

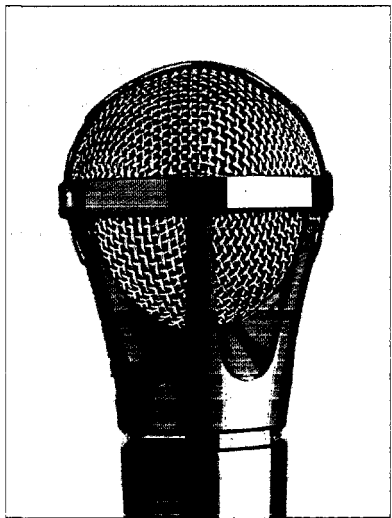
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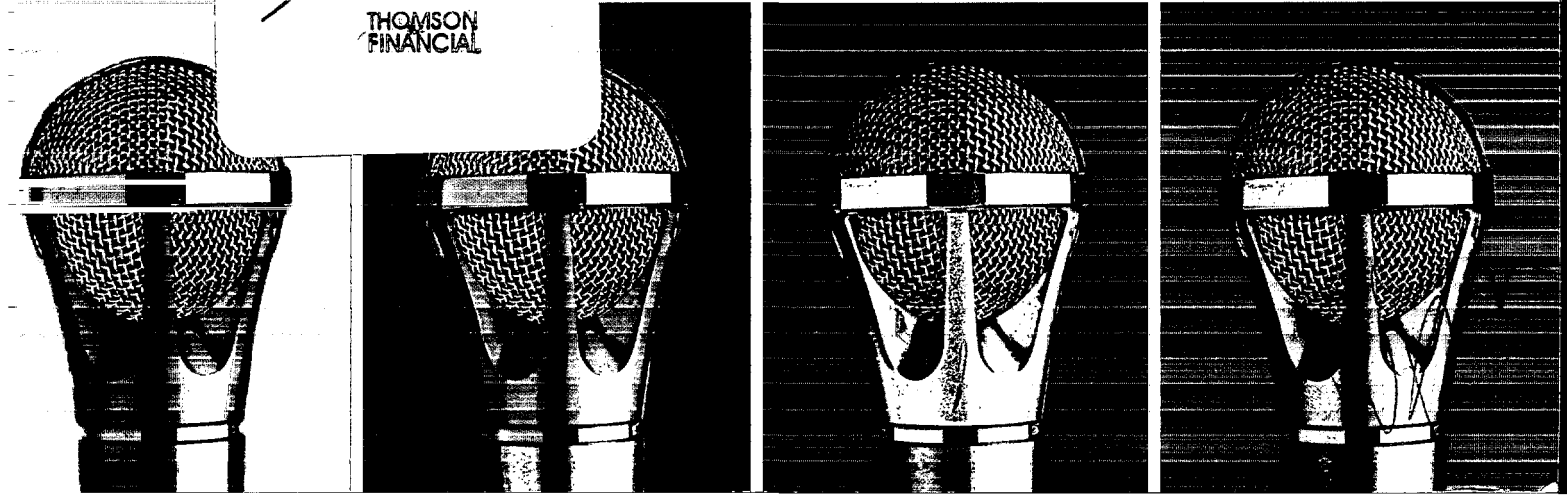


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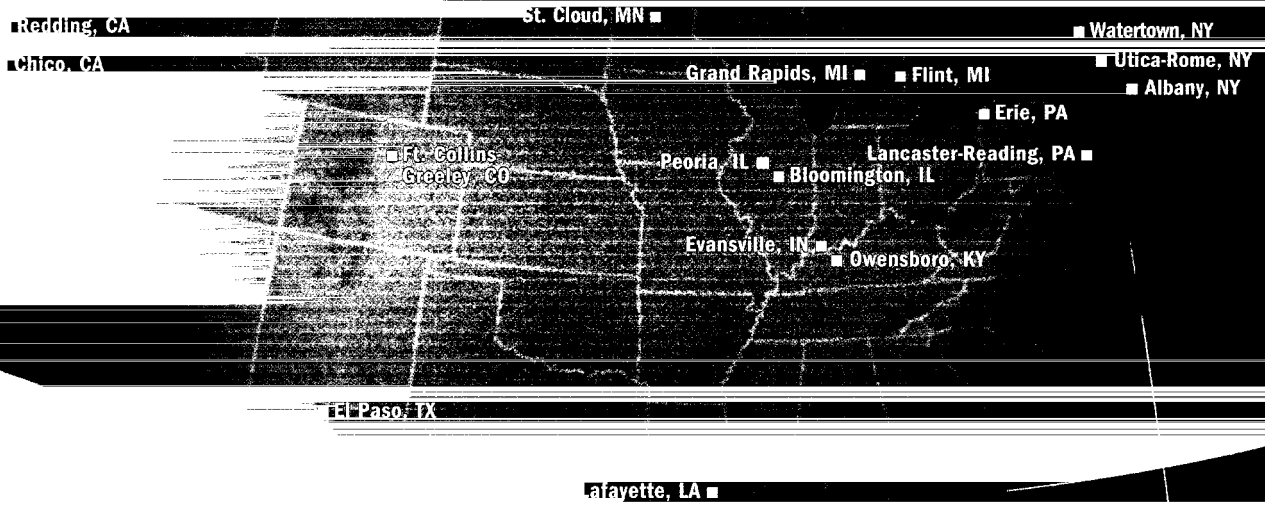


2003  
annual  
report

REGENT  
COMMUNICATIONS, INC.



Albany, NY	Chico, CA	Evansville, IN	Ft. Collins	Lafayette, LA	Owensboro, KY	Redding, CA	Utica-Rome, NY
WQBT(FM)	KFME(FM)	WKDQ(FM)	Greeley, CO	KPEL(FM)	WOMI(AM)	KSHA(FM)	WODZ(FM)
WQBK(FM)	KQPT(FM)	WJLI(FM)	KUAD(FM)	KTDY(FM)	WBKR(FM)	KNNN(FM)	WLZW(FM)
WQBT(FM)	KALF(FM)	WOKS(FM)	KTRR(FM)	KRKA(FM)		KRDG(FM)	WERG(FM)
WQNA(FM)	KZAP(FM)	WYNG(FM)	KKOZ(FM)	KFTE(FM)	Peoria, IL	KRRX(FM)	WRUN(AM)
WQMM(AM)		WGBF(FM)	KKPL(FM)*	KMDL(FM)	WVEL(AM)	KNRO(AM)	WIBX(AM)
	El Paso, TX	WGBF(AM)	KARS(FM)*	KPEL(AM)	WGLO(FM)	KQMS(AM)	
Bloomington, IL	KSHI(FM)			KROF(AM)	WIXO(FM)		Watertown, NY
WQIC(AM)*	KLAO(FM)	Flint, MI	Grand		WPIA(FM)	St. Cloud, MN	WCIZ(FM)
WBNQ(FM)*	KROD(AM)	WCRZ(FM)	Rapids, MI	Lancaster-	WVEL(FM)	KMXK(FM)	WFRY(FM)
WQWN(FM)*		WWBN(FM)	WLHT(FM)	Reading, PA	WFYR(FM)	WWJO(FM)	WTNY(AM)
WQXX(FM)*	Erie, PA	WENT(AM)	WGRD(FM)	WIOV(FM)#		WJON(AM)	WNFR(AM)
WQEZ(FM)*	WXXC(FM)#	WRCL(FM)	WTRV(FM)	WIOV(AM)#		KLZZ(FM)	
	WQAT(AM)#	WQUS(FM)	WNWZ(AM)			KKSR(FM)	
	WRIE(AM)#	WLSP(AM)	WFGF(FM)			KXSS(AM)	
	WQHZ(FM)#						



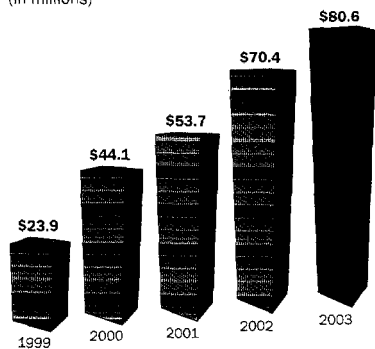
Stations indicated with an asterisk (\*)  
 are subject to change without notice.  
 Stations indicated with a number sign (#)  
 are subject to change without notice.

**Regent Communications, Inc.** ("Regent" or the "Company") is a holding company in the radio broadcasting business. Regent was incorporated in Delaware in November 1996 by Terry S. Jacobs and William L. Stakelin with the objective of acquiring, developing and operating radio stations, primarily in medium and smaller radio markets. Pending the close of all announced transactions, Regent will own and operate 75 stations (56 FM and 19 AM) clustered in 15 markets in California, Colorado, Illinois, Indiana, Kentucky, Louisiana, Michigan, Minnesota, New York, and Texas. Regent Communications, Inc. shares are traded on Nasdaq under the symbol "RGCL."

The following bar graphs illustrate Regent's growth over the last five years in what the Company feels are three important financial measures: net revenue, station operating income and free cash flow. Although station operating income and free cash flow are not calculated in accordance with Generally Accepted Accounting Principles ("GAAP"), Regent's management believes these non-GAAP measures provide useful information to investors regarding Regent's financial condition and results of operations and liquidity. However, these measures should not be considered as an alternative to operating income, net income, or cash provided by operating activities as an indicator of Regent's performance or liquidity.

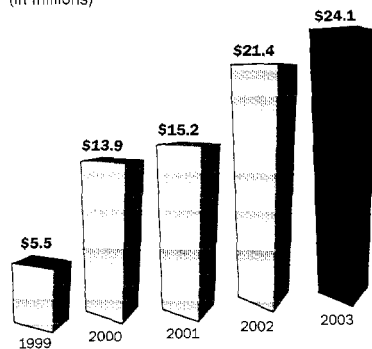
### Net Revenue

(in millions)



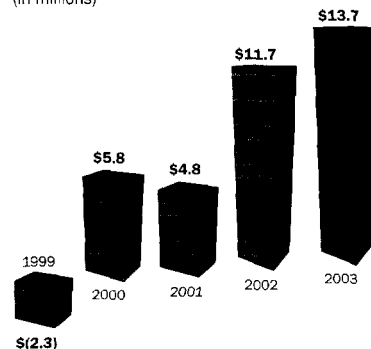
### Station Operating Income

(in millions)



### Free Cash Flow

(in millions)



The Company believes that station operating income is a performance measure that helps investors better understand radio station operations. Additionally, the Company and other media companies have customarily been measured by analysts and other investors on their ability to generate station operating income. The following table reconciles operating income (loss), which the Company believes is the most directly comparable GAAP financial measure, to station operating income.

(in thousands)	2003	2002	2001	2000	1999
Operating income (loss)	\$ 13,537	\$ 9,460	\$ (3,078)	\$ 831	\$ (612)
Plus:					
Depreciation and amortization	4,262	3,360	13,436	8,602	3,368
Corporate general and administrative expenses	6,151	6,149	4,857	4,501	2,773
Impairment of goodwill	—	2,900	—	—	—
Loss on sale of long-lived assets	102	—	—	—	—
Less:					
Gain on sale of long-lived assets	—	442	—	—	—
Station operating income	\$ 24,052	\$ 21,427	\$ 15,215	\$ 13,934	\$ 5,529

The Company believes that free cash flow is a liquidity measure that helps investors evaluate the ability of the Company to generate excess cash flow for investing and financing uses. The following table reconciles net cash provided by (used in) operating activities, which the Company feels is the most directly comparable GAAP measure, to free cash flow.

(in thousands)	2003	2002	2001	2000	1999
Net cash provided by (used in) operating activities	\$ 13,978	\$ 10,983	\$ 8,350	\$ 3,138	\$ (2,378)
Plus:					
Change in assets and liabilities	2,537	2,785	—	5,091	1,889
Less:					
Change in assets and liabilities	—	—	162	—	—
Net non-cash expenses	1,010	750	914	725	389
Maintenance capital expenditures	1,766	1,310	2,503	1,708	1,427
Free cash flow	\$ 13,739	\$ 11,708	\$ 4,771	\$ 5,796	\$ (2,305)

## Dear Fellow Stockholders,

I am pleased to report that in 2003 we delivered solid financial results and made impressive progress in improving the growth potential of Regent. In what was a challenging year for the radio industry, especially with regard to the local advertising environment, our ability to control costs became more evident. We balanced our cost control with the continued investment in the development of our radio stations and we remained active in the acquisition arena. We achieved much in 2003 as we maintained a focus on positioning ourselves for the future.

