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May 21, 2003

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Marlene H. Dortch, Esq.
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, D.C. 20554

Re: Notification of Ex Parte Communication
MB Docket No. 02-277; MM Docket Nos. 01-317 & 00-244

Dear Ms. Dortch:

On May 20, 2003, Farid Suleman, Chief Executive Officer of Citadel Broadcasting Company, Steve Lerman of this office, and I met with Susan Eid of Chairman Powell's office and Paul Gallant, Special Advisor, Media Ownership Working Group, to discuss Citadel's position that no fundamental changes of the radio market definition are necessary. Attached is a detailed summary of the points that were discussed at the meeting and copies of two maps that were distributed at the meeting. The primary point Citadel emphasized at the meeting is that, if the Commission decides to grandfather existing clusters, then the Commission should also grandfather pending transactions that were negotiated and entered into in reliance on the current local ownership rule.

As required by Section 1.1206(b)(2) of the Commission's rules, two copies of this letter are being submitted in each of the above-referenced dockets.

Respectfully submitted,

Meredith S. Senter, Jr.

Attachment
cc: Susan Eid, Esq.
Paul Gallant, Esq.

183069

CITADEL TALKING POINTS

Overview of Citadel.

- Citadel is the third largest radio broadcasting company in the United States ranked on the number of stations owned. Even as the third-largest company, Citadel owns only approximately one-fifth of the number of stations owned by Clear Channel. Not including pending transactions, Citadel currently owns 206 radio stations, 143 FM and 63 AM radio stations in 42 markets.

- Citadel is the sixth largest radio broadcaster in terms of revenue. Citadel's radio revenues, according to BIA, are about 10% of Clear Channel's.

- Although to date Citadel has focused on building station clusters primarily in small and mid-sized markets, Citadel would like to expand as a new entrant into larger radio markets.

No Fundamental Changes Are Necessary. Citadel continues to believe that the FCC's market definition for radio is fundamentally sound and that any perceived problems can be solved by tweaking the existing rules.

But if the FCC Is Intent on Change, It Should Create a Level Playing Field, Not Grandfather a Dominant Position in the Market.

- The Commission can ensure level playing fields either by: (1) requiring divestiture of noncompliant combinations or (2) allowing the other market participants to achieve parity with the dominant cluster in the market.

- Citadel is the company most affected (in terms of the percentage of stations that it would be required to divest) by the rule proposed by Victor Miller. Citadel is prepared to divest stations in order to comply with any revised radio local ownership rule.

Allow New Entrants To Achieve Parity If Existing Combinations Are Grandfathered. If, however, the Commission decides to grandfather existing combinations, the Commission should allow the 2nd, 3rd or 4th largest players in the market to achieve parity with the dominant cluster in terms of both the number of stations and station signal strength.

- To take into account disparity in station signals (Class A vs. Class C stations), commonly owned Class A stations in a Metro with no overlapping contours should count as a single station – that is, the non-overlapping Class As would count as the equivalent of a single, large Class C station. For example, Citadel has pieced together coverage of a Metro market by acquiring clusters of Class A FM stations. In many cases, these small Class A stations do not have overlapping

contours (e.g., in the Modesto Metro, Citadel's KDKJ-FM and KESB-AM have no contour overlap and serve completely different areas of the market).

- The Commission should "grandfather" previously announced, pending transactions – signed contracts – that are compliant with the current contour-based rule, as well as existing ownership combinations.

  - Citadel and its deal partners have invested significant time and resources to negotiate acquisitions that are compliant with the current contour-based rule, which the Commission has used for over a decade.

  - Neither Citadel nor the other parties to these transactions had any reason to believe that they were moving forward with deals at the risk that the Commission would retroactively apply a more restrictive local ownership rule than the one in place when the transaction was negotiated and executed.

  - When the Commission revised its rules to make television LMAs attributable, the Commission provided express notice that LMAs entered into on or after November 5, 1996, if they resulted in a violation of any ownership rule, would not be grandfathered and would be accorded only a brief period within which to divest.[1] Here, in stark contrast, radio station owners have had no notice whatsoever that the Commission would adopt a more restrictive rule midstream and that they should proceed cautiously with acquisitions.

  - Given the deregulatory goals of the 1996 Act and the command to repeal or modify rules that are no longer necessary due to competition, station owners were on constructive notice that the local ownership rule may be retained, relaxed, or repealed completely – not modified to be more regulatory. While modifications to correct certain anomalies (the so-called "Pine-Bluff problem") were anticipated, increased restrictions on local radio ownership could not have been foreseen.

