

CITADEL BROADCASTING CORP  
Form 10-K  
March 14, 2005  
Table of Contents

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

Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2004

OR

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

Commission file number: 001-31740

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**CITADEL BROADCASTING CORPORATION**

(Exact name of registrant as specified in its charter)

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

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

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**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)

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

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Common stock, par value \$0.01 per share	New York Stock Exchange

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

NONE

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

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

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

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

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

**DOCUMENTS INCORPORATED BY REFERENCE**

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

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**Table of Contents**

**Citadel Broadcasting Corporation**

**Form 10-K**

**December 31, 2004**

**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>PART I</u></b>	1
ITEM 1. <u>BUSINESS</u>	1
ITEM 2. <u>PROPERTIES AND FACILITIES</u>	24
ITEM 3. <u>LEGAL PROCEEDINGS</u>	24
ITEM 4. <u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	25
<b><u>PART II</u></b>	26
ITEM 5. <u>MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	26
ITEM 6. <u>SELECTED CONSOLIDATED FINANCIAL DATA</u>	27
ITEM 7. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	30
ITEM 7A. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	39
ITEM 8. <u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	40
ITEM 9. <u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	71
ITEM 9A. <u>CONTROLS AND PROCEDURES</u>	71
ITEM 9B. <u>OTHER INFORMATION</u>	72
<b><u>PART III</u></b>	72
ITEM 10. <u>DIRECTORS AND EXECUTIVE OFFICERS</u>	72
ITEM 11. <u>EXECUTIVE COMPENSATION</u>	73
ITEM 12. <u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	73
ITEM 13. <u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS</u>	73
ITEM 14. <u>PRINCIPAL ACCOUNTANT FEES AND SERVICES</u>	73
<b><u>PART IV</u></b>	73
ITEM 15. <u>EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u>	73
<b><u>SIGNATURES</u></b>	76

**CERTAIN DEFINITIONS**

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

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

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

**Table of Contents**

Forward-looking statements, including certain pro forma information, are presented for illustrative purposes only and reflect our current expectations concerning future results and events. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including any projections of earnings, revenues or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

You can identify these forward-looking statements by our use of words such as anticipates, believes, continues, expects, intends, likely, opportunity, plans, potential, project, will, and similar expressions to identify forward-looking statements, whether in the negative or the affirmative. We cannot guarantee that we actually will achieve these plans, intentions or expectations. These forward-looking statements are subject to risks, uncertainties and other factors, some of which are beyond our control, which could cause actual results to differ materially from those forecast or anticipated in such forward-looking statements.

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

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

**Table of Contents****PART I****ITEM 1. BUSINESS**

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

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

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

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

**Our Station Portfolio**

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

	Market Revenue Rank	Number of Owned and Operated Commercial Stations in the Market		Number of Our Stations(1)(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)	
Salt Lake City, UT	34	27	21	5	3	19	16.5	3	2

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



**Table of Contents**

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

N/R Not rated.

N/A Information not available.

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

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

## **Table of Contents**

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

- (3) The Station Group Audience Share Rank is the ranking of our station group among all station groups within the demographic of people ages 25-54, listening Monday through Sunday, 6 a.m. to 12 midnight based upon the total station group's audience share in that market.
- (4) The Station Group Revenue Rank is the ranking, by station group market revenue, of our station group among all station groups in that market.
- (5) Includes radio stations in our Kokomo, IN and Presque Isle, ME markets, which are not rated by Arbitron.

## **Market and Industry Data**

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

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

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

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

## **Operating Strategy**

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

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

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

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

**Table of Contents**

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

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

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

**Acquisition Strategy**

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

our ability to improve the operating performance of the stations;

our ability to acquire a new or improve an existing cluster of stations towards achieving a higher share of revenue in the market;

the number and quality of competing commercial radio signals, as well as the number and nature of competitors, in the market;

the power and quality of the stations' broadcasting signals; and

Other income					
Interest and other income	6,453	7,039	21,613	24,231	
Gold bullion mark to market	27,035	(2,356)	31,928	24,955	
	33,488	4,683	53,541	49,186	
Net loss	\$ (52,931)	\$ (77,874)	\$ (448,972)	\$ (1,064,809)	
Basic loss per share	\$ (0.01)	\$ (0.01)	\$ (0.05)	\$ (0.11)	

