-deductible expenses. In the first quarter of 2008, the compensation committee of the Company s board of directors determined that specified performance goals were achieved for certain of the outstanding stock-based awards. In addition, time-vesting restricted shares vested during the year ended December 31, 2008, and the Company recognized an $8.5 million non-cash write down of its 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 the stock-based 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 awards when the restrictions lapse or stock options are exercised. As of December 31, 2009, the Company had $6.3 million in deferred tax assets related to such equity awards. The underlying fair value of equity awards since the date of grant have 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 equity awards, when the restrictions lapse or the stock options are exercised or expire, the Company may be required to immediately recognize a non-cash write down of the deferred tax asset, which may be material to the consolidated results of operations, for the tax effect of the compensation cost previously recognized in the financial statements to the amount that is realized. Beginning with the year ended December 31, 2009, any changes to the Company 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. Of the Company s $12.2 million liability for unrecognized tax benefits as of December 31, 2009, $5.6 million relates to tax positions from prior acquisitions.

Net Loss

Net loss decreased to $783.4 million, or $(2.97) per basic share for the year ended December 31, 2009 compared to a net loss of $969.8 million, or $(3.69) per basic share, for the year ended December 31, 2008 as a result of the factors described above.

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. There are no potentially dilutive equivalent shares related to stock options or nonvested shares of common stock for each of the years ended December 31, 2009 and 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 and 8.0 million shares of common stock of the Company for the years ended December 31, 2009 and 2008, respectively, were excluded from the computation of diluted weighted average shares outstanding as their effect is antidilutive.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Net Revenue

	December 31, 2008	December 31, 2007 (Amounts in millions)	$ Change
Net revenue:			
Local	$ 559.1	$ 497.2	$ 61.9
National	304.0	222.6	81.4
Net revenue	$ 863.1	$ 719.8	$ 143.3

Net revenue for the year ended December 31, 2008 increased by approximately $143.3 million from approximately $719.8 million during the year ended December 31, 2007 to approximately $863.1 million. The

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increase is due to the acquisition of ABC Radio on June 12, 2007; 2008 includes a full year of revenue from the operations of ABC Radio. Net revenue was $860.6 million during the year ended December 31, 2008 as compared to $949.6 million for the year ended December 31, 2007, both on a pro forma basis, which represents a decrease of $89.0 million, or 9.4%. Pro forma revenue has been adjusted for the results of ABC Radio as if it had been acquired at the beginning of each year disclosed, including any purchase price adjustments, and any significant station dispositions. The decrease in revenue on a pro forma basis was a result of a $73.7 million decline in revenue from the Radio Markets and a $15.5 million revenue decline at the Radio Network. The decline in net revenue is primarily attributable to an industry wide decline in radio advertising. On a pro forma basis, Radio Market national revenue was down approximately 14.6% and local revenue was down approximately 8.4%. As a result of the current economic environment, the Company believes net revenue will continue to decline in 2009.

Cost of Revenue

	December 31, 2008	December 31, 2007 (Amounts in millions)	$ Change
Cost of revenue (exclusive of depreciation and amortization shown separately below)	$ 353.0	$ 254.7	$ 98.3

Cost of revenue increased approximately $98.3 million to $353.0 million for the year ended December 31, 2008 as compared to $254.7 million for the year ended December 31, 2007. The operations of ABC Radio for a full year in 2008 contributed the majority of this increase in cost of revenue. On a pro forma basis, cost of revenue decreased by $9.8 million, or 2.7%, during the year ended December 31, 2008 from $362.8 million for the year ended December 31, 2007 to $353.0 million during the year ended December 31, 2008. This decrease is primarily attributable to a reduction in promotional costs for the Radio Markets and Radio Network and a reduction in Radio Network programming costs, partially offset by an increase in programming costs at the Radio Markets.

Selling, General and Administrative

	December 31, 2008	December 31, 2007 (Amounts in millions)	$ Change
Selling, general and administrative expenses	$ 227.5	$ 195.6	$ 31.9

Selling, general and administrative expenses for the year ended December 31, 2008 increased approximately $31.9 million to $227.5 million from $195.6 million for the year ended December 31, 2007. This increase was primarily attributed to the expenses incurred at ABC Radio during the full year ended December 31, 2008. On a pro forma basis, selling, general and administrative expenses decreased $19.3 million, or 7.8%, from $246.8 million for the year ended December 31, 2007 to $227.5 million during the year ended December 31, 2008, primarily due to decreases in selling-related costs at the Radio Markets due to lower revenue, as well as reduced general and administrative costs at the Radio Network and Radio Markets, partially offset by an increase in selling costs at the Radio Network.

Corporate General and Administrative Expenses

	December 31, 2008	December 31, 2007 (Amounts in millions)	$ Change
Corporate general and administrative expenses	$ 32.0	$ 44.6	$ (12.6)

Corporate general and administrative expenses decreased $12.6 million, from $44.6 million during the year ended December 31, 2007 to $32.0 million for the year ended December 31, 2008. The decrease in corporate general and administrative expense is the result of a decrease in stock-based compensation of approximately $9.3 million and compensation costs of approximately $3.0 million.

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Depreciation and Amortization

	December 31, 2008	December 31, 2007 (Amounts in millions)	$ Change
Depreciation and amortization:			
Depreciation	$ 18.0	$ 15.0	$ 3.0
Amortization	27.3	15.7	11.6
Total depreciation and amortization	$ 45.3	$ 30.7	$ 14.6

Depreciation and amortization expense was $45.3 million during the year ended December 31, 2008, compared to $30.7 million for the year ended December 31, 2007. The increase in depreciation and amortization expense is primarily attributable to approximately $27.0 million in amortization of definite-lived intangible assets acquired by the Company in connection with the Merger, which includes approximately $3.5 million of additional amortization expense recorded in the second quarter as a result of the Company s final allocation of the purchase price for the ABC Radio Business. Depreciation and amortization expense for the Company is expected to be approximately $40 million for the year ending December 31, 2009.

Asset Impairment and Disposal Charges

	December 31, 2008	December 31, 2007 (Amounts in millions)	$ Change
Asset impairment and disposal charges	$ 1,208.2	$ 1,612.4	$ (404.2)

Radio Markets and Radio Network revenue continued to deteriorate and the Company s stock price continued to decline throughout the year ended December 31, 2008. As a result of this deterioration in the overall radio marketplace and the Company s decline in stock price, the Company conducted interim impairment tests, in addition to its annual impairment test as of October 1, 2008. As a result, the Company recorded non-cash impairment and disposal charges of approximately $1,197.4 million for the year ended December 31, 2008, to reduce the carrying value of FCC licenses and goodwill by $824.4 million and $373.0 million, respectively, to their estimated fair values.

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 Last Bastion as trustee under a divestiture trust that complies with FCC rules as of the closing date of the Merger. During the third quarter of 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. During 2008, the Company recognized non-cash impairment and disposal charges of approximately $10.8 million in order to write down the FCC licenses of the transferred stations to their estimated fair values since these stations are more likely than not to be disposed. As of December 31, 2008, the Company had nine stations remaining in the Divestiture Trusts. 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.

As a result of the overall decline in the radio marketplace, the operating results of the Company s radio stations and the decline in the Company s stock price and certain reporting units being more likely than not to be divested, the Company conducted interim impairment tests, in addition to its annual impairment test as of October 1, 2007. As a result, the Company recorded a non-cash impairment charge of $1,591.5 million during the year ended December 31, 2007, which is comprised of $504.7 million and $1,086.8 million of FCC licenses and goodwill, respectively, to reduce the carrying values to their estimated fair values. During the year ended December 31, 2007, the Company also recognized a non-cash impairment charge of $20.9 million to write down the carrying amounts to the estimated fair market value related to certain of the eleven stations that were required to be assigned to a divestiture trust upon the closing of the Merger and other radio assets for which we had definitive sales agreements.

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If the Company s revenue and operating results continue to decline in 2009 or if any material assumptions used to value its FCC licenses and goodwill are less favorable than projected, the Company may be required to recognize additional impairment charges in future periods, which could be material.