For 2003, we delivered double-digit revenue growth, as net broadcast revenues increased 14.5% to \$80.6 million. This growth was fueled primarily through acquisition, as advertising in 2003 was impacted by the war in Iraq and continued economic uncertainty. Our station operating expenses increased to \$56.5 million from \$49.0 million and our net income for 2003 was \$5.7 million, or \$0.12 per share, compared to a reported net loss of \$6.5 million, or (\$0.15) per share, in 2002.

In 2003, we continued to develop our station group through prudent investments in research, training, sales and marketing, promotions and programming. These investments produced strong returns as ratings increased significantly, which will improve our ability to attract increased local and national revenues.

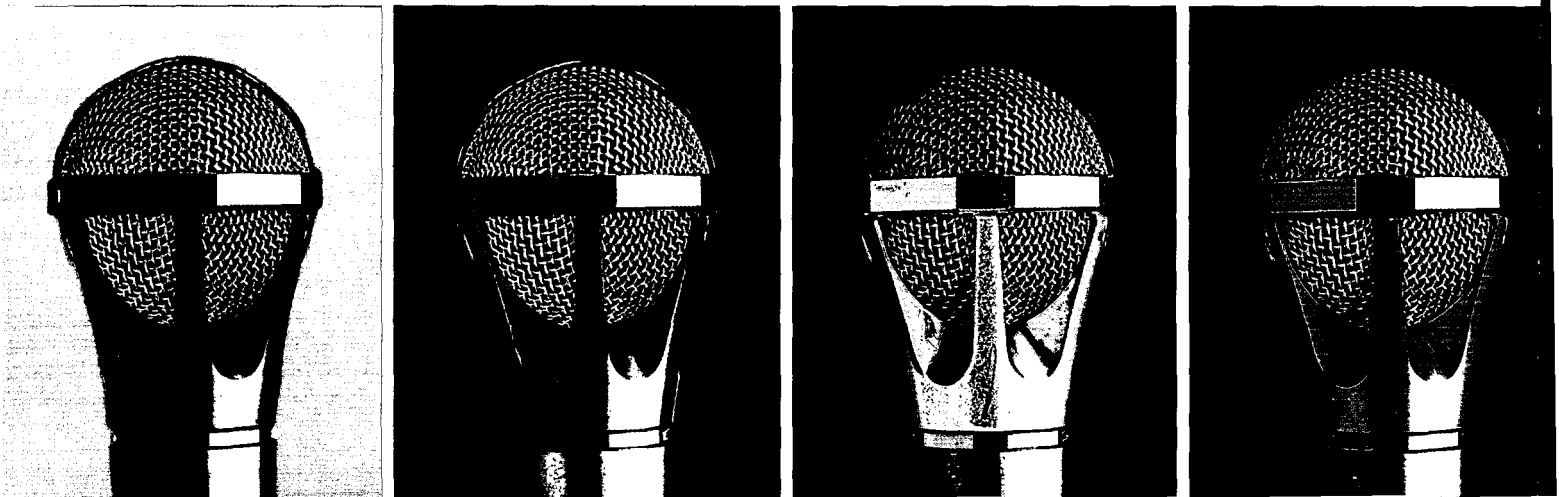
Looking specifically at the performance of key growth markets, we achieved outstanding results from the Arbitron fall ratings books, especially in Evansville, Indiana; Fort Collins, Colorado; and Peoria, Illinois. In Evansville, the launching of a new format on one of our stations and tying for the top ratings position on another has changed local advertising buying habits in our favor. We are already seeing benefits at all of our stations in the market as our relationship with advertisers has strengthened as a result of our popularity with listeners.

In our new Fort Collins market, we had an excellent fall ratings book and now operate two of the top-three radio stations in this growing marketplace. The ratings increase at the Regent stations was the primary factor in the increase in local listenership for all Fort Collins stations, resulting in reduced listenership of Denver stations in the Fort Collins market. This ratings success and Fort Collins' close proximity to the Denver market enables us to attract significant interest from major Denver advertisers that previously went only to Denver stations. Further, we will be adding a new station in the Fort Collins market in 2004 and will have a total of five stations in this growing consumer area.

Peoria also experienced an outstanding year of growth. In 2003 we achieved our goal of operating the top country station in the market. In fact, Regent is now the leading operator of both the country and rock formats in the market. This represents a powerful one-two punch, and has resulted in a large increase in our market revenue share.

Our cluster in Flint, Michigan continues to be our poster child for revenue growth. Regent's six stations in the market, including the top revenue producer, have increased our market revenue share from 28% to 43%, making us the market leader.

We are proud to have generated these impressive results and our success reflects the hard work and commitment of



the Regent team made up of many talented individuals. In addition to the markets highlighted, Regent also operated four of the top-five stations in Redding, California, four of the top-six stations in Utica, New York and two of the top-three stations in Watertown, New York. We also experienced very strong ratings growth in Grand Rapids, Michigan; Albany, New York; and Lafayette, Louisiana.

Turning to the acquisition arena, since our last report we have announced a series of strategic transactions that improve Regent's presence in growing markets and position us for higher growth and returns in the future.

For example, in early February 2004 we announced the exchange of our four stations serving the Erie, Pennsylvania market and our two stations serving the Lancaster, Pennsylvania market for five stations serving the Bloomington, Illinois market. Bloomington is a very strategic acquisition for Regent. It provides us with a powerful cluster in an attractive middle market that has favorable demographics and a thriving business/social community. Additionally, Bloomington is adjacent to our growing Peoria cluster, creating a strong regional presence for Regent in central Illinois.

The Bloomington transaction was made possible because of the 12 stations we acquired in the Brill transaction. That transaction served as a platform for further acquisitions, as we leveraged the non-strategic markets we acquired to trade for strategic properties with other radio operators. The net effect has been to improve our overall station portfolio and strengthen our markets.

The Bloomington acquisition completes our original Brill strategy and further validates and improves the economics of the Brill transaction. The Brill transaction and the

subsequent deals give us the #1 cluster in Fort Collins and Bloomington, plus a cluster in Evansville, Indiana that now takes almost 50% of the market radio revenue. All three are excellent markets. At the end of the day we accomplished this on an overall multiple of 11.7 times projected 2004 station operating income. Included in that multiple are six "stick" stations that provide us with significant upside. This was an excellent deal for our stockholders and it demonstrates our ability to get attractive deals done using our experience and relationships in the industry. This was one of our key messages when we took Regent public and we are delivering.

Equally important in any acquisition strategy is maintaining a balance sheet that is both strong and flexible. In this area Regent has delivered as well. Even with our deal activity in 2003, we maintained one of the strongest balance sheets in the industry. We also completed a new credit facility in June, which increased our financial flexibility by providing us with access to up to \$250 million in capital. As a result, we have the financial resources to remain opportunistic in pursuing future acquisitions. Look for us to remain aggressive and prudent in our pursuit for acquisitions.

In summary, we believe our achievements in 2003 provide us with a strong foundation for future growth. Regent has amassed a portfolio of stations that are leaders in their respective markets with upside still ahead. In 2004, we are seeing signals that the advertising environment is improving,

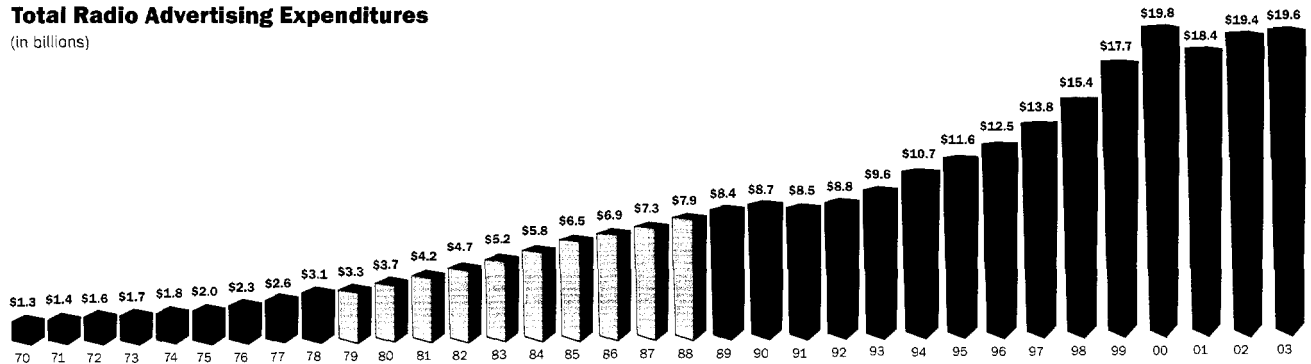


**Terry S. Jacobs**, Chairman of the Board and Chief Executive Officer

In 2003, we delivered solid financial results and made  
**impressive progress**  
in improving the growth potential of Regent.

## Total Radio Advertising Expenditures

(in billions)



Source: Estimates and analysis of Kagan Research, includes information from McCann-Erickson and RAB.

led by local advertising growth where most of Regent's organic growth opportunities exist. Further, 2004 is a political year, and we should see incremental benefits throughout the primary season, as well as during the election season in the second half of the year. Indeed, the stage is set for our industry to return to strong growth and Regent is ideally positioned to benefit. Historically, the radio industry has enjoyed excellent growth in advertising revenue, as illustrated by the above chart, which shows that in the last 34 years there were only two years where advertising expenditures did not increase from the previous year. We are optimistic that we will begin to get back to more historic growth levels as we continue through 2004.

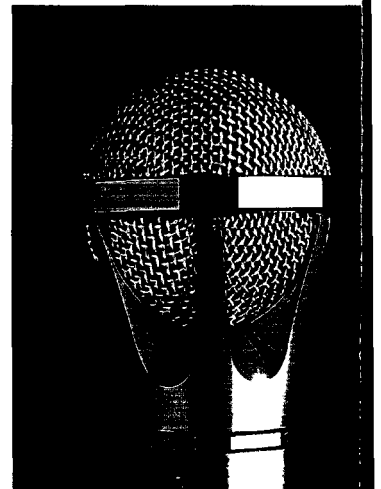
I would like to recognize the important contributions made by R. Glen Mayfield and Joel M. Fairman who will be leaving our Board this year. Glen was a co-founder of Regent with Bill Stakelin and me at the outset of this Company. Joel joined our Board in 1998 when he merged his company with Regent. Both have been strong contributors to Regent and we thank them for their valuable assistance.

Finally, I would like to personally thank Regent's dedicated managers, professionals and staff. Their commitment has allowed us to perform at high levels in a difficult business environment. I would also like to thank our stockholders. Your trust and support have provided us with opportunities for growth. We are committed to performing at a level that will provide you with outstanding returns and look forward to updating you on our progress throughout the year.

Sincerely,

Terry S. Jacobs

Chairman of the Board and Chief Executive Officer



UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended December 31, 2003 or

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-15392

**REGENT COMMUNICATIONS, INC.**

*(Exact name of registrant as specified in its charter)*

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

**31-1492857**  
*(I.R.S. Employer  
Identification No.)*

**100 East RiverCenter Boulevard  
Suite 900  
Covington, Kentucky 41011**  
*(Address of principal executive offices) (Zip Code)*

**(859) 292-0030**  
*(Registrant's telephone number, including area code)*

**Securities registered pursuant to Section 12(b) of the Act:**  
None

**Securities registered pursuant to Section 12(g) of the Act:**  
**Common Stock, \$.01 par value per share**  
**(Title of class)**

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 amendment to this Form 10-K.

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

As of June 30, 2003, the last business day of the registrant's most recently completed second fiscal quarter, the aggregate market value of common stock held by non-affiliates of the registrant was \$226,060,402 based upon the closing sale price of \$6.14 on the Nasdaq Stock Market's National Market for that date. (For purposes hereof, directors, executive officers and 10% or greater stockholders have been deemed affiliates.)

The number of common shares of registrant outstanding as of March 4, 2004 was 46,567,810.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of registrant's definitive Proxy Statement to be filed during April 2004 in connection with the 2004 Annual Meeting of Stockholders presently scheduled to be held on May 19, 2004 are incorporated by reference into Part III of this Form 10-K.







