

COMPLIANCE WITH MULTIPLE OWNERSHIP RULES

Following consummation of the merger as described in Exhibit 5 to this application, ParentCo (as defined in Exhibit 5) will control the licenses of 247 radio stations in 62 different Arbitron Metros. As shown herein, the merger will not result in any new radio combinations in any market, except that it will combine an FM station licensed to Montauk, NY, which is in the New York City Arbitron Metro (although the station itself is assigned by Arbitron to the New London Metro) with two stations licensed to New York City itself. Rather, the merger will result in deconsolidation in eight markets, where The Walt Disney Company (“TWDC”) currently controls broadcast stations. Following the merger, TWDC will retain control of radio stations in eight markets and a television station in four of the nine markets. Thus, the merger will create a new independent voice in seven of the top 10 and eight of the top 16 radio markets in the U.S.

I. ABC Licensee Stations

ABC Chicago FM Radio, Inc. (“ABC Radio”) controls radio stations located in nine radio markets. As indicated above, the combination of ABC Radio and Citadel Broadcasting Company (“Citadel”) will not create any new radio combination in any market except in the New York City market. Attachment A hereto is a file labeled “ABC Radio Markets – Metro Analysis” containing market-by-market showings that the combination in the New York City market and the post-merger holdings of ParentCo in the other eight ABC Radio markets comply with the Commission’s multiple ownership rules.

II. Existing Citadel Stations

Following the merger, Citadel will continue to be the licensee of 223 radio stations, all but one of which are located in different markets from the markets in which ABC Radio’s stations are located. The Commission has previously approved Citadel’s ownership of all of the 223 radio stations located in separate markets. However, attached hereto as Attachments B and C are two files labeled “Existing Citadel Stations – Metro Analysis” and “Existing Citadel Stations – Contour Analysis” which are showings of compliance with the multiple ownership rules in each of the existing markets. As shown therein, ParentCo’s holdings will comply with the multiple ownership rules, as currently in effect, in all existing Citadel markets, except in seven markets where Citadel holds interests that are “grandfathered” under Note 4 to Section 73.3555 of the Commission’s Rules. The seven markets and the number of radio stations in which Citadel currently holds an interest in excess of the local radio ownership limits, as in effect, are:

| <u>Arbitron Metro</u> | <u>Stations in Excess of Limit</u> |
|-----------------------|------------------------------------|
| Albuquerque, NM | 1 FM station |
| Charleston, SC | 1 FM station |
| Lafayette, LA | 1 FM station |
| Little Rock, AR | 3 FM stations |

| <u>Arbitron Metro</u> | <u>Stations in Excess of Limit</u> |
|------------------------------|------------------------------------|
| Oklahoma City, OK | 2 FM stations |
| Portland, ME | 2 FM stations |
| Saginaw-Bay City-Midland, MI | 1 FM station |

Citadel’s interests in the above-referenced seven markets pre-date the effective date of the local radio ownership limits adopted by the Commission in *2002 Biennial Regulatory Review*, 18 FCC Rcd 13620 (2002), *aff’d in part and remanded in part, Prometheus Radio Project v. FCC*, 373 F.3d 372 (3rd Cir. 2004), *stay modified*, No. 03-3388 (Sept. 3, 2004). In that proceeding, the Commission decided to “grandfather existing combinations of radio stations” and noted that it would “not require entities to divest their current interests in station in order to come into compliance with the new ownership rules.” 18 FCC Rcd at 13808, ¶ 484.

“In keeping with the policy [the Commission] adopted in 1975, [the Commission also decided that] the prohibition on the transfer of grandfathered station will not apply to pro-forma changes in ownership. . .” 18 FCC Rcd at 13808 (¶ 487) (*citing Amendment of Sections 73.34, 73.240, and 73.636 of the Commission’s Rules Relating to Multiple Ownership of Standard, FM, and Television Broadcast Stations*, 50 FCC 2d 1046, 1076 ¶103 (1975)). *See also* 47 C.F.R. § 73.3555, Note 4.