Non-Cash Charge Related to Contractual Obligations

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 has agreed to pay ABC Radio s previous national representation firm the contractual termination fees. The Company s termination of the pre-existing contract between ABC Radio and its national representation firm was subject to bankruptcy court approval, which was effective as of July 5, 2008 and therefore the pre-existing contract was terminated as of March 2008. As such, the Company has recognized the payment of approximately $21.4 million as a non-cash charge related to contract obligations in the year ended December 31, 2008, and 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 balance sheet as of December 31, 2008. This deferred amount is being amortized over the years of service represented by this new contract, which expires on March 31, 2019, as a reduction to national commission expense, which is included in cost of revenue. The previous remaining unamortized charge of approximately $11.7 million as of March 31, 2008 will be amortized over the remaining life of the original contract, which would have expired on September 30, 2011.

Operating Loss

	December 31, 2008	December 31, 2007	$ Change
		(Amounts in millions)	
Operating loss	$ (1,024.0)	$ (1,415.8)	$ 391.8

Operating loss decreased approximately $391.8 million for the year ended December 31, 2008 from a loss of $1,415.8 million for the year ended December 31, 2007 to a loss of $1,024.0 million for the year ended December 31, 2008. The decrease in operating loss for the year ended December 31, 2008 as compared to the year ended December 31, 2007 is primarily the result of a decrease in asset impairment and disposal charges of approximately $404.2 million and the operations of the ABC Radio Business offset by an increase in a non-cash charge related to contractual obligations of approximately $21.4 million and an increase in depreciation and amortization of $14.6 million.

Interest Expense, Net

	December 31, 2008	December 31, 2007	$ Change
		(Amounts in millions)	
Interest expense, net	$ 211.8	$ 100.7	$ 111.1

Interest expense increased to $211.8 million for the year ended December 31, 2008 from $100.7 million for the year ended December 31, 2007, an increase of $111.1 million. Included in interest expense for the year ended December 31, 2008 is approximately $82.4 million, net of the credit risk adjustment described below, related to the Company s interest rate swap arrangement. The Company s interest rate swap was designated to hedge specific cash flow variability associated with certain interest payments. During the fourth quarter, it became probable that the hedged transaction would not occur. Therefore, the hedging relationship was dedesignated in the fourth quarter, and hedge accounting was discontinued. The change in the fair value of the interest rate swap liability of $53.5 million during the fourth quarter of 2008 was recognized as interest expense, and the $48.0 million that had previously been recorded in accumulated other comprehensive income (loss) was immediately reclassified and recorded as a component of interest expense. The change in the fair value of the interest rate swap liability will directly impact the Company s interest expense in future periods. Effective as of the date of the Fourth Amendment, the revolving loans and Tranche A Term Loans will incur a facility fee in the amount of 4.50% per annum, and the Tranche B Term Loans will incur a rate of 4.25% per annum. The Company expects that its interest expense will increase because of this additional interest; however this additional interest will be paid on each interest payment date by increasing the principal amount of the related debt. This interest will be payable upon the termination of the revolving loans, Tranche A Term Loans, and Tranche B Term Loans, as applicable.

As part of the fair value determination, the Company adjusted the fair value of the interest rate swap liability for nonperformance risk, which reduced the interest expense by $19.1 million. Excluding the net interest expense of $82.4 million related to the Company s interest rate swap, interest expense increased $28.7 million as compared to the prior year. This remaining increase in interest expense was primarily the result of interest incurred pursuant to the Company s interest rate swap arrangement, which was in place for a full year in 2008, as well as higher average principal balances under the Senior Credit and Term Facility, partially offset by a reduction in interest rates in the current year period compared to the comparable prior year period.

Debt issuance costs are amortized over the respective terms of the Company s convertible subordinated notes and the related components of the Company s Senior Credit and Term Facility. For the years ended December 31, 2008 and 2007, the amortization of the debt issuance costs on the Senior Credit and Term Facility was $5.1 million and $3.3 million, respectively. During the years ended December 31, 2008 and 2007, the amortization of the debt issuance costs on the convertible subordinated notes was approximately $0.6 million and $1.1 million, respectively.

The Company has valued its obligation to settle dividends in cash upon conversion of its convertible subordinated notes. Additionally, as a result of the modifications to the terms of the convertible subordinated notes discussed further at Note 11 to the consolidated financial statements, the convertible subordinated notes contain contingent interest rate features that are required to be accounted for as a derivative. At each reporting date, the Company measures the estimated fair value of these instruments, and any increase or decrease in the estimated fair value of the derivative liabilities is recognized immediately in earnings as an adjustment to interest expense. During the year ended December 31, 2008 and 2007, we recognized gains due to the change in the estimated fair value of the derivative financial liabilities of approximately $3.3 million and approximately $2.5 million, respectively. Changes in the estimated value of the derivative liabilities could impact interest expense in future periods. In addition, see the discussion below under the heading Gain on Extinguishment of Debt and Write Off of Deferred Financing Costs and Debt Discount for future impacts on interest expense for the Company.

Gain on Extinguishment of Debt and Write Off of Deferred Financing Costs and Debt Discount

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.

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 year ended December 31, 2008, the Company paid down $72.8 million and $187.5 million of the Tranche A Term Loans and Tranche B Term Loans, respectively, for a payment of approximately $200.0 million. The Company recognized a gain of approximately $58.4 million, net of transaction fees, for the year ended December 31, 2008 resulting from the early extinguishment of a portion of its Senior Credit and Term Facility.

The Senior Credit and Term Facility was modified a third time on November 25, 2008. The Company wrote off $0.6 million in debt issuance costs related to the modification of the revolving credit facility.

In connection with the Senior Credit and Term Facility, the Company incurred approximately $45.9 million of debt issuance costs, including approximately $0.3 million and $10.5 million incurred in connection with the amendments on March 13, 2008 and November 25, 2008, respectively. The Company wrote off approximately $3.5 million of debt issuance costs relating to the prepayments during the year ended December 31, 2008.

During 2008 we reached a settlement with respect to litigation involving our convertible subordinated notes whereby we repurchased $55.0 million of such notes that were tendered and not withdrawn. The remaining convertible subordinated notes that were tendered into the exchange offer were exchanged for approximately $274.5 million aggregate principal amount of amended and restated convertible subordinated notes with increased interest rates and specifically negotiated redemption terms (Amended Notes). During the year ended December 31, 2008, we repurchased an aggregate amount of $281.0 million in principal amount of primarily our Amended Notes, including the $55.0 million related to the initial exchange offer, and recognized a gain of approximately $56.3 million, net of transaction fees.

In connection with the repurchase of a portion of the convertible subordinated notes, we also wrote off approximately $2.3 million of debt issuance costs during the year ended December 31, 2008 that had been capitalized related to the convertible subordinated notes.

The discount amounts corresponding to the derivative financial instruments associated with the convertible subordinated notes are being amortized over the remaining contractual term of the Amended Notes. In connection with the repurchase of a portion of the Amended Notes, we wrote off approximately $5.0 million of debt discount during the year ended December 31, 2008. For the years ended December 31, 2008 and 2007, the amortization of the discount on the convertible subordinated notes was $0.9 million and $0.5 million, respectively, and is included in interest expense.

Income Tax Benefit

	December 31, 2008	December 31, 2007	$ Change
		(Amounts in millions)	
Income tax benefit	$ (162.7)	$ (231.8)	$ 69.1

For the year ended December 31, 2008, the Company recognized an income tax benefit of $162.7 million based on a loss before income taxes of $1,132.5 million. Excluding the valuation allowance charge of $131.9 million and asset impairment charge of $1,208.2 million and the tax benefit associated with this charge of approximately $338.9 million, which was adversely impacted by the impairment of non-deductible goodwill, income before taxes would have been $75.7 million and tax expense would have been $44.3 million, resulting in an effective tax rate of 58.5%. This effective rate differs from the federal tax rate of 35% as the result of a $8.5 million non-cash write-down of the Company s deferred tax asset related to stock compensation as discussed below, state tax expense, net of federal benefit, certain non-deductible compensation costs, and other non-deductible expenses. In the first quarter of 2008, the compensation committee of the Company s board of directors determined that specified performance goals were achieved for certain of the outstanding stock-based awards. In addition, time-vesting restricted shares vested during the year ended December 31, 2008, and the Company recognized an $8.5 million non-cash write down of its 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 the stock-based awards.