REGENT COMMUNICATIONS, INC.

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ON FORM 10-K

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Regent Communications, Inc. is a holding company. We own and operate our radio stations and hold our radio broadcast licenses in separate subsidiaries. In this report, when we use the term "Regent" and the pronouns "we," "our" and "us," we mean Regent Communications, Inc. and all its subsidiaries, unless the context otherwise requires.

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## PART I

### ITEM 1. BUSINESS.

#### General Development of Business

We are a radio broadcasting company focused on acquiring, developing and operating radio stations in mid-sized and small markets. We currently own 54 FM and 20 AM radio stations in 16 markets in California, Colorado, Illinois, Indiana, Kentucky, Louisiana, Michigan, Minnesota, New York, Pennsylvania and Texas. We have entered into a written agreement to exchange our four radio stations serving the Erie, Pennsylvania market and two stations serving the Lancaster, Pennsylvania market for five radio stations serving the Bloomington, Illinois market. In conjunction with the above exchange, we are currently providing programming and certain other services to the Bloomington stations, and the purchaser of the Erie and Lancaster stations is providing the same such services to those stations. We have also entered into written agreements to acquire two additional stations serving the Ft. Collins-Greeley, Colorado market and currently provide programming and certain other services to one of the stations pending completion of its purchase. After the completion of our pending transactions, we will own 56 FM and 19 AM radio stations in 15 markets. Our assembled clusters of radio stations rank first or second in terms of revenue share in all of our markets that are ranked by BIA Publications, Inc. in their *Investing in Radio 2003 Market Report*, except Albany, New York and Grand Rapids, Michigan, where our clusters rank third.

Our primary strategy is to secure and maintain a leadership position in the markets we serve and to expand into additional mid-sized and small markets where we can achieve a leadership position. After we enter a market, we seek to acquire stations that, when integrated with our existing operations, will allow us to reach a wider range of demographic groups that appeal to advertisers, increase revenue and achieve substantial cost savings. Additionally, we believe that our advertising pricing on the basis of cost per thousand impressions, combined with the added reach of our radio station clusters, allows us to compete successfully for advertising revenue against non-radio competitors such as print media, television and outdoor advertising.

Relative to the largest radio markets in the United States, we believe that the mid-sized and small markets represent attractive operating environments because they are generally characterized by the following:

- a greater use of radio advertising compared to the national average;
- substantial growth in advertising revenues as national and regional retailers expand into mid-sized and small markets;
- less direct format competition due to a smaller number of stations in any given market; and
- lower overall susceptibility to fluctuations in general economic conditions due to a lower percentage of national versus local advertising revenues.

We believe that these operating characteristics, coupled with the opportunity to establish or expand radio station clusters within a specific market, create the potential for revenue growth and cost efficiencies.

Our portfolio of radio stations is diversified in terms of geographic location, target demographics and format. We believe that this diversity helps insulate us from downturns in specific markets and changes in format preferences.

#### Completed Acquisitions and Dispositions

We completed the following acquisitions and dispositions of radio stations during 2003 and 2004. The purchase prices set forth below were paid in cash, except where otherwise indicated, and include, where applicable, amounts paid under non-competition agreements, but do not include transaction-related costs.

We completed the following acquisition in 2003:

<u>Seller</u>	<u>Market</u>	<u>No. of Stations</u>	<u>Call Letters</u>	<u>Purchase Price (in millions)</u>	<u>Date Completed</u>
Brill Media Company LLC and related entities .....	Lancaster-Reading, PA	2	WIOV-AM WIOV-FM	\$61.9(1)	2/25/03
	Evansville, IN/ Owensboro, KY	3	WKDQ-FM WBKR-FM WOMI-AM		
	Ft. Collins-Greeley, CO	3	KTRR-FM KUAD-FM KKQZ-FM(2)		
	Duluth, MN	4	KKCB-FM KLDJ-FM KBMX-FM WEBC-AM		

We completed the following acquisition in 2004:

<u>Seller</u>	<u>Market</u>	<u>No. of Stations</u>	<u>Call Letters</u>	<u>Purchase Price (in millions)</u>	<u>Date Completed</u>
Clear Channel Broadcasting, Inc. and its affiliates .....	Evansville, IN	5	WYNG-FM WDKS-FM WKRI-FM WGBF-FM WGBF-AM	\$8.0(3)	01/28/04

We completed the following disposition in 2004:

<u>Purchaser</u>	<u>Market</u>	<u>No. of Stations</u>	<u>Call Letters</u>	<u>Sale Price (in millions)</u>	<u>Date Completed</u>
Clear Channel Broadcasting, Inc. and its affiliates .....	Duluth, MN	4	KKCB-FM KLDJ-FM KBMX-FM WEBC-AM	\$5.3(4)	01/28/04

- (1) We assumed certain assets and liabilities in conjunction with the Brill acquisition. Total cash paid, excluding transaction related costs approximated \$61.2 million.
- (2) KKQZ-FM, purchased as a construction permit, began broadcast operations on November 1, 2002.
- (3) The purchase price consisted of \$2.7 million in cash and substantially all the assets of our four stations in Duluth, Minnesota.
- (4) We acquired substantially all the assets of five radio stations in Evansville, Indiana in exchange for our four stations in Duluth, Minnesota and the payment by us of \$2.7 million in cash.

#### **Pending Transactions**

We currently have transactions pending which, if completed, will result in the acquisition by us of seven radio stations and the disposal by us of six radio stations. Closing of these transactions are subject to certain conditions, including required governmental approvals.

On January 10, 2003, we entered into an agreement to purchase substantially all of the assets of KKPL-FM and KARS-FM, serving the Ft. Collins-Greeley, Colorado market from AGM-Nevada, L.L.C. for \$7.75 million. The purchase price is payable in a combination of \$5.0 million in cash and \$2.75 million in

Regent common stock, based on a per share price equal to the average daily closing price for the ten consecutive trading days ending on the second trading day immediately preceding the closing date. In the event the average share price for that period is less than \$7.50 per share, we may, at our sole discretion, reallocate the purchase price to increase the amount of cash consideration and reduce the portion paid in Regent common stock. On February 1, 2003, we began providing programming and other services to KKPL-FM under a time brokerage agreement. We have placed \$387,500 in escrow to secure our obligations under this agreement. The FCC has given us approval on this transaction and we expect to close sometime late in the second quarter or early third quarter of 2004.

Additionally, in the Ft. Collins-Greeley market, we have a pending transaction in which we will receive \$1.0 million in cash, net of our costs, from another operator to move our antenna off the KTRR-FM tower to our KUAD-FM tower that will enable us to have a better signal into the Ft. Collins-Greeley market as well as relieving us of a long-term lease on the KTRR tower. We anticipate completing this transaction sometime in the second quarter of 2004.

On February 9, 2004, Regent entered into an exchange agreement with Citadel Broadcasting Group ("Citadel"), whereby Regent agreed to exchange four stations (WXKC-FM, WRIE-AM, WXTA-FM, and WQHZ-FM) serving the Erie, Pennsylvania market and two stations (WIOV-AM and WIOV-FM) serving the Lancaster-Reading, Pennsylvania market, plus a cash payment, for five stations (WBNQ-FM, WBWN-FM, WTRX-FM, WJEZ-FM, and WJBC-AM) serving the Bloomington, Illinois market. The cash payment will be calculated as a multiple of 7.5 times the excess of station operating income from the Bloomington stations over that of the Erie and Lancaster-Reading stations for the twelve-month period ended January 31, 2004. The term "station operating income" means operating income (loss) before depreciation and amortization, corporate general and administrative expenses, gain (loss) on sale of long-lived assets, and impairment of goodwill and FCC licenses. Although station operating income is not a measure of performance calculated in accordance with generally accepted accounting principles, we believe that station operating income is accepted by the broadcasting industry as a generally recognized measure of performance and is used by analysts who report publicly on the performance of broadcasting companies. Nevertheless, this measure should not be considered in isolation or as a substitute for operating income (loss), net income (loss), net cash provided by (used in) operating activities or any other measure for determining our operating performance or liquidity that is calculated in accordance with accounting principles generally accepted in the United States of America. The cash portion of the purchase price will be funded through borrowings under the Company's credit facility. Effective February 1, 2004, Regent began providing programming and other services to the Bloomington stations and Citadel began providing the same such services to the Erie and Lancaster stations. We expect to complete this transaction late in the second quarter or early third quarter of 2004.

### **Acquisition Strategy**

Our acquisition strategy is to expand within our existing markets and into new mid-sized and small markets where we believe we can effectively use our operating strategies. In considering new markets, we focus on those markets that have a minimum of \$8.0 million in gross radio advertising revenue where we believe we can build a station cluster that will generate at least \$1.0 million in annual station operating income. Although significant competition exists among potential purchasers for suitable radio station acquisitions throughout the United States, we believe that there is currently less competition, particularly from the larger radio operators, in the mid-sized and small markets. After entering a market, we seek to acquire additional stations that will allow us to reach a wider range of demographic groups to appeal to advertisers and increase revenue. We also integrate these stations into our existing operations in an effort to achieve substantial cost savings. We have sold or will sell stations in different markets that did not or do not fit within our existing acquisition strategy.

We believe that the creation of strong station clusters in our local markets is essential to our operating success. In evaluating an acquisition opportunity in a new market, we assess our potential to build a leading radio station cluster in that market over time. We will not consider entering a new market unless we can acquire multiple stations in that market. We also analyze a number of additional factors we believe are important to success, including the number and quality of commercial radio signals broadcasting in the

market, the nature of the competition in the market, our ability to improve the operating performance of the radio station or stations under consideration and the general economic conditions of the market.

We believe that our acquisition strategy, properly implemented, affords a number of benefits, including:

- greater revenue and station operating income diversity;
- improved station operating income through the consolidation of facilities and the elimination of redundant expenses;
- enhanced revenue by offering advertisers a broader range of advertising packages;
- improved negotiating leverage with various key vendors;
- enhanced appeal to top industry management talent; and
- increased overall scale, which should facilitate our capital raising activities.

We have developed a process for integrating newly acquired properties into our overall culture and operating philosophy, which involves the following key elements:

- assess format quality and effectiveness so that we can refine station formats in order to increase audience and revenue share;
- upgrade transmission, audio processing and studio facilities;
- expand and strengthen sales staff through active recruiting and in-depth training;
- convert acquired stations to our communications network and centralized networked accounting system; and
- establish revenue and expense budgets consistent with the programming and sales strategy and corresponding cost adjustments.

From time to time, in compliance with applicable law, we enter into a time brokerage agreement (under which separately owned and licensed stations agree to function cooperatively in terms of programming, advertising, sales and other matters), or a similar arrangement, with a target property prior to final Federal Communication Commission ("FCC") approval and the consummation of the acquisition, in order to gain a head start on the integration process.

### **Operating Strategy**

Our operating strategy focuses on maximizing our radio stations' appeal to listeners and advertisers and, consequently, increasing our revenue and station operating income. To achieve these goals, we have implemented the following strategies:

*Ownership of Strong Radio Station Clusters.* We seek to secure and maintain a leadership position in the markets we serve by owning multiple stations in those markets. By coordinating programming, promotional and sales strategies within each local station cluster, we attempt to capture a wider range of demographic listeners to appeal to advertisers. We believe that the diversification of our programming formats and inventory of available advertising time strengthens relationships with advertisers, increasing our ability to maximize the value of our inventory. We believe that operating multiple stations in a market enhances our ability to market the advantages of advertising on radio versus other media, such as newspapers and television.

We believe that our ability to utilize the existing programming and sales resources of our radio station clusters enhances the growth potential of both new and underperforming stations while reducing the risks associated with the implementation of station performance improvements, such as new format launches. We believe that operating leading station clusters allows us to attract and retain talented local personnel, who are essential to our operating success. Furthermore, we seek to achieve cost savings within a market through the consolidation of facilities, sales and administrative personnel, management and operating resources, such as on-air talent, programming and music research, and the reduction of other redundant expenses.