As described in Exhibit 5 to the application on FCC Form 315 requesting consent to the transfer of control of Citadel Broadcasting Company from the Existing Shareholders of Citadel Broadcasting Corporation to the Shareholders of Walt Disney Co. & Citadel Broadcasting Corp., the contemplated transaction will not result in a substantial transfer of control for purposes of Section 309(c)(2)(B) of the Communications Act of 1934, as amended, and therefore would qualify as a *pro forma* transfer of control under Section 73.3540(f) of the Commission’s Rules.

As described in Exhibit 5 to the application on FCC Form 315 requesting consent to the transfer of control of Citadel Broadcasting Company from the Existing Shareholders of Citadel Broadcasting Corporation to the Shareholders of Walt Disney Co. & Citadel Broadcasting Corp., Theodore J. Forstmann, who currently holds *de jure* and *de facto* control of Citadel, will continue to exercise *de facto* control after the merger. As further explained in Exhibit 5 hereto, although the parties have sought the Commission’s consent to such transfer of control on a long-form application (Form 315) out of an abundance of caution, the parties request confirmation that the merger will not result in a substantial change in control of the radio stations currently licensed to Citadel and therefore ParentCo may retain the “grandfathered” clusters pursuant to Note 4 of Section 73.3555 of the Commission’s Rules.

III. Stand-By Divestiture Trust

Notwithstanding the parties position that Citadel's ownership of radio clusters in seven markets is grandfathered under Note 4 to Section 73.3555 of the Rules, Citadel is also concurrently filing an application on FCC Form 314 to assign the licenses for eleven radio stations in the seven markets to a stand-by divestiture trust. In the event that the Commission determines that ParentCo is required to come into compliance with the local radio ownership rule in these seven markets — in other words, if the Commission determines that ParentCo's interest in Citadel's radio stations in those markets is not grandfathered under Note 4 of Section 73.3555 of the Rules — then Citadel proposes to assign the licenses for eleven stations to a divestiture trust prior to or contemporaneously with the closing of the merger.

The Commission “has approved the use of properly insulated trust arrangements as a legitimate means to avoid attribution of a broadcast interest under the Commission's multiple ownership rules.” *Shareholders of AMFM, Inc.*, 15 FCC Rcd 16062, 16072 (2000). *See also Shareholders of American Radio Systems Corp.*, 13 FCC Rcd 12430, 12441 (1998); *Stockholders of Infinity Broadcasting Corp.*, 12 FCC Rcd 5012, 5040-41 (1996); *Twentieth Holdings Corp.*, 4 FCC Rcd 4052, 4053 (1989); *Attribution of Ownership Interests*, 97 FCC 2d 997, 1023-24 (1984), *recon. granted in part*, 58 RR 2d 604 (1985), *further recon. granted in part*, 1 FCC Rcd 802 (1986). Under this well-established Commission precedent, a beneficiary's ownership interest is not attributable to the beneficiary if it is properly insulated to prevent the exercise of control or influence over the trustee. *See Shareholders of AMFM, Inc.*, 15 FCC Rcd at 16072-73; *Shareholders of American Radio Systems Corp.*, 13 FCC Rcd at 12441.

The Commission has set out certain standards for properly insulated trusts. *See* 47 C.F.R. § 73.3555, n. 2(d); *Attribution of Ownership Interests*, 97 FCC 2d at 1023-24. The proposed trust conforms with these attribution insulation standards. Specifically, under the terms of the proposed trust agreement:

- Citadel cannot replace the trustee at will;
- Citadel cannot revoke the trust;
- The trustee does not have a business, personal or extra-trust relationship with Citadel, its affiliates or any of the shareholders, directors, officers or employees of Citadel or its affiliates (collectively “Related Parties”);
- The trustee would have at all times the sole and exclusive power to manage and operate the stations assigned to the trust and to authorize a sale of any of the stations assigned to the trust; and

- Neither Citadel nor any Related Party may communicate with the trustee concerning the management and operation of the stations assigned to the trust, except to deliver financial reports or to facilitate the sale of the stations to an unaffiliated third party, and then any permitted communication must be evidenced in writing and retained for inspection by the trust upon Commission request.