For the year ended December 31, 2007, the Company recognized tax benefit of approximately $231.8 million based on a loss before income taxes of approximately $1,517.1 million. Excluding the asset impairment and disposal charge of $1,612.4 million and the tax benefit associated with this charge of approximately $284.6 million, which was adversely impacted by the write-off of non-deductible goodwill, income before taxes would have been approximately $95.3 million and tax expense would have been approximately $52.8 million, resulting in an effective tax rate of 55%. The Company s effective tax rate differs from the federal tax rate of 35% as a result of a $3.1 million non-cash write down of the Company s deferred tax asset (as further discussed below), $3.2 million state income tax expense, net of federal benefit, resulting from an increase in the Company s effective state tax rate upon the completion of the Merger as a result of a change in the jurisdictions in which the Company conducts business, certain non-deductible compensation costs, and other non-deductible expenses. In the first quarter of 2007, the compensation committee of the Company s board of directors determined that specified performance goals were achieved for certain of the outstanding stock-based awards. In addition, time-vesting restricted shares vested during the year ended December 31, 2007, and the Company recognized a $3.1 million non-cash write down of its 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 the stock-based 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 awards when the restrictions lapse or stock options are exercised. As of December 31, 2008, the Company had $7.3 million in deferred tax assets related to such equity awards. The underlying fair value of equity awards since the date of grant have 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 equity awards, when the restrictions lapse or the stock options are exercised or expire, the Company may be required to immediately recognize a non-cash write down of the deferred tax asset, which may be material to the consolidated results of operations, for the tax effect of the compensation cost previously recognized in the financial statements to the amount that is realized.

In December 2007, the FASB issued new guidance that establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statement to evaluate the nature and financial effects of the business combination. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2008. 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. Of the Company s $11.0 million liability for unrecognized tax benefits as of December 31, 2008, $5.6 million relates to tax positions from prior acquisitions.

Net Loss

Net loss decreased to $969.8 million, or $(3.69) per basic share for the year ended December 31, 2008 compared to a net loss of $1,285.2 million, or $(6.61) per basic share, for the year ended December 31, 2007 as a result of the factors described above. Included in net loss for the year ended December 31, 2008 was a non-cash asset impairment and disposal charge of $869.3 million, net of tax, or $(3.31) per basic share, additional tax expense related to a change in the valuation allowance of $131.9 million, or ($0.50) per basic share, a charge related to the change in fair value of the interest rate swap, net, of $51.6 million net of tax, or $(0.20) per basic share, and $19.3 million of stock-based compensation expense, net of tax, or $(0.07) per basic share, offset by a gain on the extinguishment of debt less the write-off of deferred financing costs and debt discount of $64.8 million net of tax, or $0.25 per basic share. Included in net loss for the year ended December 31, 2007 was a non-cash asset impairment of $1,327.8 million, net of tax, or $(6.83) per basic share, and $21.5 million of stock-based compensation expense, net of tax, or $(0.11) per basic share.

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. There are no potentially dilutive equivalent shares related to stock options or nonvested shares of common stock for the year ended December 31, 2008. The effect of the options outstanding to purchase approximately 0.6 million shares of common stock of the Company and approximately 0.7 million nonvested shares of common stock outstanding were excluded from the calculation of diluted net loss per share for the year ended December 31, 2007 as their effect would have been antidilutive due to the net loss reported. For the years ended December 31, 2008 and 2007, potentially dilutive equivalent shares related to the conversion of the Company s convertible subordinated notes into 8.0 million and 13.1 million shares of common stock of the Company, respectively were not included in the calculation of diluted per share amounts as the effect would have been antidilutive due to the net loss reported.

Segment Results of Operations

The Company presents segment operating income (SOI), which is a non-GAAP measure, as a 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 reconciliation of SOI to the Company s consolidated results of operations is presented at Note 20 within Item 8. Financial Statements and Supplementary Data.

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The following tables present the Company s revenue, SOI, asset impairment and disposal charges, non-cash charge related to contractual obligations, local marketing agreement fees, stock-based compensation expense and depreciation and amortization by segment for the years ended December 31, 2009, 2008 and 2007.

	Years Ended December 31,		
	2009	2008	2007
	(Amounts in millions)		
Net revenue:			
Radio Markets	$ 604.1	$ 688.8	$ 615.1
Radio Network	123.8	181.8	109.1
Segment revenue	$ 727.9	$ 870.6	$ 724.2
Intersegment revenue:			
Radio Markets	$ (4.3)	$ (7.5)	$ (4.4)
Radio Network			
Total intersegment revenue	$ (4.3)	$ (7.5)	$ (4.4)
Net revenue	$ 723.6	$ 863.1	$ 719.8
SOI:			
Radio Markets	$ 214.9	$ 261.4	$ 257.1
Radio Network	3.6	28.5	19.7
Non-cash amounts related to contractual obligations		(21.4)	
Corporate general and administrative	(26.3)	(32.0)	(44.6)
Local marketing agreement fees	(1.0)	(1.3)	(1.3)
Asset impairment and disposal charges	(985.7)	(1,208.2)	(845.0)
ABC Radio unallocated asset impairment			(767.4)
Stock-based compensation expense	(5.4)	(7.4)	(7.4)
Depreciation and amortization	(35.6)	(45.3)	(30.7)
Other, net	(6.8)	1.7	3.8
Total operating income (loss)	$ (842.3)	$ (1,024.0)	$ (1,415.8)
Asset impairment and disposal charges			
Radio Markets	$ 912.6	$ 1,188.3	$ 845.0
Radio Network	73.1	19.9	
ABC Radio unallocated asset impairment			767.4
Total asset impairment and disposal charges	$ 985.7	$ 1,208.2	$ 1,612.4
Non-cash amounts related to contractual obligations			
Radio Markets	$	$ 21.4	$
Radio Network			
Total non-cash amounts related to contractual obligations	$	$ 21.4	$
Local marketing agreement fees			
Radio Markets	$ 1.0	$ 1.3	$ 1.3
Radio Network			
Total local marketing agreement fees	$ 1.0	$ 1.3	$ 1.3

Segment stock-based compensation expense:						
Radio Markets	$	4.1	$	5.2	$	5.7
Radio Network		1.3		2.2		1.7
Total segment stock-based compensation expense	$	5.4	$	7.4	$	7.4
Segment depreciation and amortization:						
Radio Markets	$	22.4	$	25.8	$	24.5
Radio Network		13.2		19.5		6.2
Total segment depreciation and amortization	$	35.6	$	45.3	$	30.7

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Radio Markets

	Years Ended December 31, 2009	2008	2007
	(Amounts in millions)		
Radio Markets			
Net revenue	$ 604.1	$ 688.8	$ 615.1
SOI	$ 214.9	$ 261.4	$ 257.1
Asset impairment and disposal charges	(912.6)	(1,188.3)	(845.0)
Non-cash amounts related to contractual obligations		(21.4)	
Local marketing agreement fees	(1.0)	(1.3)	(1.3)
Stock-based compensation expense	(4.1)	(5.2)	(5.7)
Depreciation and amortization	(22.4)	(25.8)	(24.5)
Operating loss Radio Markets	$ (725.2)	$ (980.6)	$ (619.4)

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Radio Markets revenue decreased $84.7 million, or 12.3%, to $604.1 million for the year ended December 31, 2009 from $688.8 million for the year ended December 31, 2008. The decrease in revenue is driven mostly by lower local advertising revenue, which is primarily attributable to an industry-wide decline in radio advertising. 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, New York, NY and Dallas, TX 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 generally performed at a level consistent with that of the markets in which they operate.