*Aggressive Sales and Marketing.* We seek to maximize our share of local advertising revenue in each of our markets through aggressive sales and marketing initiatives. We provide extensive training through in-house sales and time management programs and independent consultants who hold frequent seminars and are available for consultation with our sales personnel. We emphasize regular, informal exchanges of ideas among our management and sales personnel across our various markets. We seek to maximize our revenue by utilizing sophisticated inventory management techniques to provide our sales personnel with frequent price adjustments based on regional and local market conditions. We further strengthen our relationship with some advertisers by offering the ability to create customer traffic through an on-site event staged at, and broadcast from, the advertiser's business location. We believe that, prior to their acquisition, many of our newly acquired stations had underperformed in sales, due primarily to undersized sales staffs. Accordingly, we have significantly expanded the sales forces of many of our acquired stations.

*Targeted Programming and Promotion.* To maintain or improve our position in each market, we combine extensive market research with an assessment of our competitors' vulnerabilities in order to identify significant and sustainable target audiences. We then tailor the programming, marketing and promotion of each radio station to maximize its appeal to the targeted audience. We attempt to build strong markets by:

- creating distinct, highly visible profiles for our on-air personalities, particularly those broadcasting during morning drive time, which traditionally airs between 6:00 a.m. and 10:00 a.m.;
- formulating recognizable brand names for select stations; and
- actively participating in community events and charities.

*Decentralized Operations.* We believe that radio is primarily a local business and that much of our success will be the result of the efforts of regional and local management and staff. Accordingly, we decentralize much of our operations at these levels. Each of our station clusters is managed by a team of experienced broadcasters who understand the musical tastes, demographics and competitive opportunities of their particular market. Local managers are responsible for preparing annual operating budgets and a portion of their compensation is linked to meeting or surpassing their operating targets. Corporate management approves each station cluster's annual operating budget and imposes strict financial reporting requirements to track station performance. Corporate management is responsible for long range planning, establishing corporate policies and serving as a resource to local management.

## **Station Portfolio**

When our pending acquisition transactions are completed, we will own 56 FM and 19 AM radio stations in 15 mid-sized and small markets. The following table sets forth information about the stations that we own at December 31, 2003; stations that we acquired subsequent to December 31, 2003; and stations that we expect to own after giving effect to our pending transactions.

As you review the information in the table below, you should note the following:

- The abbreviation "MSA" in the table means the market's rank among the largest metropolitan statistical areas in the United States.
- In the Primary Demographic Target column, the letter "A" designates adults, the letter "W" designates women and the letter "M" designates men. The numbers following each letter designate the range of ages included within the demographic group.
- Station Cluster Rank by Market Revenue Share in the table is the ranking, by radio cluster market revenue, of each of our radio clusters in its market among all other radio clusters in that market.
- We obtained all metropolitan statistical area rank information, market revenue information and station cluster market rank information for all of our markets from Investing in Radio 2003 Market Report, published by BIA Publications, Inc.

- We obtained all audience share information from the Fall 2003 Radio Market Report published by The Arbitron Company. We derived station cluster audience share based on persons ages 12 and over, listening Monday through Sunday, 6:00 a.m. to 12:00 midnight.
- N/A indicates the market has no MSA rank and is not rated by Arbitron.

<u>Radio Market/ Station Call Letters</u>	<u>MSA Rank</u>	<u>Station Programming Format</u>	<u>Primary Demographic Target</u>	<u>Station Cluster Rank by Market Revenue Share</u>	<u>Station Cluster 12+ Audience Share</u>
Albany, NY .....	59			3	20.2
WQBJ(FM)		Rock	M 18-49		
WQBK(FM)		Rock	M 18-49		
WABT(FM)		80's	A 25-54		
WGNA(FM)		Country	A 25-54		
WTMM(AM)		Sports	M 35+		
Bloomington, IL .....	235			1	40.4
WJBC(AM)*		News/talk	A 35-54		
WBNQ(FM)*		Hot AC	W 25-54		
WBWN(FM)*		Country	A 25-54		
WTRX(FM)*		Classic rock	M 25-54		
WJEZ(FM)*		Adult contemporary	A 25-54		
Chico, CA .....	190			1	22.8
KFMF(FM)		Rock	M 18-49		
KALF(FM)		Country	A 25-54		
KQPT(FM)		Alternative	A 18-34		
KZAP(FM)		Rhythmic CHR	A 18-34		
Duluth, MN .....	221			2	23.1
WEBC(AM)&		News/Talk	A 35+		
KLDJ(FM)&		Oldies	A 35+		
KKCB(FM)&		Country	A 25-54		
KBMX(FM)&		Adult Contemporary	A 25-54		
El Paso, TX .....	70			2	12.3
KSII(FM)		Hot Adult Contemporary	W 25-54		
KLAQ(FM)		Rock	M 18-49		
KROD(AM)		News/Talk	A 35+		
Erie, PA .....	156			2	28.1
WXKC(FM)#		Adult Contemporary	W 25-54		
WXTA(FM)#		Country	A 25-54		
WRIE(AM)#		Nostalgia	A 35+		
WQHZ(FM)#		Classic Hits	A 25-54		

<u>Radio Market/ Station Call Letters</u>	<u>MSA Rank</u>	<u>Station Programming Format</u>	<u>Primary Demographic Target</u>	<u>Station Cluster Rank by Market Revenue Share</u>	<u>Station Cluster 12+ Audience Share</u>
Evansville, IN.....	155			2	38.5
WKDQ(FM)		Country	A 25-54		
WJLT(FM)@		Country	A 35-54		
WDKS(FM)@		CHR	A 18-34		
WYNG(FM)@		Rock	A 25-54		
WGBF(FM)@		Rock	A 18-34		
WGBF(AM)@		Talk	A 35+		
Flint, MI.....	119			1	26.3
WCRZ(FM)		Adult Contemporary	W 25-54		
WWBN(FM)		Rock	M 18-49		
WFNT(AM)		Nostalgia	A 35+		
WRCL(FM)		Rhythmic CHR	A 18-34		
WQUS(FM)		Classic Hits	A 25-54		
WLSP(AM)		Variety	A 35+		
Ft. Collins-Greeley, CO.....	130			1	18.6
KUAD(FM)		Country	A 25-54		
KTRR(FM)		Adult Contemporary	A 25-54		
KKQZ(FM)		Classic Rock	A 25-54		
KKPL(FM)*		Alternative	A 18-34		
KARS(FM)*		Rock	A 18-34		
Grand Rapids, MI.....	66			3	15.5
WLHT(FM)		Adult Contemporary	W 25-54		
WGRD(FM)		New Rock	M 18-49		
WTRV(FM)		Soft Adult Contemporary	W 35+		
WNWZ(AM)		Talk	A 35+		
WFGR(FM)		Classical	A 35+		
Lafayette, LA.....	98			1	26.4
KPEL(FM)		Talk	A 35+		
KTDY(FM)		Adult Contemporary	A 25-54		
KRKA(FM)		Rhythmic CHR	A 18-34		
KFTE(FM)		Alternative	A 18-34		
KMDL(FM)		Country	A 25-54		
KPEL(AM)		Talk	A 35+		
KROF(AM)		Sports	A 35+		
Lancaster-Reading, PA.....	115			2	9.0
WIOV(AM)#		Talk	A 35+		
WIOV(FM)#		Country	A 25-54		
Owensboro, KY.....	N/A			N/A	N/A
WOMI(AM)		News/Talk	A 35+		
WBKR(FM)		Country	A 25-54		



<u>Radio Market/ Station Call Letters</u>	<u>MSA Rank</u>	<u>Station Programming Format</u>	<u>Primary Demographic Target</u>	<u>Station Cluster Rank by Market Revenue Share</u>	<u>Station Cluster 12+ Audience Share</u>
Peoria, IL .....	135			2	22.1
WVEL(AM)		Gospel	A 35+		
WGLO(FM)		Classic Rock	M 25-54		
WIXO(FM)		Alternative	A 18-34		
WPIA(FM)		CHR	A 18-34		
WVEL(FM)		CHR	A 18-34		
WFYR(FM)		Country	A 25-54		
Redding, CA .....	215			1	42.1
KSHA(FM)		Soft Adult Contemporary	W 25-54		
KNNN(FM)		CHR	A 18-34		
KRDG(FM)		Oldies	A 35-54		
KRRX(FM)		Rock	M 18-49		
KNRO(AM)		ESPN	M 35+		
KQMS(AM)		News/Talk/Sports	A 35+		
St. Cloud, MN .....	212			1	22.6
KMXX(FM)		Adult Contemporary	W 25-54		
WWJO(FM)		Country	A 25-54		
WJON(AM)		News/Talk	A 35+		
KLZZ(FM)		Classic Rock	M 25-54		
KKSR(FM)		Dance CHR	A 18-34		
KXSS(AM)		Adult Standards	A 35-64		
Utica-Rome, NY .....	151			1	38.0
WODZ(FM)		Oldies	A 35-54		
WLZW(FM)		Adult Contemporary	W 25-54		
WFRG(FM)		Country	A 25-54		
WRUN(AM)		Sports	M 35+		
WIBX(AM)		News/Talk	A 35+		
Watertown, NY .....	257			1	36.5
WCIZ(FM)		Classic Hits	A 25-54		
WFRY(FM)		Country	A 25-54		
WTNY(AM)		Talk	A 35+		
WNER(AM)		ESPN	M 35+		

The symbol "\*" indicates a station that is the subject of one of our pending acquisitions; the symbol "#" indicates a station that we have entered into an agreement to sell; the symbol "@" indicates a station that we have acquired subsequent to December 31, 2003; and the symbol "&" indicates a station that we have disposed subsequent to December 31, 2003. The completion of each pending acquisition or disposition is subject to certain conditions, including governmental approvals. There can be no assurance that these conditions will be satisfied in any particular case.

#### Advertising Sales

Virtually all of our revenue is generated from the sale of local, regional and national advertising for broadcast on our radio stations. In 2003, approximately 85% of our net broadcast revenue was generated from

the sale of locally driven advertising. Additional broadcast revenue is generated from the sale of national advertising, network compensation payments and other miscellaneous transactions. The major categories of our advertisers include telephone companies, retail merchants, restaurants, fast food chains, automotive companies and grocery stores.

Each station's local sales staff solicits advertising either directly from the local advertiser or indirectly through an advertising agency. We pay a higher commission rate to our sales staff for direct advertising sales. 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 produce 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. Regional sales, which we define as sales in regions surrounding our markets to companies that advertise in our markets, are generally made by our local sales staff.

Depending on the programming format of a particular station, we estimate the optimum number of advertising spots available. The number of advertisements that can be broadcast without jeopardizing listening levels is limited in part by the format of a particular station and by the volume of advertisements being run on competing stations in the local market. Our stations strive to maximize revenue by managing advertising inventory. Our stations adjust pricing based on local market conditions and the 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 be different at different times of 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 this demand by varying prices rather than our target inventory level for a particular station. Therefore, most changes in revenue can be explained by 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. Each station's ratings are used by its advertisers and advertising representatives to consider advertising with the station and are used by us to chart audience levels, set advertising rates and adjust programming. The radio broadcast industry's principal ratings service is The Arbitron Company, which publishes periodic ratings surveys for significant domestic radio markets. These surveys are our primary source of audience ratings data.

We believe that radio is one of the most efficient and cost-effective means for advertisers to reach specific demographic groups. Advertising rates charged by radio stations are based primarily on the following:

- the supply of, and demand for, radio advertising time;
- a station's share of audiences in the demographic groups targeted by advertisers, as measured by ratings surveys estimating the number of listeners tuned to the station at various times; and
- the number of stations in the market competing for the same demographic groups.

Rates are generally highest during morning and afternoon commuting hours.

### **Competition**

The radio broadcasting industry is highly competitive. The success of each station depends largely upon audience ratings and its share of the overall advertising revenue within its market. Stations compete for listeners and advertising revenue directly with other radio stations within their respective markets. Radio stations compete for listeners primarily on the basis of program content that appeals to a particular demographic group. Building a strong listener base consisting of a specific demographic group in a market enables an operator to attract advertisers seeking to reach those listeners. Companies that operate radio stations must be alert to the possibility of another station changing format to compete directly for listeners and advertisers. A station's decision to convert to a format similar to that of another radio station in the same

geographic area may result in lower ratings and advertising revenue, increased promotion and other expenses and, consequently, lower station operating income.