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Basic weighted average common shares outstanding	9,769,250	9,744,250	9,757,345	9,744,250
Diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.11)
Diluted weighted average common shares outstanding	10,354,250	9,744,250	10,297,107	9,744,250
<b>ACCUMULATED DEFICIT:</b>				
Beginning of period	\$ (9,807,727)	\$ (9,301,486)	\$ (9,411,686)	\$ (8,314,551)
Net loss	(52,931)	(77,874)	(448,972)	(1,064,809)
End of period	\$ (9,860,658)	\$ (9,379,360)	\$ (9,860,658)	\$ (9,379,360)

GOLDEN CYCLE GOLD CORPORATION

CONSOLIDATED

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED

September 30, 2007 and 2006

(Unaudited)

	2007	2006
Cash flows from operating activities:		
Net loss	\$ (448,972)	\$ (1,064,809)
Adjustments to reconcile net loss to netcash used in operating activities:		
Depreciation	1,786	3,758
Increase in market value of gold asset	(31,928)	(24,955)
Non-cash compensation liability accrual reclassified to contributed capital		8,940
Increase in interest receivable and other current assets	(6,696)	(2,734)
Decrease in accounts payable and accrued liabilities	(8,123)	(25,568)
Decrease in market value of stock	(18,000)	
Non-cash stock based compensation	461,526	791,597
Net cash used in operating activities	(50,407)	(313,771)
Cash flows from investing activities:		
Decrease (increase) in short-term investments, net	(16,088)	246,632
Purchase of equipment		(1,110)
Net cash provided by (used in) investing activities	(16,088)	245,522
Cash flows provided by financing activities:		
Proceeds from exercise of stock options	45,000	
Net cash provided by financing activities	45,000	
Net decrease in cash and cash equivalents	(21,495)	(68,249)
Cash and cash equivalents, beginning of period	53,142	167,169
Cash and cash equivalents, end of period	\$ 31,647	\$ 98,920

**Golden Cycle Gold Corporation**

**Notes To Consolidated Financial Statements**

(unaudited)

(1) BASIS OF PRESENTATION

The accompanying financial statements are unaudited but, in the opinion of management, include all adjustments, consisting solely of normal recurring items, necessary for a fair presentation. Interim results are not necessarily indicative of results for a full year.

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. The accounting policies set forth in those annual financial statements are the same as the accounting policies utilized in the preparation of these financial statements, except as modified for appropriate interim financial statement presentation.

Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standard No. 159, The Fair Value Option For Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The provisions of SFAS 159 are effective for Golden Cycle as of January 1, 2008. Golden Cycle has not yet determined the impact of adopting SFAS 159 on its financial position, results of operations or cash flows.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157 Fair Value Measurements (SFAS No. 157). SFAS No. 157 clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the most advantageous market for the asset or liability. SFAS No. 157 clarifies that the transaction to sell an asset or transfer a liability is a hypothetical transaction at a measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. SFAS No. 157 states that fair value is a market-based measurement, not an entity specific measurement and that market assumptions should be based upon independent observations of the reporting entity over a reporting entity's observations about market participant assumptions. SFAS No. 157 states that market participant assumptions should include risk, restrictions on asset sales, non-performance risk, but that quoted market prices for financial instruments should not be adjusted for the size of a position relative to trading volume (block discounts). SFAS No. 157 expands disclosures about, among other things, the use of fair value to measure assets and liabilities in interim and annual periods, including the use of unobservable inputs, and the effect of fair value



on earnings and changes in net assets. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Golden Cycle adopted SFAS No. 157 on January 1, 2007 and it has not had an impact on its financial position, results of operations or cash flows.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for uncertainty in Income Taxes, ( FIN 48 ) an interpretation of FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that the entities recognize in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. The provisions of FIN 48 are effective beginning January 1, 2007 with the cumulative effect of the change in accounting principle recorded as an adjustment to the opening balance of retained earnings. Golden Cycle adopted FIN 48 on January 1, 2007 and it has not had an impact on its financial position, results of operations or cash flows.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments—an amendment of FASB Statements No. 133 and 140 (SFAS No. 155 ). SFAS No. 155 resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interest in Securitized Financial Assets. SFAS No. 155 became effective January 1, 2007 and is applicable based upon the nature and extent of any new derivatives entered into after that date. Golden Cycle adopted SFAS No. 155 on January 1, 2007 and it has not had an impact on its financial position, results of operations or cash flows.