SOI was $214.9 million for the year ended December 31, 2009 as compared to $261.4 million for the year ended December 31, 2008. The decrease in SOI for the year ended December 31, 2009 was primarily the result of the decrease in net revenue, partially offset by decreases in selling costs due to the decline in revenue and reductions in programming, general and administrative costs and advertising and promotion.

For additional information regarding asset impairment and disposal charges and non-cash amounts related to contractual obligations, see Item 8. Financial Statements and Supplementary Data, Notes 5 and 9.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

On an as-reported basis, Radio Markets revenue increased to $688.8 million for the year ended December 31, 2008 from $615.1 million for the year ended December 31, 2007. The increase in revenue was the result of the acquisition of ABC Radio on June 12, 2007 and as such, 2008 includes a full year of revenue from the operations of ABC Radio Markets. On a pro forma basis, Radio Markets revenue decreased $73.7 million, or 9.7%, from $762.5 million for the year ended December 31, 2007 as compared to $688.8 million for the year ended December 31, 2008. The decline in net revenue at the Radio Markets is primarily attributable to an industry wide decline in advertising. On a pro forma basis, Radio Markets national revenue was down approximately 14.6% and local revenue was down approximately 8.4%. As a result of the current economic environment, the Company expects that net revenue will continue to decline in 2009.

On an as-reported basis, SOI was $261.4 million for the year ended December 31, 2008 as compared to $257.1 million for the year ended December 31, 2007. The increase in SOI for the year ended December 31, 2008 was primarily the result of the operations of the ABC Radio Markets for a full year in 2008.

On a pro forma basis, SOI was $261.4 million for the year ended December 31, 2008 as compared to $319.3 million for year ended December 31, 2007. The decrease in SOI for the year ended December 31, 2008 was primarily the result of the decrease in net revenue, partially offset by decreases in selling costs due to the decline in revenue and reduced promotional costs and general and administrative expenses.

For additional information regarding asset impairment and disposal charges and non-cash amounts related to contractual obligations, see Item 8. Financial Statements and Supplementary Data, Notes 5 and 9.

Radio Network

	Years Ended December 31,		
	2009	2008	2007
	(Amounts in millions)		
Radio Network			
Net revenue	$ 123.8	$ 181.8	$ 109.1
SOI	$ 3.6	$ 28.5	$ 19.7
Asset impairment and disposal charges	(73.1)	(19.9)	
Stock-based compensation expense	(1.3)	(2.2)	(1.7)
Depreciation and amortization	(13.2)	(19.5)	(6.2)
Operating (loss) income Radio Network	$ (84.0)	$ (13.1)	$ 11.8

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Radio Network net revenue decreased $58.0 million, or 31.9%, to $123.8 million for the year ended December 31, 2009, from $181.8 million for the year ended December 31, 2008. The revenue decrease is primarily attributable to an industry-wide decline in radio advertising, the loss of the Sean Hannity syndicated program and the elimination of the Paul Harvey program upon the death of Mr. Harvey in March of 2009. The loss of the Sean Hannity and Paul Harvey syndicated programs accounted for approximately $33.2 million of the revenue decline in the year ended December 31, 2009 as compared to the same period in 2008 at the Radio Network.

Radio Network SOI was $3.6 million for the year ended December 31, 2009 as compared to SOI of $28.5 million for the year ended December 31, 2008. The decrease in SOI for the year ended December 31, 2009 was primarily the result of the decrease in net revenue, partially offset by decreases in programming costs, as well as compensation paid to affiliates and selling-related expenses due to the decline in revenue. The loss of the Sean Hannity and Paul Harvey syndicated programs accounted for approximately $9.9 million of the SOI decline in the year ended December of 2009 as compared to the same period in 2008 at the Radio Network.

For additional information regarding asset impairment and disposal charges, see Item 8. Financial Statements and Supplementary Data, Note 5.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

On an as-reported basis, Radio Network net revenue increased $72.7 million to $181.8 million for the year ended December 31, 2008, from $109.1 million for the year ended December 31, 2007. The increase in revenue was the result of the Merger on June 12, 2007 and as such, 2008 includes a full year of revenue from the ABC Radio Network. On a pro forma basis, Radio Network net revenue decreased $15.5 million, or 8.0%, from $194.8 million for the year ended December 31, 2007 to $179.3 million for the year ended December 31, 2008. The revenue decrease was due primarily to lower revenue from the Paul Harvey contract, certain underperforming urban products, as well as our news product, partially offset by increased revenue from our Hispanic targeted products. As a result of the current economic environment and changes in our network programs, the Company expects that net revenue will continue to decline in 2009.

On an as-reported basis, Radio Network SOI was $28.5 million for the year ended December 31, 2008 as compared to SOI of $19.7 million for the year ended December 31, 2007. The increase in SOI for the year ended December 31, 2008 was primarily attributable to the operations of the ABC Radio Network for a full year in 2008.

On a pro forma basis, SOI decreased approximately $6.1 million, or 19.0%, to $26.0 million for the year ended December 31, 2008 from $32.1 million for the year ended December 31, 2007. The decrease in SOI is primarily associated with the decrease in net revenue and an increase in selling-related costs, partially offset by decreases in programming costs, promotional costs and general and administrative costs.

For additional information regarding asset impairment and disposal charges, see Item 8. Financial Statements and Supplementary Data, Note 5.

Liquidity and Capital Resources

Our primary sources of liquidity are cash and cash equivalents and cash provided by the operations of our Radio Markets and our Radio Network.

On December 20, 2009, the Company and certain of its subsidiaries filed voluntary petitions in the Bankruptcy Court seeking relief under the provisions of chapter 11 of the Bankruptcy Code. See additional information under Current Bankruptcy Proceedings within Item 1 Business and related discussion at the Senior Debt and Subordinated Debt and Convertible Subordinated Notes sections below.

Operating Activities

	December 31, 2009	December 31, 2008 (Amounts in millions)	$ Change
Net cash provided by operating activities	$ 65.7	$ 130.9	$ (65.2)

Net cash provided by operating activities was $65.7 million for the year ended December 31, 2009 as compared to $130.9 million for the year ended December 31, 2008. The decrease of approximately $65.2 million is a result of a decrease in revenues and changes in operating assets and liabilities, partially offset by a decrease in operating expenses and a reduction of $36.3 million in cash paid for interest.

Investing Activities

	December 31, 2009	December 31, 2008 (Amounts in millions)	$ Change
Net cash used in investing activities	$ (10.1)	$ (9.8)	$ (0.3)

Net cash used in investing activities for the year ended December 31, 2009 of $10.1 million consists primarily of capital expenditures of $7.8 million and an increase of $2.5 million of restricted cash. Cash used in investing activities of $9.8 million in the prior year consists primarily of capital expenditures and amounts paid for FCC license upgrades, partially offset by proceeds from the sale of assets.

Financing Activities

	December 31, 2009	December 31, 2008 (Amounts in millions)	$ Change
Net cash used in financing activities	$ (16.7)	$ (302.7)	$ 286.0

Net cash used in financing activities was $16.7 million for the year ended December 31, 2009, compared to $302.7 million during the year ended December 31, 2008. Cash used in financing activities for the year ended December 31, 2009 included $11.5 million in payments for debt issuance costs associated with the Fourth Amendment to our Senior Credit and Term Facility and a $4.0 million payment that was applied as a reduction to the outstanding balance of the Senior Credit and Term Facility subsequent to the Petition Date (see additional discussion at the Senior Debt section below). Cash used in financing activities for the year ended December 31, 2008 included $426.6 million related to the early extinguishment of debt, including associated fees, comprised of prepayments of the Company s Senior Credit and Term Facility of $201.9 million and repurchases of Amended Notes of $224.7 million, and payment of debt issuance costs of $10.8 million, partially offset by $136.0 million in borrowings under the Company s revolving portion of the Senior Credit and Term Facility.

We acquired approximately 0.6 million shares and 1.0 million shares of common stock for approximately $0.1 million and $1.3 million during the years ended December 31, 2009 and 2008, respectively, primarily through transactions related to the vesting of previously awarded nonvested shares of common stock. Upon vesting, the Company withheld shares of stock in an amount sufficient to pay the employee s minimum statutory tax withholding rates required by the relevant tax authorities.