Factors that are material to a radio station's competitive position include management experience, the station's local audience rank in its market, transmitter power, assigned frequency, audience characteristics, local program acceptance and the number and characteristics of other radio stations in the market area. Management believes that radio stations that elect to take advantage of joint arrangements such as local marketing agreements or joint sales agreements may in certain circumstances have lower operating costs and may be able to offer advertisers more attractive rates and services.

Although the radio broadcasting industry is highly competitive, some barriers to entry exist. The operation of a radio broadcast station requires a license 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, as well as by the FCC's rules and policies regulating the number of stations that may be owned or controlled by a single entity. A summary of certain of those rules and policies can be found under the heading **Federal Regulation of Radio Broadcasting** below.

Our stations compete for advertising revenue with other stations and with other media, including newspapers, broadcast television, cable television, magazines, direct mail, coupons and outdoor advertising. In addition, the radio broadcasting industry is subject to competition from new media technologies that are being developed or introduced, such as the delivery of audio programming by cable or direct broadcast satellite television systems, by satellite-delivered digital audio radio service and by in-band digital audio broadcasting. Two providers of satellite-delivered digital audio broadcasting have commenced service and deliver by satellite to nationwide and regional audiences, multi-channel, multi-format, digital radio services with sound quality equivalent to compact discs. Furthermore, terrestrial in-band digital audio broadcasting may deliver multi-channel, multi-format programming in the same bands now used by AM and FM broadcasters. The delivery of information through the Internet also could create a new form of competition, as could the development of non-commercial low-power FM radio stations that serve small, localized areas.

We cannot predict what additional new services or other regulatory matters might be considered in the future by the FCC, nor assess in advance what impact those proposals or changes might have on our business. The radio broadcasting industry historically has grown despite the introduction of new technologies for the delivery of entertainment and information. A growing population and greater availability of radios, particularly car and portable radios, have contributed to this growth. There can be no assurances, however, that this historical growth will continue.

## **Employees**

At February 28, 2004, we employed approximately 887 persons. Eight of our employees in Watertown, New York are covered by a collective bargaining agreement. None of our other employees are covered by collective bargaining agreements. We consider our relations with our employees generally to be good.

## **Federal Regulation of Radio Broadcasting**

*Introduction.* The radio broadcasting industry is subject to extensive and changing regulation of, among other things, program content, advertising content, technical operations and business and employment practices. 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. 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, conditions 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 following is a brief summary of certain provisions of the Communications Act and of specific FCC regulations and policies. Failure to observe these or other rules and policies can result in the imposition of various sanctions, 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 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. A station may continue to operate beyond the expiration date of its license if a timely filed license renewal application is pending. During the periods when renewal applications are pending, petitions to deny license renewals can be filed by interested parties, including members of the public. The FCC is required to hold hearings on a station's renewal application if a substantial or material question of fact exists as to whether the station has served the public interest, convenience and necessity. If, as a result of an evidentiary hearing, the FCC determines that the licensee has failed to meet certain 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 have generally been renewed. We are not currently aware of any facts that would prevent the timely renewal of our licenses to operate our radio stations, although we cannot assure you that all of our licenses will be renewed.

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 thereto. 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. 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 follows, in order of increasing power and antenna height: Class A, B1, C3, B, C2, C1, C0 and C. In addition, the FCC under certain circumstances subjects Class C FM stations that do not satisfy a certain antenna height requirement to an involuntary downgrade in class to Class C0.

The following table sets forth the market, call letters, FCC license classification, antenna height above average terrain (HAAT), power and frequency of each of the stations that are owned and operated by us or that are the subject of a pending acquisition or subsequent sale, and the date on which each station's FCC license expires. Pursuant to FCC rules and regulations, many AM radio stations are licensed to operate at a reduced power during the nighttime broadcasting hours, which can result in reducing the radio station's

coverage during the nighttime hours of operation. Both daytime and nighttime power ratings are shown, where applicable. For FM stations, the maximum effective radiated power in the main lobe is given.

<u>Market</u>	<u>Station Call Letters</u>	<u>FCC Class</u>	<u>HAAT in Meters</u>	<u>Power in Kilowatts</u>	<u>Frequency</u>	<u>Expiration Date of FCC License</u>
Albany, NY .....	WQBJ(FM)	B	150	50.0	103.5 MHz	06/01/06
	WQBK(FM)	A	92	6.0	103.9 MHz	06/01/06
	WABT(FM)	A	107	5.0	104.5 MHz	06/01/06
	WGNA(FM)	B	300	12.5	107.7 MHz	06/01/06
	WTMM(AM)	B	N/A	5.0	1300 kHz	06/01/06
Bloomington, IL .....	WJBC (AM)*	C	N/A	1.0	1230 kHz	12/01/04
	WBNQ (FM)*	B	142	50.0	101.5 MHz	12/01/04
	WBWN (FM)*	B1	100	25.0	104.1 MHz	12/01/04
	WTRX (FM)*	B1	144	12.0	93.7 MHz	12/01/04
	WJEZ (FM)*	A	149	1.3	98.9 MHz	12/01/04
Chico, CA .....	KFMF(FM)	B1	344	2.0	93.9 MHz	12/01/05
	KQPT(FM)	B	193	28.0	107.5 MHz	12/01/05
	KALF(FM)	B	386	7.0	95.7 MHz	12/01/05
	KZAP(FM)	B1	393	1.5	96.7 MHz	12/01/05
Duluth, MN .....	WEBC(AM)&	B	N/A	5.0	560 kHz	04/01/05
	KLDJ(FM)&	C2	251	18.5	101.7 MHz	04/01/05
	KKCB(FM)&	C1	241	100.0	105.1 MHz	04/01/05
	KBMX(FM)&	C2	278	7.7	107.7 MHz	04/01/05
El Paso, TX .....	KSII(FM)	C	433	98.0	93.1 MHz	08/01/05
	KLAQ(FM)	C	424	88.0	95.5 MHz	08/01/05
	KROD(AM)	B	N/A	5.0	600 kHz	08/01/05
Erie, PA .....	WXKC(FM)#	B	150	50.0	99.9 MHz	08/01/06
	WRIE(AM)#	B	N/A	5.0	1260 kHz	08/01/06
	WXTA(FM)#	B1	154	10.0	97.9 MHz	08/01/06
	WQHZ(FM)#	A	187	1.7	102.3 MHz	08/01/06
Evansville, IN .....	WKDQ(FM)	C	300	98.0	99.5 MHz	08/01/04
	WYNG(FM)@	B	128	50.0	94.9 MHz	12/01/04
	WDKS(FM)@	A	100	6.0	106.1 MHz	08/01/04
	WJLT(FM)@	B	150	50.0	105.3 MHz	08/01/04
	WGBF(FM)@	A	138	3.2	103.1 MHz	08/01/04
	WGBF(AM)@	B	N/A	5.0 daytime 1.0 night	1280 kHz	08/01/04

Market	Station Call Letters	FCC Class	HAAT in Meters	Power in Kilowatts	Frequency	Expiration Date of FCC License
Flint, MI .....	WCRZ(FM)	B	101	50.0	107.9 MHz	10/01/04
	WWBN(FM)	A	149	1.8	101.5 MHz	10/01/04
	WFNT(AM)	B	N/A	5.0 daytime 1.0 night	1470 kHz	10/01/04
	WRCL(FM)	A	133	3.5	93.7 MHz	10/01/04
	WQUS(FM)	A	91	3.0	103.1 MHz	10/01/04
	WLSP(AM)	B	N/A	5.0 daytime 1.0 night	1530 kHz	10/01/04
Ft. Collins-Greeley, CO	KUAD(FM)	C1	212	100.0	99.1 MHz	04/01/05
	KTRR(FM)	C2	125	50.0	102.5 MHz	04/01/05
	KKQZ(FM)	C3	168	8.7	94.3 MHz	04/01/05
	KKPL(FM)*	C2	150	50.0	99.9 MHz	10/01/05
	KARS(FM)*	C	372	100.0	102.9 MHz	10/01/05
Grand Rapids, MI .....	WLHT(FM)	B	168	40.0	95.7 MHz	10/01/04
	WGRD (FM)	B	180	13.0	97.9 MHz	10/01/04
	WTRV(FM)	A	92	3.50	100.5 MHz	10/01/04
	WNWZ (AM)	D	N/A	1.0 daytime .048 night	1410 kHz	10/01/04
Lafayette, LA .....	WFGR(FM)	A	150	2.75	98.7 MHz	10/01/04
	KMDL(FM)	C2	171	38.0	97.3 MHz	06/01/04
	KRKA(FM)	C1	263	97.0	107.9 MHz	06/01/04
	KFTE(FM)	C2	163	42.0	96.5 MHz	06/01/04
	KTDY(FM)	C	300	100.0	99.9 MHz	06/01/04
	KPEL(FM)	C3	89	25.0	105.1 MHz	06/01/04
Lancaster-Reading, PA . . .	KPEL(AM)	B	N/A	1.0 daytime 0.75 night	1420 kHz	06/01/04
	KROF(AM)	D	N/A	1.0 daytime .095 night	960 kHz	06/01/04
	WIOV(AM)#	C	N/A	1.0	1240 kHz	08/01/06
Owensboro, KY .....	WIOV(FM)#	B	214	25.0	105.1 MHz	08/01/06
	WOMI(AM)	C	N/A	0.83	1490 kHz	08/01/04
Peoria, IL .....	WBKR(FM)	C	320	91.0	92.5 MHz	08/01/04
	WGLO(FM)	B1	189	7.0	95.5 MHz	12/01/04
	WVEL(FM)	A	137	3.3	101.1 MHz	12/01/04
	WPIA(FM)	A	100	6.0	98.5 MHz	12/01/04
	WVEL(AM)	D	N/A	5.0 daytime	1140 kHz	12/01/04
	WFYR(FM)	B1	103	23.5	97.3 MHz	12/01/04
	WIXO(FM)	A	178	1.5	99.9 MHz	12/01/04

<u>Market</u>	<u>Station Call Letters</u>	<u>FCC Class</u>	<u>HAAT in Meters</u>	<u>Power in Kilowatts</u>	<u>Frequency</u>	<u>Expiration Date of FCC License</u>
Redding, CA .....	KRRX(FM)	C	600	100.0	106.1 MHz	12/01/05
	KNNN(FM)	C2	465	1.6	99.3 MHz	12/01/05
	KQMS(AM)	C	N/A	1.0	1400 kHz	12/01/05
	KSHA(FM)	C	475	100.0	104.3 MHz	12/01/05
	KRDG(FM)	C1	379	28.0	105.3 MHz	12/01/05
	KNRO(AM)	B	N/A	10.0	1670 kHz	12/01/05
				daytime		
				1.0 night		
St. Cloud, MN .....	KMXK(FM)	C2	150	50.0	94.9 MHz	04/01/05
	WJON(AM)	C	N/A	1.0	1240 kHz	04/01/05
	WWJO(FM)	C	305	97.0	98.1 MHz	04/01/05
	KKSR(FM)	C2	138	50.0	96.7 MHz	04/01/05
	KLZZ(FM)	C3	126	9.0	103.7 MHz	04/01/05
	KXSS(AM)	B	N/A	2.5	daytime	1390 kHz
				1.0 night		
Utica-Rome, NY.....	WODZ(FM)	B1	184	7.4	96.1 MHz	06/01/06
	WLZW(FM)	B	201	25.0	98.7 MHz	06/01/06
	WFRG(FM)	B	151	100.0	104.3 MHz	06/01/06
	WIBX(AM)	B	N/A	5.0	950 kHz	06/01/06
	WRUN(AM)	B	N/A	5.0	daytime	1150 kHz
				1.0 night		
Watertown, NY.....	WCIZ(FM)	A	100	6.0	93.3 MHz	06/01/06
	WFRY(FM)	C1	145	97.0	97.5 MHz	06/01/06
	WTNY(AM)	B	N/A	1.0	790 kHz	06/01/06
	WNER(AM)	D	N/A	3.5	daytime	1410 kHz
				0.058 night		

\* Stations indicated with an asterisk (\*) are subject to acquisition by us under an existing agreement.

