

CITADEL BROADCASTING CORP

Form 10-Q

August 10, 2009

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended June 30, 2009

OR

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

Commission file number: 001-31740

**CITADEL BROADCASTING CORPORATION**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**51-0405729**  
(I.R.S. Employer  
Identification No.)

**City Center West, Suite 400**

**7201 West Lake Mead Blvd.**

**Las Vegas, Nevada 89128**

(Address of principal executive offices and zip code)

**(702) 804-5200**

(Registrant's telephone number, including area code)

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

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

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

Large Accelerated Filer  Accelerated Filer

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

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

As of July 30, 2009, there were 265,798,742 shares of common stock, \$0.01 par value per share, outstanding.

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**Citadel Broadcasting Corporation**

**Form 10-Q**

**June 30, 2009**

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**FORWARD-LOOKING INFORMATION**

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

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

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

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

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

(in thousands, except share and per share amounts)

(unaudited)

	June 30, 2009	December 31, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 27,839	\$ 18,634
Accounts receivable, net	149,920	170,801
Prepaid expenses and other current assets (including deferred income tax assets of \$1,073 as of June 30, 2009 and December 31, 2008)	16,107	15,754
Total current assets	193,866	205,189
Long-term assets:		
Property and equipment, net	203,148	208,618
FCC licenses	598,663	1,370,904
Goodwill	321,976	492,799
Customer and affiliate relationships, net	43,467	98,499
Other assets, net	51,531	56,961
Total assets	\$ 1,412,651	\$ 2,432,970
<b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
Current liabilities:		
Accounts payable, accrued liabilities and other liabilities	\$ 69,368	\$ 99,048
Interest rate swap	60,729	
Senior debt	2,033,453	
Convertible subordinated notes (net of discount of \$396)	47,914	
Total current liabilities	2,211,464	99,048
Long-term liabilities:		
Long-term senior debt		2,010,681
Long-term convertible subordinated notes (net of discount of \$670)		48,360
Other long-term liabilities, less current portion	61,165	147,381
Deferred income tax liabilities	195,896	426,448
Total liabilities	2,468,525	2,731,918
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock, \$.01 par value authorized, 200,000,000 shares at June 30, 2009 and December 31, 2008; no shares issued or outstanding at June 30, 2009 and December 31, 2008		

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Common stock, \$.01 par value authorized, 500,000,000 shares at June 30, 2009 and December 31, 2008; issued, 294,207,262 and 297,574,072 shares at June 30, 2009 and December 31, 2008, respectively; outstanding, 265,812,741 and 269,722,899 shares at June 30, 2009 and December 31, 2008, respectively	2,942	2,976
Additional paid-in capital	2,443,668	2,436,525
Treasury stock, at cost, 28,394,521 and 27,851,173 shares at June 30, 2009 and December 31, 2008, respectively	(344,370)	(344,297)
Accumulated deficit	(3,158,114)	(2,394,152)
 Total stockholders deficit	 (1,055,874)	 (298,948)
 Total liabilities and stockholders deficit	 \$ 1,412,651	 \$ 2,432,970

See accompanying notes to consolidated condensed financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net revenue	\$ 188,061	\$ 229,186	\$ 346,952	\$ 435,000
Operating expenses:				
Cost of revenue, exclusive of depreciation and amortization shown separately below	73,247	87,291	153,127	174,195
Selling, general and administrative	52,398	56,499	101,026	114,694
Corporate general and administrative	9,394	9,055	15,008	19,803
Local marketing agreement fees	248	331	511	661
Asset impairment and disposal charges	985,653	364,401	985,653	364,401
Depreciation and amortization	10,211	13,612	20,471	23,399
Non-cash amounts related to contractual obligations		(805)		21,440
Other, net	990	(1,681)	997	(1,696)
Operating expenses	1,132,141	528,703	1,276,793	716,897
Operating loss	(944,080)	(299,517)	(929,841)	(281,897)
Interest expense, net	44,549	28,318	63,437	65,428
Gain on extinguishment of debt		(31,793)	(428)	(53,193)
Write-off of deferred financing costs and debt discount upon extinguishment of debt and other debt-related fees		5,140	777	6,654
Loss before income taxes	(988,629)	(301,182)	(993,627)	(300,786)
Income tax benefit	(229,972)	(49,632)	(229,665)	(40,963)
Net loss	\$ (758,657)	\$ (251,550)	\$ (763,962)	\$ (259,823)
Net loss per share basic and diluted	\$ (2.88)	\$ (0.96)	\$ (2.90)	\$ (0.99)
Weighted average common shares outstanding basic and diluted	263,815	262,799	263,723	262,707

See accompanying notes to consolidated condensed financial statements.

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

	<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (763,962)	\$ (259,823)
<b>Adjustments to reconcile net loss to net cash provided by operating activities:</b>		
Depreciation and amortization	20,471	23,399
Non-cash amounts related to contract obligations		21,440
Gain on extinguishment of debt	(428)	(53,193)
Write-off of deferred financing costs and debt discount upon extinguishment of debt and other debt-related fees	160	6,654
Asset impairment and disposal charges	985,653	364,401
Non-cash debt-related amounts and facility fees	37,356	(159)
Fair value of swap liability	(21,626)	
Provision for bad debts	2,112	1,753
Loss (gain) on sale of assets	118	(697)
Deferred income taxes	(230,551)	(44,427)
Stock-based compensation expense	7,114	7,211
<b>Changes in operating assets and liabilities:</b>		
Accounts receivable	18,993	(4,029)
Prepaid expenses and other current assets	1,430	(2,599)
Accounts payable, accrued liabilities and other obligations	(32,877)	(13,391)
<b>Net cash provided by operating activities</b>	<b>23,963</b>	<b>46,540</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(2,173)	(5,131)
Proceeds from sale of assets		1,297
Other assets, net		90
ABC Radio merger acquisition costs		(388)
<b>Net cash used in investing activities</b>	<b>(2,173)</b>	<b>(4,132)</b>
<b>Cash flows from financing activities:</b>		
Payments for early extinguishment of debt, including related fees	(292)	(276,590)
Debt issuance costs	(11,477)	
Proceeds from senior credit and term facility		98,000
Other debt-related expenses	(617)	
Purchase of shares held in treasury	(72)	(1,204)
Principal payments on other long-term obligations	(127)	(64)
<b>Net cash used in financing activities</b>	<b>(12,585)</b>	<b>(179,858)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>9,205</b>	<b>(137,450)</b>
Cash and cash equivalents, beginning of period	18,634	200,321
<b>Cash and cash equivalents, end of period</b>	<b>\$ 27,839</b>	<b>\$ 62,871</b>



See accompanying notes to consolidated condensed financial statements.

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**CITADEL BROADCASTING CORPORATION AND SUBSIDIARIES**

**Consolidated Condensed Statements of Cash Flows (Continued)**

**(in thousands)**

**(unaudited)**

*Supplemental schedule of cash flow information*