In addition to debt service, our principal liquidity requirements are for working capital, general corporate purposes and capital expenditures. Our capital expenditures totaled $7.8 million during the year ended December 31, 2009, as compared to $8.9 million during the year ended December 31, 2008. For the year ending December 31, 2010, the Company estimates that capital expenditures necessary for our existing facilities will be approximately $10 million to $12 million. At December 31, 2009, we had cash and cash equivalents of $57.4 million. Based on our anticipated future operations and assuming no material changes to the Company s Plan filed with the Bankruptcy Court on March 15, 2010, we believe that cash on hand and expected cash flows will be adequate to meet our anticipated working capital requirements, capital expenditures for both maintenance and growth, and scheduled payments of cash interest on our outstanding indebtedness at least through December 31, 2010.

We intend to focus our attention on our stations in the larger markets and may seek opportunities, if available, to divest some of our stations, subject to restrictions under the Company s current Plan and any new restrictions imposed under the proposed New Term Loan. We are currently required to divest certain stations to comply with FCC ownership limits. The Company will continue to evaluate reasonable offers to purchase these stations or other markets that are contemplated for sale; however, given the current economic environment and conditions in the radio industry, there can be no assurance that any minimum level of asset sales will be completed.

As a result of the Merger and resulting evaluation of the consolidated businesses, the Company restructured and eliminated certain programming, sales and general and administrative positions within the ABC Radio Business. For the year ended December 31, 2008, the Company incurred restructuring costs of $5.5 million, respectively, for employee severance costs. Total restructuring charges through December 31, 2009 were $6.2 million, of which $5.4 million has been paid. As of December 31, 2009, $0.8 million remains accrued and is classified as a liability subject to compromise. See additional discussion at Item 8. Financial Statements and Supplementary Data, Note 8.

Senior Debt

In connection with the Merger in June 2007, the Company entered into the Senior Credit and Term Facility. Our operating subsidiaries guarantee the Senior Credit and Term Facility, and substantially all assets of the Company are pledged as security.

As a result of the Company s voluntary petitions for reorganization, all of the Company s senior debt obligations were accelerated, and the outstanding balances were aggregated. As of the Petition Date, the Company had $2,075.6 million outstanding under its Senior Credit and Term Facility, including $64.9 million of total facility fee (see discussion below) incurred through December 19, 2009. In addition, the liability of $72.8

million outstanding under the interest rate swap agreement (see Note 12 within Item 8. Financial Statements and Supplementary Data) was converted to a component of senior debt as of that date. The total modified amount of interest-bearing senior debt as of December 20, 2009 of $2,148.4 million began incurring interest at the non-default rate previously applicable to the Tranche B Term Loans under the Senior Credit and Term Facility (see discussion below), which is due in monthly payments. In December 2009, the $4.0 million that had been remitted to a cash collateral account as of September 30, 2009 for the benefit of the Company s lenders pursuant to a covenant under the Senior Credit and Term Facility was applied as a reduction to the outstanding balance of the Company s senior debt. This payment reduced the year end balance to $2,144.4 million, which is classified as a liability subject to compromise as of December 31, 2009.

Pursuant to the stated terms of the Senior Credit and Term Facility, principal on the Tranche A Term Loans had been payable in four consecutive quarterly installments of $15.0 million, four quarterly payments of $22.5 million, and three quarterly payments of $112.5 million commencing on September 30, 2010, with final maturity on June 12, 2013. The revolving loans under the Senior Credit and Term Facility had also been due in full on June 12, 2013. Principal on the Tranche B Term Loans had been 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 on June 12, 2014.

Because we stopped recognizing and paying interest on outstanding pre-petition debt obligations except for our senior debt described above, our interest expense for the year ended December 31, 2009 was approximately $1.6 million lower than it would have been absent the voluntary petitions for reorganization. During the first quarter of 2010, we expect interest incurred and paid related to our senior debt to be lower than in the 2009 first quarter due primarily to the conversion of the interest rate swap agreement to senior debt and reduced overall interest rates.

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 accrued 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 were 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 accrued 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 were due monthly.

As of the effective date of the Fourth Amendment, the revolving loans and Tranche A Term Loans incurred a facility fee in the amount of 4.50% per annum, and the Tranche B Term Loans incurred a rate of 4.25% per annum. On each interest payment date, this additional interest increased the principal amount of the related debt and were to be payable upon the termination of the revolving loans, Tranche A Term Loans, and Tranche B Term Loans, as applicable. The Company had incurred $64.9 million of total facility fee through December 19, 2009, and this liability was converted to a component of senior debt as of that date.

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

	December 31, 2009		December 31, 2008	
Type of Borrowing	**Amount of Borrowing (in thousands)**	**Interest Rate**	**Amount of Borrowing (in thousands)**	**Interest Rate**
Tranche A Term Loans	$ 526,176		$ 527,156	1.97 to 3.40%
Tranche B Term Loans	1,345,017		1,347,525	2.20 to 3.65%
Revolving Loans	135,747		136,000	3.40%
	2,006,940		2,010,681	
Interest Rate Swap	72,628			
Facility Fee	64,819			
Total Senior Debt	$ 2,144,387	1.99%	$ 2,010,681	

Pursuant to the Plan, the Company expects that approximately $2.1 billion of the debt outstanding under the Senior Credit and Term Facility will be converted into the New Term Loan in the principal amount of $762.5 million, with a 5-year term and an interest rate of the Eurodollar rate (at a minimum of 3%) plus 800 basis points. For more information, see Current Bankruptcy Proceedings within Item 1 Business.

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) were scheduled to mature in February of 2011 and bore interest at a rate of 1.875% per annum, payable February 15 and August 15 each year. The Original Notes were redeemable prior to maturity under certain circumstances.

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 did 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.

Per the terms of the Settlement Agreement, the Company had the ability to redeem the Amended Notes in 2008 and 2009. Through December 31, 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. Of this total, $0.7 million was repurchased during the year ended December 31, 2009.

The chapter 11 filings created an event of default under the convertible subordinated notes, and the entire unpaid balance of principal plus accrued interest and any other additional amounts due under the convertible subordinated notes became immediately due and payable. The ability of the creditors to enforce their rights is stayed as a result of the chapter 11 filings, and the creditors rights of enforcement are subject to the applicable provisions of the Bankruptcy Code. While operating under chapter 11 of the Bankruptcy Code, the Company is prohibited from paying unsecured pre-petition debts, including the convertible subordinated notes and interest thereon. The Company ceased accruing interest on all unsecured debt subject to compromise, including the convertible subordinated notes, since the amount of the allowed claim for the convertible subordinated notes was known as of December 31, 2009. The balance of convertible subordinated notes was $48.3 million as of December 31, 2009, including $0.5 million of Original Notes, and is included in liabilities subject to compromise in the accompanying balance sheet. Unpaid interest of $1.3 million is accrued related to the convertible subordinated notes as of December 31, 2009 and is included in liabilities subject to compromise in the accompanying balance sheet.

At the time that the Company issued the Amended Notes, the underlying terms contained contingent interest rate adjustments that could have caused interest to vary in future periods depending on the outstanding balance of Amended Notes. The estimated value of the contingent interest rate derivative was recorded as a liability as of the date of the modification of the convertible subordinated notes, and at each subsequent reporting date, we measured the estimated fair value of the derivative instrument using a discounted cash flow analysis considering various repurchase scenarios, which determined the stated interest rate to be incurred, compared to a minimum base rate of interest of 4.0%. As of December 31, 2009 and 2008, these analyses resulted in a value of zero and $1.8 million, respectively, and the change in fair value for the years ended December 31, 2009 and 2008 represented gains of $1.8 million and $3.3 million, respectively, which are included in the accompanying consolidated statements of operations as a component of interest expense, net.

Recent Accounting Standards

See Item 8. Financial Statements and Supplementary Data, Note 1.

Critical Accounting Policies

For a summary of our significant accounting policies, including the critical accounting policies discussed below, see the accompanying notes to the consolidated financial statements within Item 8. Financial Statements and Supplementary Data.

The preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. These estimates are based on the most appropriate information that is available at the time of the estimate. On an ongoing basis, the Company evaluates its estimates, which are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The results of these evaluations form the basis for making judgments about the carrying values of assets and liabilities and the reported amount of revenue and expenses that are not readily apparent from other sources. Actual results may differ significantly from these estimates under different assumptions. The following accounting polices require significant management estimates.

Revenue Recognition. We recognize revenue at the Radio Markets from the sale of commercial broadcast time to advertisers when commercials are broadcast, subject to meeting certain conditions such as persuasive evidence that an arrangement exists, the price is fixed and determinable and collection is reasonably assured. These criteria are generally met at the time an advertisement is broadcast, and revenue is recognized net of advertising agency commissions. Based on our past experience, the use of these criteria has been a reliable method to recognize revenue. Revenue at the Radio Network segment is recognized when the commercials are aired by the affiliate and we have no further obligation to the national advertiser. In addition, we assess the creditworthiness of the national advertisers to assess collectibility of its receivables.

Allowance for Doubtful Accounts. We must make an estimate of an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make payments to us for commercials we have broadcast for them. We specifically review historical write-off activity, customer creditworthiness, the economic conditions of the customer s industry, the potential impact of the Company s current Plan, and changes in our customer payment terms and conditions when evaluating the adequacy of the allowance for doubtful accounts. Our historical estimates have been a reliable method to estimate future allowances. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, then additional allowances could be required to reduce our accounts receivable to an amount that is expected to be collectible.

Business Combinations. The Company employs various estimates when determining the fair market value of assets acquired and liabilities assumed in connection with the allocation of purchase price consideration in business combinations. Intangible assets generally account for a significant portion of total assets acquired, and intangible assets consist primarily of FCC broadcast licenses and goodwill, but also include certain other identifiable intangible assets.

Intangible Assets. Our intangible assets, consistent with other radio companies, include FCC licenses, goodwill and other intangible assets. We have made acquisitions in the past for which a significant amount of the purchase price was allocated to FCC licenses and goodwill. As of December 31, 2009, we had approximately $960.1 million in intangible assets, which represent approximately 68% of our total assets, the value of which depends significantly upon the operational results of our business. We could not operate the radio stations without the related FCC license for each station. FCC licenses are subject to renewal every eight years; consequently, we continually monitor the activities of our stations to ensure they comply with all regulatory requirements. Subject to delays in processing by the FCC, historically, all of our licenses have been renewed at the end of their respective eight-year periods. We expect that all licenses will continue to be renewed in the future, although we cannot be assured that all of our licenses will be renewed. The non-renewal, or renewal with substantial conditions or modifications, of one or more of the Company s FCC radio station licenses could have a material adverse effect on the Company s business, liquidity, financial position, and results of operations.

In assessing the recoverability of these indefinite-lived intangible assets, we must conduct annual impairment testing, as well as interim impairment testing if an event occurs or circumstances change that would indicate that assets may be impaired, and charge to the results of operations an impairment expense in periods in which the recorded carrying amount of these assets is more than their estimated fair value. We believe our estimates of the value of our FCC licenses and goodwill are a critical accounting estimate as the value is significant in relation to our total assets, and our estimate of the fair value contains assumptions incorporating numerous variables that are based on past experience and judgments about future performance of our markets.

The Company evaluates its FCC licenses for impairment as of October 1, its annual impairment testing date, or more frequently if events or changes in circumstances indicate that the assets might be impaired. 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. The annual test requires that the Company (1) determine the unit of accounting, which the Company has determined to be the geographic market; and (2) compare the carrying amount of the FCC licenses reflected on the balance sheet in each geographic market to the respective fair value of each geographic market s FCC licenses. If the carrying amount of the FCC licenses is greater than their respective estimated fair value in a given geographic market, the carrying amount of the FCC licenses for that geographic market is reduced to their respective estimated fair value.

The Company determines the fair value its FCC licenses using an income approach generally referred to as the Jefferson Pilot Method or Greenfield Approach. This income approach attempts to isolate the income that is attributable to the FCC licenses at the unit of account level. The fair value is calculated by estimating and discounting the cash flows that a typical market participant would assume could be available from similar stations operated as part of a group of commonly owned stations in a similar sized geographic radio market. It is assumed that rather than acquiring such stations or operation as a going concern, the buyer would hypothetically obtain the licenses (at nominal cost) and build the new stations or operation with similar attributes from scratch. The Company believes this direct method of valuation to estimate the fair value of FCC licenses provides the best estimate of the fair value of the FCC licenses. The Company does not utilize a market approach as transactions involving FCC licenses in a specific geographic market do not frequently occur and therefore the information is limited, if available at all. The cost approach is not applicable as FCC licenses are not able to be re-created or duplicated.

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.

The Company evaluates its goodwill for impairment as of October 1, its annual impairment testing date, or more frequently if events or changes in circumstances indicate that the assets might be impaired. 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 annual test requires that the Company determine the fair value of the reporting unit and compare such to the carrying value of the reporting unit. If the fair value of the reporting unit is below the carrying value, the Company must (1) evaluate the fair value of the other long-term assets of the reporting unit; and (2) compare the carrying amount of the goodwill reflected on the balance sheet in each reporting unit to the respective implied fair value of each reporting unit s goodwill, which is determined in the same manner as goodwill in a business combination. If the carrying amount of the goodwill is greater than its respective implied fair value in a given reporting unit, an impairment loss is recognized for the excess carrying amount.

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 generally considers the cost approach to be inapplicable as this approach does not capture going concern value of the business (see Item 8. Financial Statements and Supplementary Data, Note 5). 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.

Contingencies and Litigation. On an ongoing basis, we evaluate our exposure related to contingencies and litigation and record a liability when available information indicates that a liability is probable and estimable. We also disclose significant matters that are reasonably possible to result in a loss that is expected to be material to our operations or financial results or are probable but not estimable.

Income Taxes. 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. As of December 31, 2009, the Company has recognized a deferred tax asset for such equity awards of $6.3 million. 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 stockholders 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. As of December 31, 2009, the underlying fair value of equity awards since the date of grant has declined in value and, the Company currently does not have an available additional paid-in capital pool.

Significant management judgment is also required in determining our provision for income taxes, income tax liabilities, deferred tax assets and liabilities, any valuation allowance recognized to reduce the deferred tax assets to an amount that is more likely than not to be realized, and the identification and quantification of income tax liabilities as a result of uncertain tax positions. We evaluate our tax rates regularly and adjust rates when appropriate based on currently available information relative to statutory rates, apportionment factors and the applicable taxable income in the jurisdictions in which we operate, among other factors.

We adjust our tax liabilities when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from our current estimate of the tax liabilities. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

When appropriate, based in part upon management s judgments regarding future events, we record a valuation allowance to reduce deferred tax assets to amounts that are more likely than not to be realized.

We believe our estimates of the value of our unrecognized tax benefits and valuation allowances are critical accounting estimates as they contain assumptions based on past experiences and judgments about potential actions by taxing jurisdictions. It is reasonably likely that the ultimate resolution of these matters may be greater or less than the amount we have currently accrued. In past years, our estimated effective tax rate has fluctuated significantly.

Share-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 the fair values of such awards measured at the grant date, or the date of later modification. That cost is recognized over the vesting period during which an employee is required to provide service in exchange for the award, which is based on the Company s determination of the appropriate service period underlying the award. We also utilize estimates regarding the evaluation of historical performance compared to the terms of the performance objectives stipulated in stock-based compensation awards that contain performance conditions. The Company also uses assumptions when determining the value of equity awards containing market conditions.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model, and the determination of the assumptions used in the Black-Scholes model requires management to make certain judgments and estimates, including the expected stock price volatility and expected term of the options granted. The use of different assumptions and estimates in the Black-Scholes option pricing model could have a material impact on the estimated fair value of option grants and the related expense.