# Stations indicated with a pound sign (#) are subject to disposal by us under an existing agreement.

@ Stations indicated with an at sign (@) are stations that were acquired subsequent to December 31, 2003.

& Stations indicated with an ampersand sign (&) are stations that were disposed subsequent to December 31, 2003.

*Transfers or Assignment of Licenses.* The Communications Act prohibits the assignment or transfer of a broadcast license 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 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 or transfer control of a broadcast license, appropriate applications must be filed with the FCC. If the application involves a substantial change in ownership or control, the application must be placed on public notice for not less than 30 days during which time petitions to deny or other

objections against the application may be filed by interested parties, including members of the public. Once the FCC grants an application, interested parties may seek reconsideration of that grant for 30 days, after which time the FCC may for another ten days reconsider the grant on its own motion. 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. If the application does not involve a substantial change in ownership or control, it is a pro forma application. The pro forma application is nevertheless subject to having informal 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 and FCC rules impose specific limits on the number of commercial radio stations an entity can own in a single market and the combination of radio stations, television stations and newspapers that any entity can own in a single market. The radio multiple-ownership rules may preclude us from acquiring certain stations we might otherwise seek to acquire. 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 unless that buyer divests other stations. The local radio ownership rules are as follows:

- in markets with 45 or more commercial 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 commercial 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 commercial 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 commercial radio stations, ownership is limited to five commercial stations or no more than 50.0% of the market's total, whichever is lower, and no more than three of which can be either AM or FM.

On June 2, 2003, the FCC adopted rules which changed the methodology by which it defines a particular radio market and counts stations to determine compliance with the radio multiple ownership restrictions. Those new rules would generally result in parties being able to own fewer radio stations in Arbitron-rated markets than was the case under the previous rules. The FCC's new rules also provide that parties who own groups of radio stations that comply with the previous multiple ownership rules, but would not comply with the new rules, will be allowed to retain those groups on a "grandfathered" basis, but will not be allowed to transfer or assign those groups intact unless such transfer or assignment is to certain eligible "small businesses." On September 3, 2003, the United States Court of Appeals for the Third Circuit issued a stay of the FCC's new rules, which were to become effective on September 4, 2003, pending the outcome of legal proceedings involving those rules. Pending resolution of those proceedings, the FCC has continued to apply its previous rules. If the FCC's new rules regarding radio multiple ownership are upheld by the courts, our ability to transfer or assign our radio stations as a group to a single buyer in certain markets will be limited and we may be unable to acquire additional stations or clusters of stations in certain markets.

In addition to limits on the number of radio stations that a single owner may own in a particular geographic market, the FCC also has cross-ownership rules that limit or prohibit radio station ownership by the owner of television stations or a newspaper in the same market. The FCC's radio/television cross-ownership rules permit a single owner to own up to two television stations, consistent with the FCC's rules on common ownership of television stations, together with one radio station in all markets. In addition, an owner will be permitted to own additional radio stations, not to exceed the local radio ownership limits for the market, as follows:

- in markets where 20 media voices will remain after the consummation of the proposed transaction, an owner may own an additional five radio stations, or, if the owner only has one television station, an additional six radio stations; and



- in markets where ten media voices will remain after the consummation of the proposed transaction, an owner may own an additional three radio stations.

A media voice includes each independently-owned, full power television and radio station and each daily newspaper, plus one voice for all cable television systems operating in the market.

In addition to the limits on the number of radio stations and radio/television combinations that a single owner may own, the FCC's broadcast/newspaper cross-ownership rule prohibits the same owner from owning a broadcast station and a daily newspaper in the same geographic market.

As part of its June 2, 2003 order on broadcast ownership, the FCC adopted new rules which would eliminate television-radio cross ownership restrictions in markets with four or more television stations, and would relax newspaper-broadcast cross ownership restrictions in markets with between four and eight television stations (inclusive). Under these new rules, cross ownership among newspapers, radio and television stations would not be permitted in markets with fewer than four television stations and would not be restricted in markets with nine or more television stations. These new rules have been stayed pending the outcome of the legal proceedings before the Third Circuit Court of Appeals described above, and in the meantime the FCC has continued to apply its previous rules regarding cross ownership.

The FCC generally applies its ownership limits to attributable interests 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 5.0% or more of the corporation's voting stock are generally attributable. In addition, certain passive investors are attributable if they hold 20.0% or more of the corporation's voting stock. The FCC temporarily revoked the single majority shareholder exemption that provided that the interest of minority shareholders in a corporation were not attributable if a single entity or individual held 50% or more of that corporation's voting stock. However, the FCC grandfathered as non-attributable those minority stock interests that were held as of the date of the revocation. On December 3, 2001, the FCC reinstated the single majority shareholder exemption for all transactions after the order.

The FCC also has a rule, known as the equity-debt-plus rule, which causes certain creditors or investors to be attributable owners of a station. Under this rule, a major programming supplier or a same-market owner will be an attributable owner of a station if the supplier or owner holds debt or equity, or both, in the station that is greater than 33.0% of the value of the station's total debt plus equity. A major programming supplier includes any programming supplier that provides more than 15.0% 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 equity-debt-plus rule. The attribution rules limit the number of radio stations we may acquire or own in any market (and may also limit the ability of certain potential buyers of stations owned by us from being able to purchase some or all of the stations which they might otherwise wish to purchase from us).

*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 if more than 20.0% of its capital stock is owned or voted by aliens. In addition, the FCC may prohibit any corporation from holding a broadcast license if the corporation is controlled by any other corporation of which more than 25.0% of the capital stock is owned of record or voted by aliens, if the FCC finds that the prohibition is in the public interest. Our charter provides that our capital stock is subject to redemption by us by action of the Board of Directors to the extent necessary to prevent the loss of any license held by us, including any FCC license.

*Time Brokerage.* Over the past few 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 15.0% 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 if we could not own the brokered station under the multiple ownership rules, unless our programming on the brokered station constituted 15.0% or less of the brokered station's programming time on a weekly basis. FCC rules also prohibit a broadcast station from duplicating more than 25.0% of its programming on another station in the same broadcast service (i.e., AM-AM or FM-FM), either through common ownership of the two stations or through a time brokerage agreement where the brokered and brokering stations which it owns or programs serve substantially the same area.

Radio stations may also enter into what are commonly known as joint sales agreements. In a typical joint sales agreement, separately owned and licensed stations agree to enter into cooperative arrangements involving the sale of advertising time and the collection of proceeds from such sales, but involving none or only a limited amount of programming time. Such arrangements are subject to compliance with the requirements of the antitrust laws and the FCC's rules and policies. In its June 2, 2003 rulemaking, the FCC determined that a radio station that sold more than 15% of the weekly advertising time of another station serving the same market would be considered to have an attributable interest in that other station. These new rules have been stayed pending the outcome of the legal proceedings before the Third Circuit Court of Appeals described above, and in the meantime the FCC has continued to apply its previous rule that joint sales agreements do not constitute attributable relationships.

*Programming and Operation.* The Communications Act requires broadcasters to serve the public interest. Since 1981, the FCC gradually has relaxed or eliminated many of the more formalized procedures it developed to promote the broadcast of certain types of programming 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 and to maintain records demonstrating such responsiveness. Complaints from listeners concerning a station's programming will be considered by the FCC when it evaluates the licensee's renewal application. However, listener complaints, which are required to be maintained in the station's public file, may be filed with and considered by the FCC at any time.

Stations also must pay regulatory and application fees and follow various FCC rules that regulate, among other things, political advertising, sponsorship identifications, the advertisement of casinos and lotteries, employment practices, obscene and indecent broadcasts and technical operations, including limits on human exposure to radio frequency radiation.

The FCC has adopted rules prohibiting employment discrimination by broadcast stations on the basis of race, religion, color, national origin, and gender; and requiring broadcasters to implement programs to promote equal employment opportunities at their stations. These rules replace earlier rules that were found by the federal Court of Appeals for the District of Columbia Circuit to be unconstitutional. The rules generally require broadcasters to widely disseminate information about full-time job openings to all segments of the community to ensure that all qualified applicants have sufficient opportunity to apply for the job, to send job vacancy announcements to recruitment organizations and others in the community indicating an interest in all or some vacancies at the station, and to implement a number of specific longer-term recruitment "outreach" efforts, such as job fairs, internship programs, and interaction with educational and community groups. Broadcasters must also file reports with the FCC detailing outreach efforts, periodically certify their compliance with the EEO rules, and file certain reports in their public files and with the FCC. The

applicability of these policies to part-time employment opportunities is the subject of a pending further rule making proceeding.

FCC decisions hold that a broadcast station may not deny a candidate for federal political office a request for broadcast advertising time solely on the grounds that the amount of time requested is not the standard length of time which the station offers to its commercial advertisers. This policy has not had a material impact on our programming and commercial advertising operations but the policy's future impact is uncertain.

*Proposed and Recent Changes.* Congress and the FCC 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 such acquisitions. Such matters could include:

- proposals to impose regulatory, spectrum use or other fees on FCC licensees;
- proposals to impose streaming fees for radio;
- changes to foreign ownership rules for broadcast licenses;
- revisions to political broadcasting rules, including requirements that broadcasters provide free air time to candidates;
- technical and frequency allocation matters;
- proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages;
- changes in the FCC's attribution and multiple ownership policies;
- changes to broadcast technical requirements;
- proposals to allow telephone or cable television companies to deliver audio and video programming to the home through existing phone, cable television or other communication lines; and
- proposals to limit the tax deductibility of advertising expenses by advertisers.

The FCC has selected In-Band On-Channel™ as the exclusive technology for terrestrial digital operations by AM and FM radio stations. The FCC has authorized limited commencement of "hybrid" In-Band On-Channel™ transmissions, that is, simultaneous broadcast in both digital and analog format pending the adoption of formal licensing and service rules. Nighttime operations by digital AM stations have not yet been authorized and remain subject to further review. The advantages of digital audio broadcasting over traditional analog broadcasting technology include improved sound quality and the ability to offer a greater variety of auxiliary services. In-Band On-Channel™ technology would permit a station to transmit radio programming in both analog and digital formats, and eventually in digital only formats, using the bandwidth that the radio station is currently licensed to use. It is unclear what formal licensing and service rules the FCC will adopt regarding In-Band On-Channel™ technology and what effect such regulations would have on our business or the operations of our radio stations. It is also unclear what impact the introduction of digital broadcasting will have on the markets in which we compete.

Finally, the FCC has adopted procedures for the auction of broadcast spectrum in circumstances where two or more parties have filed for new or major change applications, which are mutually exclusive. Such procedures may limit our efforts to modify or expand the broadcast signals of our stations.

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.

*Federal Antitrust Considerations.* The Federal Trade Commission and the United States Department of Justice, which evaluate transactions to determine whether those transactions should be challenged under the federal antitrust laws, have been increasingly active recently in their review of radio station acquisitions, particularly where an operator proposes to acquire additional stations in its existing markets.

For an acquisition meeting certain size thresholds, the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules promulgated thereunder, require the parties to file Notification and Report Forms with the Federal Trade Commission and the Department of Justice 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 Federal Trade Commission or the Department of Justice could take such 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 Federal Trade Commission or the Department of Justice 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 increased scrutiny of radio station acquisitions, the Department of Justice 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 Department of Justice policy on the issue remains unchanged, we would not expect to commence operation of any affected station to be acquired under time brokerage agreement, local marketing agreement or similar agreement until the waiting period has expired or been terminated.

Our Internet site ([www.regentcomm.com](http://www.regentcomm.com)) makes available to interested parties our annual report on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K, and all amendments to those reports, as well as all other reports and schedules we file electronically with the Securities and Exchange Commission (the "Commission"), as soon as reasonably practicable after such material is electronically filed with or furnished to the Commission. Interested parties may also find reports, proxy and information statements and other information on issuers that file electronically with the Commission at the Commission's Internet site (<http://www.sec.gov>).

## **Item 2. Properties.**

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.