## (2) INVESTMENT IN JOINT VENTURE

The Company accounts for its investment in the Cripple Creek & Victor Gold Mining Company (the Joint Venture ) on the equity method. During 1992, the Company's investment balance in the Joint Venture was reduced to zero. Joint Venture distributions in excess of the investment carrying value are recorded as income, as the Company is not currently required to finance the Joint Venture's operating losses or capital expenditures. Correspondingly, the Company does not record its share of Joint Venture losses incurred subsequent to the reduction of its investment balance to zero. To the extent the Joint Venture is subsequently profitable, the Company will not record its share of equity income until the cumulative amount of previously unrecorded Joint Venture losses has been recouped and the Company receives cash distributions in excess of the Minimum Annual Payment. As of September 30, 2007, the Company's share of accumulated unrecorded losses from the Joint Venture was \$1,912,800.

The Company recognizes revenue as Minimum Annual Distributions from the Joint Venture are received as all services necessary for revenue recognition have been

previously provided to the Joint Venture by the Company. The Joint Venture Agreement, as amended, provides for the Company to receive a Minimum Annual Distribution of \$250,000 during the Initial Phase. Beginning in 1994, such Minimum Annual Distributions are potentially recoupable against the Company's future share of Net Proceeds, if any. Whether future gold prices and the results of the Joint Venture's operations will reach and maintain a level necessary to repay the Initial Loans, complete the Initial Phase, and thereafter generate net income from which Minimum Annual Distributions can be recouped, cannot be assured due to uncertainties inherent within any mining operation. Based on the amount of Initial Loans payable to the Manager and the uncertainty of future operating revenues, there is no assurance that the Company will receive more than the Minimum Annual Distribution from the Joint Venture in the foreseeable future.

### (3) EARNINGS PER SHARE

Earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding during each period. On a weighted average basis there were 586,000 shares and 539,762 shares of dilutive securities outstanding during the three and nine months ended September 30, 2007, respectively. For the same three and nine month periods of 2006 there were 510,000 and 438,571 shares of dilutive securities outstanding.

### (4) STOCK-BASED COMPENSATION

On June 5, 2007, the Company's one active stock-based compensation plan was completed and closed with the issue of 100,000 stock options to four directors. Readers should refer to Item 8, Note 5 of the Company's financial statements, which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, for additional information related to the Company's closed stock-based compensation plans. Four of the Company's directors were granted 25,000 stock options each on June 5, 2007 at the prevailing market price of \$6.25 per share. One director exercised options for 25,000 shares of the Company's stock May 10, 2007 for proceeds of \$45,000. There were no stock options exercised during the 2006 period. The Company accounts for stock option grants in accordance with FASB Statement 123(R), Share-Based Payment. Compensation costs related to share-based payments in the amount of \$461,526 and \$791,597 were recognized in the Consolidated Statements of Operations for the periods ended June 30, 2007 and 2006 respectively.

### (5) ILLIPAH SALE CONTINGENCY

Should Tornado Gold International Inc. fail to complete the conditions of its purchase of the Illipah property, Golden Cycle may be entitled to full possession of the property and later market the property again. Tornado Gold has provided notice of its intent to hold the property for the second fiscal year of the contract which began August 23, 2007. Tornado Gold is also required to provide Golden Cycle a report of the

completion of its first year's (ending August 23, 2007) exploration program totaling more than \$250,000 in exploration and development expenses, and convey to Golden Cycle an additional 200,000 shares of its common stock. During the second twelve months of the contract which concludes August 23, 2008, Tornado is responsible for the minimum annual royalty payment and the Bureau of Land Management and County claim maintenance fees. Further, Tornado is required to expend an additional \$500,000 in exploration and development expenses on the Illipah property. If any of these conditions of the agreement are not met, Golden Cycle could claim a default by Tornado Gold.

#### (6) MARKETABLE EQUITY SECURITIES

The Company's investments in marketable equity securities are classified as available-for-sale and are carried at fair value, which is based upon quoted prices of the securities owned. The cost of marketable equity securities sold is determined by the specific identification method. Changes in market value are recorded in accumulated other comprehensive income within stockholders' equity, unless a decline in market value is considered other than temporary, in which case the decline is recognized as a loss in the consolidated statement of operations. The Company had marketable equity securities with fair values of \$40,500 and \$0 respectively, and cost of \$58,500 and \$0, respectively, at September 30, 2007 and December 31, 2006. Golden Cycle has accumulated other comprehensive income for unrealized holding losses of \$18,000 and \$0 at September 30, 2007 and December 31, 2006, respectively, related to our marketable equity securities.