- The Commission should allow free transferability of existing combinations to maintain parity. If the Commission prohibits free transferability, then the parity achieved by the non-dominant market participants will be undone upon sale or transfer. In particular, Citadel is concerned that any relinquishment of control by an existing investor as a result of dilution from a public offering not trigger divestiture of a grandfathered combination.

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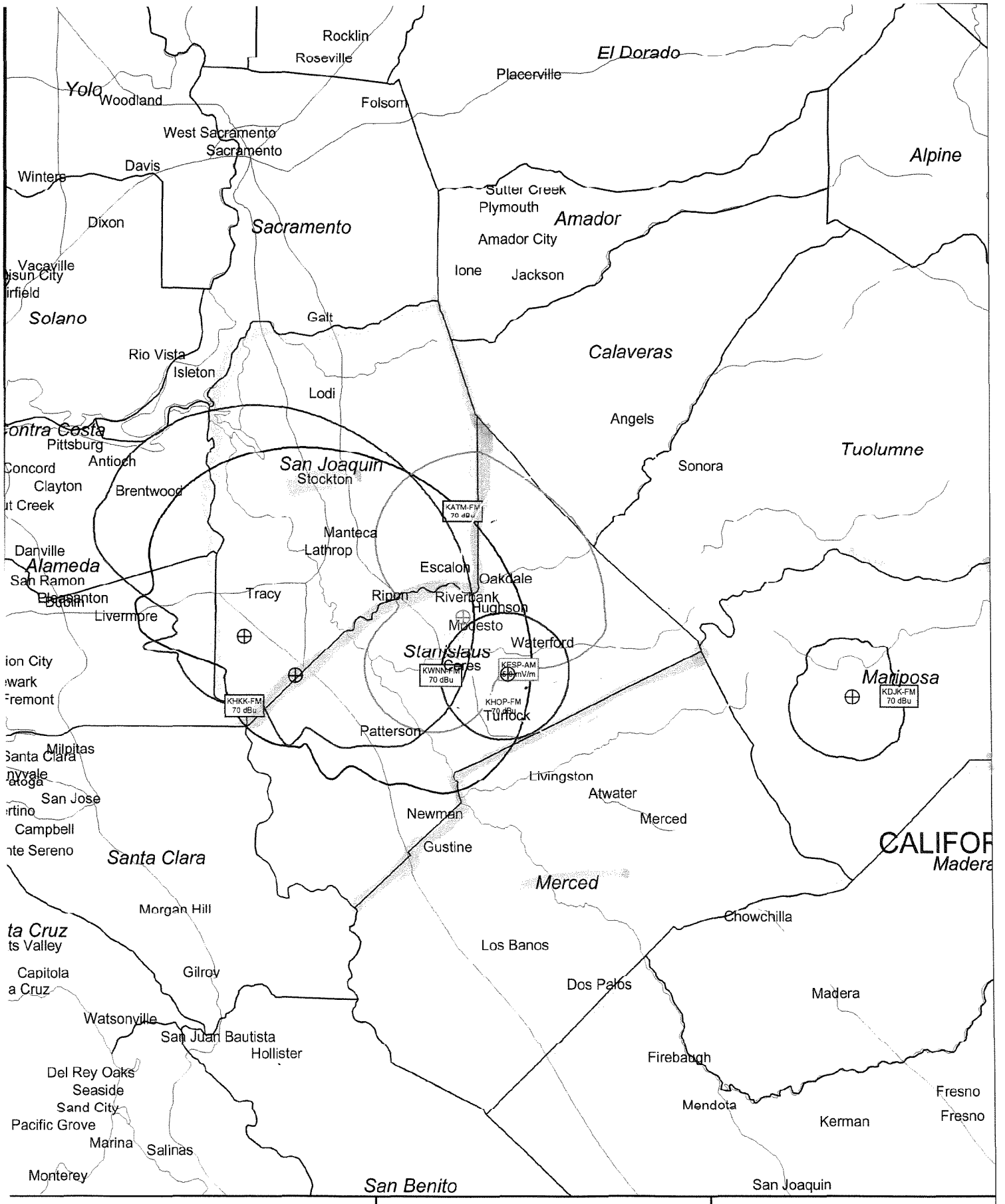
[1] *See Review of the Commission's Regulations Governing Television Broadcasting*, 14 FCC Rcd 12903, para. 128 (1999) (citing the Second Further Notice of Proposed Rulemaking, 11 FCC Rcd 21655, 21694, para. 89 (1996)).