We currently own studio facilities in Redding, California; Burton (Flint), Michigan; Lafayette, Louisiana; Peoria, Illinois; St. Cloud, Minnesota; Marcy (Utica-Rome), New York; Watertown, New York; Owensboro, Kentucky; Windsor (Ft. Collins), Colorado; and Ephrata (Lancaster), Pennsylvania. We own transmitter and antenna sites in Redding, California; Burton, Otisville, Millington and Lapeer (Flint),

Michigan; St. Cloud, Rice, Stearns County and Graham Township (St. Cloud), Minnesota; Whitestown, Deerfield and Kirkland (Utica-Rome), New York; Watertown and Rutland (Watertown), New York; Peoria County and Woodford County (Peoria), Illinois; Lafayette and Abbeville (Lafayette), Louisiana; Albany, New York; Grand Rapids, Michigan; Owensboro, Utica and Henderson (Owensboro), Kentucky; Pierce, Windsor and Wellington (Ft. Collins), Colorado; and Lancaster and Wyomissing (Lancaster), Pennsylvania. We expect to acquire additional and dispose of certain real estate in connection with our pending transactions. We lease our remaining studio and office facilities, including corporate office space in Covington, Kentucky, and our remaining transmitter and antenna sites. We do not anticipate any 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, towers, transmitters, studio equipment and general office equipment.

Substantially all of our personal property and equipment serve as collateral for our obligations under our existing credit facility.

**Item 3. *Legal Proceedings.***

As previously reported, Regent Communications, Inc. and certain of its officers were named as defendants in a class action lawsuit relating to our initial public offering, which proceeding remains pending in the United States district court for the Southern District of New York. The suit against Regent is a related proceeding to the In re Initial Public Offering Securities Litigation brought by various plaintiffs in connection with various initial public offerings conducted during the applicable statute of limitations time periods. Although the suit remains in its preliminary stages, the Regent officers who were initially named as defendants have subsequently been dismissed from the proceeding. In addition, settlement discussions are ongoing with respect to the In re Initial Public Offering Securities Litigation, and Regent expects to participate in a settlement that will effectively end its participation in the litigation. The terms of the agreement have been reached and the settlement should be finalized in the near future. Notwithstanding the foregoing, the outcome of this litigation remains uncertain and we have not reserved for it.

We currently and from time to time are involved in litigation incidental to the conduct of our business, but we are not a party to any lawsuit or proceeding that, in our opinion, is likely to have a material adverse effect on us.

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

There were no matters submitted to our security holders during the fourth quarter of the fiscal year ended December 31, 2003.

**PART II**

**Item 5. *Market for Registrant's Common Equity and Related Stockholder Matters.***

Shares of our common stock have been quoted on The Nasdaq Stock Market under the symbol RGCI since January 25, 2000, following effectiveness of the registration statement for the initial public offering of our

common stock. The following table sets forth, for each of the calendar quarters indicated, the reported high and low sales prices of our common stock as reported in the Nasdaq National Market.

	<u>High</u>	<u>Low</u>
<u>2003</u>		
First quarter .....	\$6.65	\$4.50
Second quarter .....	\$6.62	\$4.71
Third quarter .....	\$7.05	\$4.97
Fourth quarter .....	\$7.10	\$5.80
<u>2002</u>		
First quarter .....	\$8.88	\$4.90
Second quarter .....	\$8.90	\$6.01
Third quarter .....	\$7.00	\$4.26
Fourth quarter .....	\$6.90	\$4.81

As of March 4, 2004, there were approximately 267 holders of record of our common stock. The number of record holders was determined from the records of our transfer agent and does not include beneficial owners of common stock whose shares are held in the names of securities brokers, dealers and registered clearing agencies.

We have never declared or paid cash dividends on our common stock and do not intend to do so in the foreseeable future. In addition, our credit agreement with our lenders prohibits the payment of cash dividends on our common stock.

**Item 6. Selected Financial Data.**

The selected financial data below should be read in conjunction with our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report.

**SELECTED CONSOLIDATED FINANCIAL DATA**  
(In thousands, except per share data)

	Year Ended December 31,				
	2003	2002	2001	2000	1999
<b>OPERATING RESULTS(1):</b>					
Net broadcast revenues .....	\$ 80,578	\$ 70,390	\$ 53,745	\$44,107	\$ 23,854
Operating income (loss) .....	13,537	9,460	(3,078)	831	(612)
Income (loss) before income taxes and cumulative effect of accounting change(2)	9,668	6,819	(2,378)	13,852	(6,771)
Cumulative effect of accounting change, net of income taxes(3) .....	—	(6,138)	—	—	—
Net income (loss) .....	5,706	(6,480)	(1,713)	13,852	(6,771)
Preferred stock dividend requirements .....	—	—	—	(629)	(5,205)
Preferred stock accretion .....	—	—	—	(26,611)	(17,221)
Income (loss) applicable to common shares ..	5,706	(6,480)	(1,713)	(13,388)	(29,197)
<b>BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE:</b>					
Income (loss) before cumulative effect of accounting change .....	\$ 0.12	\$ (0.01)	\$ (0.05)	\$ (0.42)	\$ (121.65)
Cumulative effect of accounting change .....	—	(0.14)	—	—	—
Basic and diluted net income (loss) per common share .....	\$ 0.12	\$ (0.15)	\$ (0.05)	\$ (0.42)	\$ (121.65)
Weighted average number of common shares used in calculation:					
Basic .....	46,515	43,177	34,218	31,715	240
Fully diluted(4) .....	46,837	43,177	34,218	31,715	240
	<b>December 31,</b>				
	2003	2002	2001	2000	1999
<b>BALANCE SHEET DATA(1):</b>					
Current assets .....	\$ 16,068	\$ 16,984	\$ 12,179	\$ 12,012	\$ 10,329
Total assets .....	373,301	308,030	306,356	252,733	83,727
Current liabilities .....	7,958	7,948	6,054	4,902	3,115
Long-term debt and capital leases, less current portion .....	67,714	11,449	87,094	45,094	25,331
Redeemable preferred stock .....	—	—	—	—	89,265
Total stockholders' equity (deficit) .....	\$283,798	\$278,490	\$208,338	\$ 198,420	\$ (37,810)

(1) Acquisitions in 2003, 2002, 2001, 2000, and 1999 affect comparability among years (see Note 2 in Notes to Consolidated Financial Statements).

(2) Under current accounting guidance, amounts formerly recorded as extraordinary loss due to the write-off of unamortized deferred finance costs are now included as a component of interest expense. Those amounts previously recorded in extraordinary loss and now included in interest expense are \$1.1 million

and \$0.5 million for the years 2000 and 1999, respectively. In 2003, Regent wrote-off approximately \$1.0 million in unamortized deferred finance costs, which are included as a component of interest expense.

- (3) Refer to Note 8 of the Notes to Consolidated Financial Statements.
- (4) Shares for fully diluted are the same as basic in years 1999 through 2002 as the effect of outstanding common stock options and warrants was anti-dilutive in those years.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Overview**

#### ***Cautionary Statement Concerning Forward-Looking Statements***

This Form 10-K includes certain forward-looking statements with respect to our company and its business that involve risks and uncertainties. These statements are influenced by our financial position, business strategy, budgets, projected costs and the plans and objectives of management for future operations. We use words such as "anticipate," "believe," "plan," "estimate," "expect," "intend," "project" and other similar expressions. Although we believe our expectations reflected in these forward-looking statements are based on reasonable assumptions, we cannot assure you that our expectations will prove correct. Actual results and developments may differ materially from those conveyed in the forward-looking statements. For these statements, we claim the protections for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Important factors that could cause actual results to differ materially from the expectations reflected in the forward-looking statements made in this Form 10-K include changes in general economic, business and market conditions, as well as changes in such conditions that may affect the radio broadcast industry or the markets in which we operate, including, in particular, the current political unrest and ongoing war on terrorism in the Middle East, increased competition for attractive radio properties and advertising dollars, fluctuations in the cost of operating radio properties, our ability to manage our growth, our ability to integrate our acquisitions, and changes in the regulatory climate affecting radio broadcast companies. Further information on other factors that could affect the financial results of Regent Communications, Inc. is included in Regent's other filings with the Securities and Exchange Commission. These documents are available free of charge at the Commission's website at <http://www.sec.gov> and/or from Regent Communications, Inc. The forward-looking statements speak only as of the date on which they are made, and we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this Form 10-K. If we do update one or more forward-looking statements, you should not conclude that we will make additional updates with respect to those or any other forward-looking statements.

#### ***Executive overview***

We formed Regent in November 1996 to acquire, own and operate clusters of radio stations in mid-sized and small markets. Our primary objective is to increase Regent's value to our stockholders by growing the number of radio stations and markets in which we operate and by improving the financial performance of the stations we own and operate in those markets. We measure our progress by evaluating our ability to continue to increase the number of stations we own and to improve the post-acquisition performance of the radio stations that we acquire.

*Growth in radio stations and markets.* Since our inception, we have negotiated 35 separate transactions for the acquisition and disposition of radio stations in various markets. We have grown rapidly to our current size of 75 radio stations in fifteen markets. We achieved this growth through completed and pending acquisitions of 108 stations in 26 markets and the sale or exchange of 33 stations in eleven markets. We expect to continue to grow our company by entering new markets where we see growth potential.

Additionally, we seek to continue to strategically upgrade our presence in each of our markets through additional acquisitions and to continue to enhance our radio portfolio by selling or exchanging existing stations for stations in markets where there is more opportunity for growth. Of our radio station portfolio, 35 stations



have been owned or operated by our Company for less than three years. We consider this group as being in the start-up or developmental stages and are the stations that have the most opportunity for improved results going forward.

Our strategy is illustrated by our February 2003 acquisition of 12 radio stations in four markets from Brill Media Company LLC. That acquisition positioned us to negotiate the following additional four complementary transactions (See Note 2 in the Notes to Consolidated Financial statements), which strengthened our position in certain markets and allowed us to enter a new, more attractive market:

- The exchange of four radio stations in Duluth, Minnesota that we had acquired in the Brill transaction, for five radio stations serving the Evansville, Indiana market, a market that we already have a presence in through the Brill transaction. This transaction was completed in January 2004.
- The pending purchase of two radio stations serving the Ft. Collins-Greeley, Colorado market, one of which we began providing programming and other services to in February 2003.
- The exchange of six radio stations we currently own in two markets, Erie and Lancaster, Pennsylvania for five radio stations serving the Bloomington, Illinois market. In February 2004, we began providing programming and other services to the stations we intend to acquire, and the purchaser of the stations we intend to sell began providing the same such services to those stations.
- The pending transaction in Ft. Collins-Greeley in which we will receive \$1.0 million in cash, net of our costs, from another operator to move our antenna off the KTRR-FM tower to our KUAD-FM tower, which will enable us to have a better signal into the Ft. Collins-Greeley market as well as relieve us of the long-term lease obligation on the KTRR tower.

In order to fuel our growth, we have obtained funds from a variety of financing transactions, including our January 2000 initial public offering, our November 2001 private placement of common stock, our April 2002 public offering of common stock, and our credit facilities from financial institutions. After giving effect to our pending transactions, we currently have available \$69.7 million under our current credit facilities for future acquisitions and other purposes, subject to the terms and conditions of our credit facility. Additionally, subject to market conditions, Regent's financial performance and other factors, we have the ability to quickly access the public markets for up to approximately \$171.2 million through additional public offerings of common or preferred stock and/or various debt securities pursuant to our currently effective shelf registration on file with the Securities and Exchange Commission.

*Performance of our stations and markets.* The principal source of our revenue is the sale of broadcasting time on our radio stations for advertising. Our revenue is driven primarily by the amount of advertising time that we sell and the advertising rates that our radio stations are able to charge. The advertising rates are based upon a station's ability to attract audiences in the demographic groups targeted by its advertisers, as measured principally by periodic Arbitron Radio Market Reports. In evaluating the performance of our various radio stations in our various markets, we focus on same station results as well as overall growth in our revenues and profitability. We believe that meaningful quarter-to-quarter comparisons can be made for results of operations for those markets in which we have been operating for five full quarters, exclusive of stations acquired or disposed of during those periods. Additionally, barter is excluded in this comparison, as it customarily results in volatility between quarters, although differences over the full year are not material.