## Item 2. **Management's Discussion and Analysis of Financial Condition and Results of Operations.**

### **Overview**

#### ***Cripple Creek Joint Venture***

The Company's principal mining investment and source of cash flows has been its interest in a joint venture ( *Joint Venture* ), which engages in gold mining activity in the Cripple Creek area of Colorado. The Company's Joint Venture co-venturer is AngloGold Ashanti (Colorado) Corp. ( *AngloGold* , formerly Pikes Peak Mining Company), a wholly-owned subsidiary of AngloGold Ashanti North America Inc., which is an indirect wholly-owned subsidiary of AngloGold Ashanti Ltd.

The Company's rights and obligations relating to its Joint Venture interest are governed by the Joint Venture Agreement. The Joint Venture is currently, and for the foreseeable future will be, operating in the Initial Phase, as defined in the Joint Venture Agreement. In accordance with the Joint Venture Agreement, AngloGold manages the Joint Venture, and is required to finance all operations and capital expenditures during the Initial Phase.

The Joint Venture Agreement defines an Initial Phase that will end when (i) the Initial Loans (defined below) have been repaid, (ii) a cash reserve has been established to fund accrued reclamation and severance tax obligations, plus an amount approximating nine months of estimated operating costs, plus an amount approximating twelve months of estimated capital costs, and (iii) Net Proceeds (defined in the Joint Venture Agreement generally as gross revenues less costs) in the amount of \$58 million have been distributed as follows: 80% to AngloGold and 20% to the Company. After the Initial Phase, the Joint Venture will distribute metal in kind in the proportion of 67% to AngloGold and 33% to the Company, and the venture participants will be responsible for their proportionate share of the Joint Venture costs. In addition, the Company will generally be entitled to receive, in each year during the Initial Phase or until the mining of ore by the Joint Venture ceases due to the exhaustion of economically recoverable reserves, whichever occurs first, an annual minimum distribution of \$250,000 (a Minimum Annual Distribution ). The first three Minimum Annual Distributions in 1991, 1992 and 1993 were not deemed to be a distribution of Net Proceeds to the Company and were not applied against the Company's share of any Net Proceeds. The Minimum Annual Distributions received on January 15, 1994 and thereafter constitute an advance on Net Proceeds and will be recouped against future shares of Net Proceeds to the Company.

Initial Loans generally constitute funds loaned to the Joint Venture, and interest thereon, to finance operations and mine development by either AngloGold, or third-party financial institutions, and are repayable prior to distributions to the venture participants. AngloGold (the Manager ) reported that Initial Loans, payable to AngloGold, of approximately \$336.4 million were outstanding at September 30, 2007. Under the Agreement as amended, the Joint Venture has not distributed any Net Proceeds. Based on the amount of Initial Loans payable to the Manager, management of the Company believes that, absent a significant and sustained increase in the prevailing market prices for gold, it is unlikely that the Company will receive more than the Minimum Annual Distribution from the Joint Venture in the foreseeable future.

### *Illipah*

The Company entered into an agreement (the Agreement ) effective August 23, 2006, with Tornado Gold International Corp. ( Tornado ), pursuant to which Tornado acquired certain mining claims referred to as the Illipah claims. Tornado paid the Company \$50,000 upon execution of the Agreement, an additional \$50,000 on November 22, 2006 and 150,000 shares of Tornado common stock on March 13, 2007 in accordance with the Agreement. An additional 200,000 shares of Tornado common stock is due to Golden Cycle at present. Upon execution of the Agreement, Tornado assumed the Company's obligations in an underlying exploration and mining lease agreement on the claims, and granted to the Company a production royalty of two percent of net smelter returns on all rents and mineral production from the property. Tornado has the option, exercisable at any time prior to commercial production on any of the Illipah claims, to reduce the Company's production royalties from two percent to one percent by paying the Company, at the Company's option, either \$1 million, or its equivalent in gold bullion at

the August 23, 2006 closing price of gold on the New York Commodity Exchange (\$623.70 per troy ounce). Tornado has also agreed to undertake an exploration program on the Illipah property and related area of interest, and incur exploration and development expenditures of at least \$750,000 within two years, of which \$250,000 was to be expended during the first year of the Agreement. Pursuant to the Agreement, the Company may reacquire the Illipah claims under certain circumstances, such as default by Tornado.