By complying with the Commission's attribution insulation standards, the trust is properly insulated from Citadel's influence in accordance with Commission precedent. In fact, the trust is identical in all material respects to prior trust agreements that the Commission has approved. *See, e.g., Shareholders of AMFM, Inc.*, 15 FCC Rcd at 16072-73; *Shareholders of American Radio Systems Corp.*, 13 FCC Rcd at 12441-42.

Because the trust is properly insulated, the stations assigned to the trust will not be attributable to Citadel or ParentCo for the purposes of the local radio ownership rule upon consummation of the transfer of the stations to the trust. After the transfer to the trust, ParentCo will be in compliance with the Commission's local radio ownership rule.

IV. Pending Renewal Applications

As of the date of this application, the ABC Licensees have renewal applications for two radio stations, and Citadel has renewal applications for 66 radio stations pending before the Commission. Citadel will file 19 additional renewal applications on or before April 1, 2006 for radio stations licensed to communities in Pennsylvania. ParentCo requests that the pending renewal applications be treated in the manner set forth in *Stockholders of CBS, Inc.*, 11 FCC Rcd 3733 (1995), *aff'd, Serafyn v. FCC*, 149 F. 3d 1213 (D.C. Cir. 1998); *Capital Cities/ABC, Inc.*, 11 FCC Rcd 584 (1996), permitting the grant of the overall transfer before the license renewal applications are granted. ParentCo is willing to assume the consequences associated with succeeding to the place of the transferor in any renewal applications that may remain pending at the time the merger is consummated.

V. Market-by-Market

Attached hereto is a market-by-market multiple ownership analysis of the broadcast interests that will be held by ParentCo and the parties to this application upon consummation of the transactions contemplated by the Merger Agreement (as defined in Exhibit 5). The markets are arranged alphabetically within each of two categories: ABC Radio Markets and Existing Citadel Markets.

| | |
|--------------|------------------------------------|
| Attachment A | ABC Radio Markets – Metro Analysis |
| | 1. Atlanta, GA |
| | 2. Chicago, IL |

3. Dallas-Ft. Worth, TX
4. Detroit, MI
5. Los Angeles, CA
6. Minneapolis-St. Paul, MN
7. New York, NY
8. San Francisco, CA
9. Washington, DC

Attachment B Existing Citadel Markets – Metro Analysis

1. Albuquerque, NM
2. Allentown-Bethlehem, PA
3. Augusta-Waterville, ME
4. Baton Rouge, LA
5. Binghamton, NY
6. Birmingham, AL
7. Boise, ID
8. Buffalo-Niagara Falls, NY
9. Charleston, SC
10. Chattanooga, TN
11. Colorado Springs, CO
12. Columbia, SC
13. Concord, NH
14. Des Moines, IA
15. Erie, PA
16. Flint, MI
17. Grand Rapids, MI
18. Harrisburg-Lebanon-Carlisle, PA
19. Ithaca, NY
20. Johnson City-Kingsport-Bristol, TN-VA
21. Knoxville, TN
22. Lafayette, LA
23. Lancaster, PA
24. Lansing-East Lansing, MI
25. Lewiston-Auburn, ME
26. Little Rock, AR
27. Merced, CA
28. Modesto, CA
29. Memphis, TN
30. Muncie-Marion, IN
31. Muskegon, MI
32. Nashville, TN
33. New Bedford-Fall River, MA

34. New London, CT
35. New Orleans, LA
36. Oklahoma City, OK
37. Portland, ME
38. Portsmouth-Dover-Rochester, NH
39. Providence-Warwick-Pawtucket, RI
40. Pueblo, CO
41. Reading, PA
42. Reno, NV
43. Saginaw-Bay City-Midland, MI
44. Salt Lake City-Ogden-Provo, UT
45. Spokane, WA
46. Springfield, MA
47. Stockton, CA
48. Syracuse, NY
49. Tucson, AZ
50. Tuscaloosa, AL
51. Wilkes Barre-Scranton, PA
52. Worcester, MA
53. York, PA

Attachment C – Existing Citadel Stations – Contour Analysis, which contains the *Engineering Statement Radio Multiple Ownership Analysis – Citadel Broadcasting Company*, as prepared by du Treil, Lundin & Rackley, Inc., consulting engineers.