Valuation of Derivative Financial Instrument. We had recorded the fair value of the derivative convertible subordinated note instrument due to our obligation to settle dividends in cash upon conversion, if any, of the convertible subordinated notes. This derivative liability had no value as of December 31, 2009 and 2008, and the change in the fair value of such derivative was a gain of $2.5 million during the year ended December 31, 2007. The estimated value of the contingent interest rate derivative related to our Amended Notes was recorded as a liability as of the date of the modification of the convertible subordinated notes in 2008. At each subsequent reporting date, we measured the estimated fair value of the derivative financial instrument, and any increase or decrease in the estimated fair value of the derivative liability was recognized immediately in earnings. We measured the fair value of the liability using a discounted cash flow analysis considering various repurchase scenarios, which determined the stated interest rate to be incurred, compared to a minimum base rate of interest of 4.0%. Changes in these assumptions can significantly change the estimated fair value of the derivative and results of operations.

Hedging Activities. We are exposed to fluctuations in interest rates, primarily attributable to borrowings under our Senior Credit and Term Facility. We actively monitor these fluctuations and from time to time may enter into derivative instruments to mitigate the variability of interest payments in accordance with our 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. 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 future changes in the fair value of the derivative are recognized as a component of income, consistent with the hedged transaction. Also, if it becomes probable that the hedged transaction will not occur, the amount recorded in accumulated other comprehensive income (loss) is immediately reclassified into net income (loss). The Company s interest rate swap arrangement had qualified for hedge accounting until the fourth quarter of 2008. During the fourth quarter of 2008, it became probable that the hedged transaction would not occur. Therefore, the hedging relationship was dedesignated in the fourth quarter and hedge accounting was discontinued. Accordingly, losses that had been previously deferred were recorded as interest expense. We measured the fair value of the interest rate swap using a discounted cash flow analysis as well as considering the Company s nonperformance risk. Changes in our assumptions utilized to value the interest rate swap can significantly change the estimated fair value of the swap. The differential paid or received on the interest rate swap agreement was also recognized as an adjustment to interest expense. The liability related to the interest rate swap agreement was converted to a component of senior debt as of the Petition Date, and the interest rate swap arrangement was terminated.

Contractual Obligations and Commercial Commitments

The table below reflects the Company s estimated contractual obligations and other commercial commitments as of December 31, 2009.

	Payments Due by Period (in millions)				
	Less than 1 year	**1 to 3 years**	**3 to 5 years**	**More than 5 years**	**Total**
Senior debt	$ 2,144.4	$	$	$	$ 2,144.4
Convertible subordinated notes	48.3				48.3
Variable interest payments	41.2				41.2
Other broadcast programming	40.4	83.6	54.6	5.1	183.7
Sports broadcasting and employment contracts	77.8	62.9	6.8	3.6	151.0
Operating leases	18.2	35.1	38.3	39.4	131.1
Other contractual obligations	9.3	34.8	29.0	0.1	73.2
Total contractual cash obligations (1) (2) (3)	$ 2,379.6	$ 216.4	$ 128.7	$ 48.2	$ 2,772.9

1. The interest amounts expected to be paid on our Senior Credit and Term Facility represent an annual amount and are estimated based on interest rates in effect as of December 31, 2009. As a result of the Company s voluntary petitions for reorganization, all of the Company s senior debt obligations were accelerated, and the outstanding balances were aggregated. Upon commencement of the Cases, the Debtors also announced that the Company had reached an accord with over 60% of its senior secured lenders on the terms of a

pre-negotiated financial restructuring that will seek to extinguish approximately $1.4 billion of indebtedness. Pursuant to the Plan, the Company expects that approximately $2.1 billion of the debt outstanding under the Senior Credit and Term Facility will be converted into the New Term Loan in the principal amount of $762.5 million, with a 5-year term and an interest rate of the Eurodollar rate (at a minimum of 3%) plus 800 basis points. In addition to other consideration, upon the Company s emergence from bankruptcy, holders of unsecured claims, including the deficiency claim related to the senior debt and the Company s convertible subordinated notes, are expected to receive a pro rata share of $36.0 million in cash, and holders of the Company s senior debt are expected to receive a pro rata share of cash held as of the Effective Date in excess of the sum of $86.0 million and various amounts due pursuant to the reorganization. Due to the uncertainty regarding the timing of the Company s emergence as a reorganized entity, the table above includes only one year of estimated interest payments on the Senior Credit and Term Facility and does not present any additional cash payments due as of the Effective Date or estimated interest payments that may be due under the New Term Loan.

2. The Company s estimated liability for uncertain positions of $2.6 million as of December 31, 2009 is not included in the table above due to the uncertainty regarding the timing of the ultimate settlement of such amounts.
3. Pursuant to Section 365 of the Bankruptcy Code, the Company may reject or assume prepetition executory contracts and unexpired leases, and parties affected by rejections of these contracts or leases may file claims with the Bankruptcy Court which will be addressed in the context of the chapter 11 cases. The above table excludes amounts for operating leases that the Company has rejected under the Plan. See Note 9 to the financial statements for further detail on liabilities subject to compromise.

Off-Balance Sheet Arrangements

We have no 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 financial condition and results of operations.

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ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a number of financial market risks in the ordinary course of business. We believe our primary financial market risk exposure pertains to interest rate changes, primarily as a result of our Senior Credit and Term Facility, which bears interest based on variable rates. Therefore, our variable debt of $2,144.4 million outstanding as of December 31, 2009 is subject to fluctuations in the underlying interest rates. We have performed a sensitivity analysis assuming a hypothetical increase in interest rates of 100 basis points applied to this debt. Based on this analysis, the impact on future pre-tax earnings for the following twelve months would be approximately $21.4 million of increased interest expense. This potential increase is based on certain simplifying assumptions, including a constant level of variable rate debt and constant interest rate based on the variable rates in place as of December 31, 2009.

As discussed above under the heading *Subordinated Debt and Convertible Subordinated Notes*, we had recorded the fair value of the derivative financial instruments related to our convertible subordinated notes. At each subsequent reporting date, we measured the estimated fair value of the derivative financial instruments utilizing various assumptions, and any increase or decrease in the estimated fair value of the derivative liabilities was recognized immediately in earnings. Changes in the underlying assumptions can impact the estimated fair value of the derivatives, but as of December 31, 2009, any resulting changes in the assumptions should not have a material impact on the value of the derivatives or the Company s consolidated financial statements.

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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders of

Citadel Broadcasting Corporation

Las Vegas, Nevada

We have audited the accompanying consolidated balance sheets of Citadel Broadcasting Corporation and subsidiaries (the Company) as of December 31, 2009 and 2008, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2009. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Citadel Broadcasting Corporation and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2009, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, Citadel Broadcasting Corporation and its subsidiaries filed for reorganization under Chapter 11 of the Federal bankruptcy Code on December 20, 2009. The accompanying financial statements do not purport to reflect or provide for the outcome of the bankruptcy proceedings.

As discussed in Note 16 of the Notes to the Consolidated Financial Statements, effective January 1, 2007, the Company adopted Financial Accounting Standards Board Accounting Standards Codification 740, *Income Taxes* (formerly Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2009, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 31, 2010 expressed an unqualified opinion on the Company s internal control over financial reporting.