City Contours

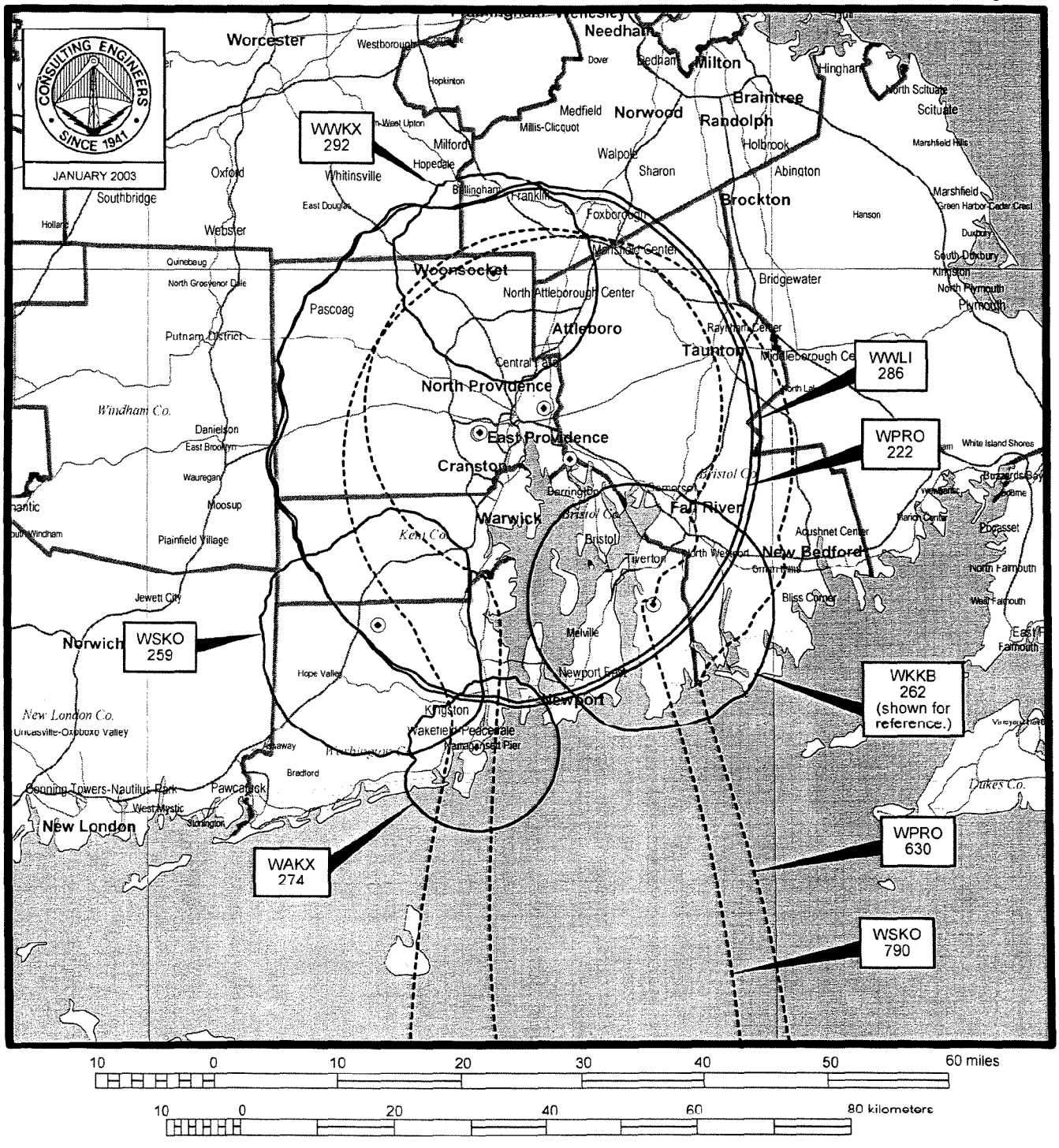
Map Center: Latitude: 37-43-30
Longitude: 120-52-20

Map Scale: 1:1,000,000

Miles
10 0 10 20

BIA Map Viewer ©1995-2001 SiteSafe Inc.

Figure 1



PREDICTED PRINCIPAL COMMUNITY CONTOURS OF SUBJECT STATIONS

du Treil, Lundin & Rackley, Inc. Sarasota, Florida