### **Liquidity and Capital Resources**

Cash used in operations was approximately \$50,000 in the nine months ended September 30, 2007 compared to cash used in operations of approximately \$314,000 during the same period in 2006. The approximately \$264,000 decrease in cash used in by operations in the 2007 period compared to the 2006 period was primarily due to decreased non-cash compensation expense of \$330,000, offset by a \$18,000 decrease in the value of Tornado common stock held, \$17,000 decrease in accounts payable, \$4,000 increase in other current assets, and decreased operating expense (primarily a decrease in salary and legal expenses) during the 2007 period. The non-cash compensation expense decreased due to fewer option shares issued (100,000 in June 2007 compared to 125,000 in June 2006) and decreased Black-Scholes model estimated value per option share issued (\$4.62 in June 2007 compared to \$6.33 in June 2006).

The Company's working capital was approximately \$798,000 at September 30, 2007 compared to \$757,000 at December 31, 2006. The increase in working capital at September 30, 2007 was primarily due to \$45,000 received on exercise of stock options by a director and the receipt of \$58,500 of Tornado common stock partially offset by \$50,000 cash used in operations.

The Company's management believes that the Company's working capital, augmented by the Minimum Annual Distribution from the Joint Venture, is adequate to support operations at the current level for the coming year, barring unforeseen events. The Company's management anticipates that the Company's Philippine subsidiary will hold all work on a standby basis until the Mineral Profits Sharing Agreement is awarded to the claim owner. If opportunities to economically pursue or expand Philippine, Nevada, Colorado operations, or any other opportunity are available, and the Company elects to pursue them, additional working capital may also be required. There is no assurance that the Company will be able to obtain such additional capital, if required, or that such capital would be available to the Company on terms that would be acceptable. Furthermore, if the Company were to commence such operations, it is not presently known when or if a positive cash flow could be derived from the operations.

### **Results of Operations**

The Company recorded net operating loss for the three months ended September 30, 2007, of approximately \$86,000, compared to net operating loss of approximately

\$83,000 in the comparable 2006 period. The increase in net loss for the three months ended September 30, 2007, compared with the corresponding period in 2006, was due primarily to increased exploration expense in the 2007 period. The Company recorded net operating loss for the nine months ended September 30, 2007, of approximately \$449,000, compared to net operating loss of approximately \$1,114,000 in the comparable 2006 period. The decrease in net loss for the three months ended September 30, 2007, compared with the corresponding period in 2006, was due primarily to decreased general and administrative expenses and decreased non-cash compensation expenses, as discussed above, during the 2007 period.

The Company accounts for its investment in the Joint Venture on the equity method. During 1992, the Company's investment balance in the Joint Venture was reduced to zero. Joint Venture distributions in excess of the investment carrying value are recorded as income as received, as the Company is not required to finance the Joint Venture's operating losses or capital expenditures. Correspondingly, the Company does not record its share of Joint Venture losses incurred subsequent to the reduction of its investment balance to zero. To the extent the Joint Venture is subsequently profitable, the Company will not record its share of equity income until the cumulative amount of previously unrecorded Joint Venture losses has been recouped and the Company receives cash distributions in excess of the Minimum Annual Payment.

The Joint Venture reported a net profit of approximately \$11.5 million for the three months ended September 30, 2007 as compared to a net profit of \$9.3 million for the corresponding period in 2006. The increase in net profit in the 2007 period was primarily due to a combination of higher revenue from gold bullion sales (\$44.3 million vs. \$43.0 million) due to higher prevailing gold bullion prices and lower interest expense (\$8.2 million vs. \$10.9 million) partially offset by increased operating costs (\$24.6 million vs. \$22.9 million) during the 2007 period.

Whether future gold prices and the results of the Joint Venture's operations will reach and maintain a level necessary to repay the Initial Loans, complete the Initial Phase, and thereafter generate net income cannot be assured. Based on the amount of Initial Loans payable to the Manager and the uncertainty of future operating revenues, management of the Company believes that, without a significant and sustained increase in the prevailing market price for gold, it is unlikely that the Company will receive more than the Minimum Annual Distribution from the Joint Venture in the foreseeable future.