Los Angeles, California

March 31, 2010

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CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	December 31, 2009	December 31, 2008
ASSETS		
Current assets		
Cash and cash equivalents	$ 57,441	$ 18,634
Accounts receivable, net	159,201	170,801
Prepaid expenses and other current assets (including deferred income tax assets of $566 and $1,073 as of December 31, 2009 and 2008, respectively)	21,177	15,754
Total current assets	237,819	205,189
Long-term assets		
Property and equipment, net	201,542	208,618
FCC licenses	600,603	1,370,904
Goodwill	321,976	492,799
Customer and affiliate relationships, net	36,284	98,499
Other assets, net	19,765	56,961
Total assets	$ 1,417,989	$ 2,432,970
LIABILITIES AND STOCKHOLDERS DEFICIT		
Liabilities not subject to compromise		
Current liabilities		
Accounts payable, accrued liabilities and other liabilities	$ 36,376	$ 99,048
Total current liabilities not subject to compromise	36,376	99,048
Long-term liabilities		
Senior debt		2,010,681
Convertible subordinated notes (net of discount of $670)		48,360
Other long-term liabilities, less current portion	2,631	147,381
Deferred income tax liabilities	180,422	426,448
Total liabilities not subject to compromise	219,429	2,731,918
Liabilities subject to compromise	2,270,418	
Total liabilities	2,489,847	2,731,918
Commitments and contingencies		
Stockholders deficit		
Preferred stock, $.01 par value authorized, 200,000,000 shares at December 31, 2009 and 2008; no shares issued or outstanding at December 31, 2009 and 2008		
Common stock, $.01 par value authorized, 500,000,000 shares at December 31, 2009 and 2008; issued, 294,035,525 and 297,574,072 shares at December 31, 2009 and 2008, respectively; outstanding, 265,623,369 and 269,722,899 shares at December 31, 2009 and 2008, respectively	2,940	2,976
Additional paid-in capital	2,447,084	2,436,525
Treasury stock, at cost, 28,412,156 and 27,851,173 shares at December 31, 2009 and 2008, respectively	(344,371)	(344,297)

Accumulated deficit	(3,177,511)	(2,394,152)
Total stockholders deficit	(1,071,858)	(298,948)
Total liabilities and stockholders deficit	$ 1,417,989	$ 2,432,970

See accompanying notes to consolidated financial statements.

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CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Operations

(in thousands, except per share amounts)

	Year Ended December 31, 2009	2008	2007
Net revenue	$ 723,620	$ 863,121	$ 719,757
Operating expenses:			
Cost of revenue, exclusive of depreciation and amortization shown separately below	306,648	353,014	254,727
Selling, general and administrative	203,871	227,517	195,611
Corporate general and administrative	26,320	32,049	44,642
Local marketing agreement fees	1,027	1,334	1,326
Asset impairment and disposal charges	985,653	1,208,208	1,612,443
Depreciation and amortization	35,599	45,264	30,678
Non-cash amounts related to contractual obligations		21,440	
Other, net	6,841	(1,688)	(3,900)
Operating expenses	1,565,959	1,887,138	2,135,527
Operating loss	(842,339)	(1,024,017)	(1,415,770)
Reorganization costs	4,556		
Interest expense, net	190,175	211,818	100,741
Gain on extinguishment of debt	(428)	(114,736)	
Write-off of deferred financing costs and debt discount upon extinguishment of debt and other debt-related fees	814	11,399	555
Loss before income taxes	(1,037,456)	(1,132,498)	(1,517,066)
Income tax benefit	(254,097)	(162,679)	(231,830)
Net loss	$ (783,359)	$ (969,819)	$ (1,285,236)
Net loss per share basic and diluted	$ (2.97)	$ (3.69)	$ (6.61)
Dividends declared per share	$	$	$ 0.18
Special distribution declared per share	$	$	$ 2.4631
Weighted average common shares outstanding basic and diluted	263,989	262,812	194,374

See accompanying notes to consolidated financial statements.

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CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Stockholders Equity

(in thousands, except share amounts)

	Common Stock		Treasury Stock					
	Common Shares	**Amount**	**Shares**	**Amount**	**Additional Paid-in Capital**	**Accumulated Deficit**	**Accumulated Other Comprehensive Income (Loss)**	**Total Stockholders Equity (Deficit)**
Balances at January 1, 2007	138,276,712	$ 1,383	(24,837,653)	$ (323,879)	$ 1,582,858	$ (136,054)	$	$ 1,124,308
Net loss						(1,285,236)		(1,285,236)
Unrealized loss on derivative and hedging activities, net of tax							(30,369)	(30,369)
Total comprehensive loss								(1,315,605)
Cumulative adjustment for adoption of FIN 48						(3,043)		(3,043)
Stock compensation expense					22,740			22,740
Interest on shareholder notes					(17)			(17)
Issuance of restricted shares and restricted share units, net	742,278	7			800			807
Issuance of common shares in connection with Merger, net of costs incurred	151,707,512	1,517			1,091,934			1,093,451
Conversion of equity awards in connection with the Merger					17,896			17,896
Repayment of shareholder notes					258			258
Dividends					(19,885)			(19,885)
Special Distribution paid in connection with the Merger					(276,597)			(276,597)
Repurchase of treasury stock			(2,098,274)	(20,555)				(20,555)
Tax benefit associated with stock-based transactions					2,562			2,562
Reissuance of treasury stock			100,587	1,392	(473)			919
Balances at December 31, 2007	290,726,502	$ 2,907	(26,835,340)	$ (343,042)	$ 2,422,076	$ (1,424,333)	$ (30,369)	$ 627,239
Net loss						(969,819)		(969,819)
Unrealized loss on derivative and hedging activities, net of tax							980	980
Reclassification of unrealized loss on derivative and hedging activities							29,389	29,389
Total comprehensive loss								(939,450)
Stock compensation expense					13,449			13,449
Interest on shareholder notes					(15)			(15)
Issuance of restricted shares, net	6,847,570	69			(68)			1
Treasury stock associated with stock-based transactions			(1,015,833)	(1,255)				(1,255)
Dividend adjustment related to stock-based transactions					557			557
Adjustment to the conversion of equity awards in connection with the Merger					526			526
Balances at December 31, 2008	297,574,072	$ 2,976	(27,851,173)	$ (344,297)	$ 2,436,525	$ (2,394,152)	$	$ (298,948)
Net loss						(783,359)		(783,359)
Stock compensation expense					10,555			10,555
Interest on shareholder notes					(11)			(11)
Cancellation of restricted shares, net of issuances	(3,538,547)	(36)			35			(1)

Treasury stock associated with stock-based transactions			(560,983)	(74)				(74)
Dividend adjustment related to stock-based transactions					(20)			(20)
Balances at December 31, 2009	294,035,525	$ 2,940	(28,412,156)	$ (344,371)	$ 2,447,084	$ (3,177,511)	$	$ (1,071,858)

See accompanying notes to consolidated financial statements.

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CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

(in thousands)

	Year Ended December 31,		
	2009	2008	2007
Cash flows from operating activities:			
Net loss	$ (783,359)	$ (969,819)	$ (1,285,236)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	35,599	45,264	30,678
Non-cash amounts related to contract obligations		21,440	
Gain on extinguishment of debt	(428)	(114,736)	
Write-off of deferred financing costs and debt discount upon extinguishment of debt and other debt-related fees	160	11,399	555
Asset impairment and disposal charges	985,653	1,208,208	1,612,443
Non-cash debt-related amounts and facility fees	105,141	3,414	2,289
Non-cash reorganization costs	4,087		
Fair value of swap liability	(9,578)	82,355	
Provision for bad debts	6,231	6,574	3,890
Loss (gain) on sale of assets	271	(625)	(4,085)
Deferred income taxes	(245,517)	(176,168)	(235,343)
Stock-based compensation expense	10,535	14,006	23,349
Changes in operating assets and liabilities:			
Accounts receivable	5,586	14,168	1,973
Prepaid expenses and other current assets	(2,502)	(1,199)	(847)
Accounts payable, accrued liabilities and other obligations	(46,226)	(13,429)	22,257
Net cash provided by operating activities	65,653	130,852	171,923
Cash flows from investing activities:			
Capital expenditures	(7,761)	(8,920)	(12,345)
FCC license upgrades		(2,114)	
Cash paid to acquire stations		(388)	(1,557)
Proceeds from sale of assets	23	1,494	35,124
Restricted cash	(2,460)		
Other assets, net	50	90	300
ABC Radio merger acquisition costs			(23,110)
Net cash used in investing activities	(10,148)	(9,838)	(1,588)
Cash flows from financing activities:			
Payments for early extinguishment of debt, including related fees	(292)	(426,553)	
Debt issuance costs	(11,477)	(10,836)	(33,600)
Proceeds from senior credit and term facility		136,000	2,135,000
Other debt-related expenses	(654)		
Purchase of shares held in treasury	(73)	(1,256)	(21,057)
Principal payments on other long-term obligations	(192)		