#### **Forward-Looking Statements**

The foregoing management's discussion and analysis in this quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concern the Company's anticipated results and developments in the Company's operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements relate to

analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as *expects* or *does not expect*, *is expected*, *anticipates* or *does not anticipate*, *plans*, *estimates* or *intends*, or stating that certain actions, events or results *may*, *could*, *would*, *might* or *will* or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further in our Annual Report on Form 10-K under the section heading *Risk Factors and Uncertainties*.

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. Forward-looking statements are made based on management's beliefs, estimates and opinions on the date the statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

### **Item 3. Quantitative and Qualitative Disclosures about Market Risk.**

The Company does not hedge, sell forward or otherwise commit any asset on a contingency basis. The Company does not normally commit to multi-year contracts other than employment agreements and office space rental. The Company's Joint Venture, the Cripple Creek & Victor Gold Mining Company, in the course of normal business, periodically executes long term supply contracts to limit its exposure to various supply risks. The Joint Venture has not previously hedged or sold forward gold or other assets for the joint account.

### **Item 4. Controls and Procedures.**

#### **Disclosure Controls and Procedures**

As of the end of the period covered by this report (the *Evaluation Date*), we carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and the Company's Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) of the United States Securities Exchange Act of 1934, as amended (the *Exchange Act*). Based upon that evaluation, the Company's Chief Executive Officer, who is also the Company's Chief Financial Officer, concluded that as of the Evaluation Date, the Company's disclosure

controls and procedures (as defined in Exchange Act Rule 13a-15) were adequately designed and effective in ensuring that: (i) information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

### **Internal Control over Financial Reporting**

#### ***Changes in Internal Controls over Financial Reporting***

During the quarter ended September 30, 2007, there were no changes to internal control over financial reporting that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings.**

The Company, owner of a 33% interest in Cripple Creek & Victor Gold Company ( CC&V ), and the owners of the other 67% interest therein, AngloGold North America, Inc., and AngloGold (Colorado) Corp., now AngloGold Ashanti North America, Inc., and AngloGold Ashanti (Colorado) Corp., respectively, were sued together with CC&V, the owner and operator of the Cresson Project, by the Sierra Club and Mineral Policy Center in 2001. The Plaintiffs asserted numerous violations of the U.S. Clean Water Act which went to trial in the United States District Court for the District of Colorado early in 2006, resulting in a judgment in favor of all Defendants and against all Plaintiffs on all claims, as well as an award of costs and attorneys fees incurred after the point in time at which the Plaintiffs knew or should have known that their dogged pursuit of factually unsupported claims was unreasonable.

The Plaintiffs appealed both the judgment and the fee award to the United States Court of Appeals in Denver. Briefs were timely filed by the Plaintiffs in that court, but the parties reached an agreement to settle all disputes before the Defendants commenced briefing, and the cases have been dismissed. The settlement preserved the Defendants' complete success on all of the alleged violations of the Clean Water Act, and left each of the parties responsible for their own fees and costs. CC&V and the Company gained immediate confirmation of their success on the merits in return for waiving the award of approximately one-fifth of their fees and costs incurred over more than six years. So long as judicial review of the judgment and the monetary award remained possible, the Company did not record a receivable for any of its costs, then approximately \$130,000.

### **Item 1A. Risk factors.**



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There have been no material changes from the risk factors discussed in the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

**Item 2. Unregistered Sale of Equity Securities and Use of Proceeds.**

None.

**Item 3. Default Upon Senior Securities.**

None.

**Item 4. Submission of Matters to a Vote of Security Holders.**

None.

**Item 5. Other information.**

None.

**ITEM 6. Exhibits.**

- 2.1** Letter Agreement dated August 23, 2006, between Golden Cycle Gold Corporation and Tornado Gold International Corporation (incorporated by reference to Exhibit 2.1 filed as part of the Current Report on Form 8-K filed by Golden Cycle Gold Corporation on August 29, 2006)
- 31.1.** Rule 13a-14(a)/15d-14(a) Certification. (Sarbanes-Oxley Act Section 302 Certification Principal Executive Officer and Principal Financial Officer.)
- 32.1.** Section 1350 Certification.

**SIGNATURES**

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

**GOLDEN CYCLE GOLD CORPORATION**  
(Registrant)

Date: November 13, 2007

/s/ R. Herbert Hampton  
R. Herbert Hampton, President, Chief  
Executive Officer, and Treasurer  
(Principal Executive Officer, Principal  
Financial Officer, and Principal Accounting  
Officer)