The advertising environment for radio in 2003 was comparable to 2002, as advertiser demand for air time was sluggish. The war in Iraq slowed what appeared to be a promising first quarter after a relatively strong start in January and February of 2003. The war, combined with the lingering events of September 11, 2001 and generally weak economic conditions, created a difficult two-year period for the radio industry as a whole, including Regent. We anticipate that the demand for advertising will improve somewhat in 2004. While political advertising was less than 1% of our revenue stream in 2003, we expect to see a bigger impact in 2004 as it is a presidential election year. We also anticipate that the 2004 Olympics will generate additional radio advertising because some advertisers will be unable to obtain television airtime for advertising and typically look to increased radio advertising as an alternative.

Our financial results are dependent on a number of factors, including the general strength of the local and national economies, population growth, the ability to provide popular programming, local market and regional competition, relative efficiency of radio broadcasting compared to other advertising media, signal strength and government regulation and policies. From time to time, the markets in which we operate experience weak economic conditions that may negatively affect our revenue. We believe, however, that this impact is somewhat mitigated by our diverse geographical presence.

Our financial results are seasonal. As is typical in the radio broadcasting industry, we expect our first calendar quarter to produce the lowest revenues for the year, and the fourth calendar quarter to produce the highest revenues for the year. Our operating results in any period may be affected by the incurrence of advertising and promotion expenses that do not necessarily produce commensurate revenues until the impact of the advertising and promotion is realized in future periods.

To enhance the operations of our stations we have organized oversight of the radio stations into four regions with a regional vice president responsible for the operations in each region as well as their own market. The synergies and idea sharing that has been generated by this alignment has been strategic as we continue to develop our stations. Additionally, we have invested in our corporate infrastructure to accommodate our acquisition strategy. We believe that we are well positioned to rapidly and significantly increase the size of our company, with relatively minimal increases in corporate overhead.

Prior to 2002, and excluding gains on the sale or exchange of radio stations, we have historically generated net losses, primarily as a result of significant non-cash charges for depreciation and amortization relating to the acquisitions of radio stations and interest charges on outstanding debt. The FCC licenses and goodwill attributable to substantially all of our radio stations have historically been amortized on a straight-line method over a 15-to 40-year period. Upon adoption of SFAS 142 in January 2002, we ceased amortizing all goodwill and FCC licenses. Additionally, the goodwill and FCC licenses that we recorded for acquisitions that we completed subsequent to July 1, 2001, were not amortized due to this new guidance. Based upon the large number of acquisitions we consummated within the last three years, we anticipate that depreciation charges will continue to be significant for several years. To the extent that we complete additional acquisitions, our interest expense and depreciation charges related to property and equipment and other intangible assets are likely to increase.

#### *The Sarbanes-Oxley Act of 2002 — Section 404*

The Sarbanes-Oxley Act of 2002 was enacted on July 30, 2002, largely in response to a number of major corporate and accounting scandals involving some of the largest and well-known companies in the United States. In the second half of 2002 and in fiscal year 2003, we have expended significant internal resources to comply with the new corporate governance mandates contained in this law and related regulations adopted by the Securities and Exchange Commission, the Department of Labor and the Nasdaq National Market. Section 404 of the Sarbanes-Oxley Act becomes effective this year and it requires that by December 31, 2004, we must:

- Document and test the internal controls over financial reporting;
- Form an evaluation, based on sufficient evidence, as to the overall effectiveness of our system of internal controls over financial reporting and;
- Issue an annual assertion on the effectiveness of internal control over financial reporting beginning with the year ended December 31, 2004.

We will incur approximately \$0.6 million in increased costs in 2004 to comply with Section 404 and we are uncertain as to the long term cost effects at this time. Our external auditors must review the work performed by management and perform independent tests of the internal controls and will then issue a report on internal control over financial reporting. We are currently in the process of documenting all of the financial processes and internal controls in all of our radio stations as well as in the corporate office and anticipate testing our controls in the second quarter of 2004. Any weaknesses in our internal controls that are found

during the testing will be remediated and then retested. We believe that we will be in full compliance with Section 404 by the end of 2004.

### *Critical Accounting Policies*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make judgments and estimates that affect the reported amounts of assets, liabilities, revenues, and expenses, and related disclosures of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, the most significant of which include establishing allowances for doubtful accounts, allocating the purchase price of acquisitions, evaluating the realizability of our deferred tax assets, determining the recoverability of our long-lived assets, and evaluating our goodwill and indefinite-lived intangible assets for impairment. The basis for our estimates are historical experience and various assumptions that are believed to be reasonable under the circumstances, given the available information at the time of the estimate, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions and conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

*Goodwill and Indefinite-Lived Intangible Assets* — Our FCC licenses qualify as indefinite-lived intangible assets, and represent a significant portion of the assets on our balance sheet. We apply a fair value approach employing a discounted cash flow methodology to test impairment of both indefinite-lived intangible assets and goodwill on a market by market basis. To arrive at a value for discounted cash flow of a market, management relies upon estimates of future cash flows and the effects of changes in business conditions. Local economic conditions in each of our markets could impact whether an FCC license or goodwill is impaired, as a decrease or increase in market revenue could negatively or positively impact discounted cash flows. Additionally, other factors such as interest rates, the performance of the S&P 500, as well as capital expenditures can affect the discounted cash flow analysis. To the extent that the carrying value exceeds the fair value of the assets, an impairment loss will be recorded in operating income.

*Impairment of Long-Lived Assets* — Our long-lived assets to be held and used (fixed assets and definite-lived intangible assets) are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposal of the asset. If we were to determine that the carrying amount of an asset was not recoverable, we would record an impairment loss for the difference between the carrying amount and the fair value of the asset. We determine the fair value of our long-lived assets based upon the market value of similar assets, if available, or independent appraisals, if necessary. Long-lived assets to be disposed of and/or held for sale are reported at the lower of carrying amount or fair value, less cost to sell. We determine the fair value of these assets in the same manner as described for assets held and used. The amount of intangibles with definite lives that we have recorded is not material.

*Deferred Tax Assets* — At December 31, 2003, we had a deferred tax asset of approximately \$16.9 million before valuation allowance, the primary component of which is our net operating loss carryforwards. While we have a valuation allowance of \$3.9 million set up for tax assets expiring through 2016, we have determined that it is not necessary to record a valuation allowance against our net operating loss carryforwards for years 2017 through 2023, based on estimated future taxable income during those years. Our estimated future taxable income in those periods takes into consideration the run-off of significant tax amortization related to existing FCC licenses and deductible goodwill by 2016. However, there is no assurance that our projections will be achieved, and if our taxable income projections fall short, we most likely would need to record additional valuation allowance against the deferred tax assets that would not be utilized. The need to record an additional valuation allowance against our deferred tax assets is reviewed quarterly, and if we were to determine that we would be unable to realize a portion, or the remainder of the deferred tax assets in the future, an adjustment to the

deferred tax assets would be recorded as expense in the period such determination was made. Additionally, if it were determined that we would be able to utilize a portion of the net operating loss carryforwards that are reserved for in the valuation allowance, an adjustment to the valuation allowance would be recorded as a reduction of expense. If our provisions for current or deferred taxes are not adequate due to unfavorable law changes or unforeseen circumstances, we could experience losses in excess of the current or deferred income tax provisions we have established.

*Allowance for Doubtful Accounts* — We maintain an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. We routinely review customer account activity in order to assess the adequacy of the allowances provided for potential losses. Based on historical information, we believe that our allowance is adequate. However, changes in general economic, business and market conditions could affect the ability of our customers to make their required payments; therefore, the allowance for doubtful accounts is reviewed monthly and changes to the allowance are updated as new information is received. A one percent change to our allowance as a percent of our outstanding accounts receivable at December 31, 2003 would cause a decrease in net income of approximately \$0.1 million, net of tax.

### ***Effect of Recently Issued Accounting Pronouncements***

In May 2003, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards No. 150, “Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity” (“SFAS 150”). SFAS 150 changes the accounting for certain financial instruments that, under previous guidance could be classified as equity or mezzanine equity by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the balance sheet. SFAS 150 affects an entity’s classification of mandatorily redeemable instruments, financial instruments to repurchase an entity’s own equity instruments and financial instruments embodying obligations that the issuer must or could choose to settle by issuing a variable number of its shares or other equity instruments based entirely on a fixed monetary amount known at inception or something other than changes in its own equity instruments. The Company adopted SFAS 150 effective June 30, 2003, with no impact to the Company’s financial position, cash flows or results of operations. Under its currently effective shelf registration statement, the Company has the ability to offer for sale financial instruments with characteristics of both debt and equity. If the Company were to issue such instruments, the provisions of SFAS 150 would be applied.

### **Results of Operations**

The key factors that have affected our business over the last three years are discussed and analyzed in the following paragraphs. This commentary should be read in conjunction with our consolidated financial statements and the related footnotes included herein.

#### ***2003 Compared to 2002***

Results from operations in 2003, as compared to 2002, were affected considerably by full year results for our 2003 acquisitions in Evansville, Indiana, Ft. Collins-Greeley, Colorado and Lancaster, Pennsylvania which we began operating in September 2002, and to a lesser extent our 2002 acquisitions of radio stations in Flint and Grand Rapids, Michigan (see Note 2 in the Notes to the Financial Statements). Additionally, in March 2003, we began operating five additional stations in Evansville, Indiana under a time brokerage agreement with Clear Channel Broadcasting, Inc. and its related affiliates. Accordingly, the results of our operations in 2003 are not comparable to those of the prior period, nor are they necessarily indicative of future results.

#### ***Net Broadcast Revenues***

The radio industry has experienced a difficult last few years as the effects of September 11, 2001, the war on terrorism, the war in Iraq and other related events, negatively impacted the advertising environment. Overall advertising growth has remained somewhat flat in 2003 with national business showing larger growth

than local business. We have felt the impact of such matters and we believe our financial performance is comparable to the radio industry as a whole. However, the national growth was not as significant to us as national advertising only represents approximately 15% of our revenue. Additionally, eleven of our markets are over 100 in terms of market revenue rank where national business growth was not as significant as in the larger markets. Accordingly, our results were much more impacted by locally driven revenues.

Net broadcast revenues of approximately \$80.6 million in 2003 represented a 14.5% increase over 2002 net revenues of approximately \$70.4 million. Approximately \$8.2 million of the increase was attributable to full year results for stations we acquired in 2003. Results for the stations we began operating under time brokerage agreements in 2003 contributed approximately \$2.9 million of the net revenue increase, and the difference was due to revenue decreases at stations we owned for both years.

The increase in net revenue in 2003 of \$10.2 million was comprised primarily of: \$9.6 million of local revenue; \$1.3 million of national revenue; \$0.6 million of non-traditional broadcast revenue; and \$0.1 million of non-cash barter revenue. These increases were partially offset by decreases in political revenues of \$0.8 million, as 2003 was an off election year, and other miscellaneous revenue of \$0.6 million. The Evansville stations that we exchanged for the Duluth stations accounted for revenue generated during 2003 that was not in our 2002 revenue, although that effect was somewhat mitigated by our operation of the Duluth stations from September 2002 through December 2002.

#### *Station Operating Expenses*

Operating expenses were approximately \$56.5 million in 2003, compared to approximately \$49.0 million in 2002. The increase is primarily a result of full year results for the stations we acquired in 2003, which represented approximately \$5.0 million of the increase, as well as expenses for the stations we purchased or operated under time brokerage agreements in 2003, which added approximately \$3.3 million of additional operating expense. The remaining \$0.8 million of cost reduction was attributable to cost savings at the stations we have owned for all of 2002 and 2003. Part of the savings was attributable to compensation savings as a result of the revenue shortfalls.

As 2003 was a difficult year for advertising revenue, it was important for us to balance our investment spending with cost control. Our discretionary dollars remained relatively flat to prior year spending. We have continued to invest in research and promotional expenses, which we incur to properly target our intended demographic audiences within our markets, as well as to promote our radio stations through various advertising campaigns and contest prize give-aways, as we believe these expenditures will promote long-term growth at our radio stations. Expenses directly related to the generation of revenue such as sales commissions increased approximately \$1.9 million. The administrative costs required to operate the facilities at our markets such as power and rent increased by approximately \$1.6 million and our compensation and benefits expenses increased by approximately \$3.7 million. Non-cash barter expense increased by \$0.4 million in 2003.

#### *Depreciation and Amortization*

Depreciation and amortization expense increased by 27.0%, from approximately \$3.4 million in 2002, to approximately \$4.3 million in 2003. This was primarily due to increased depreciation expense related to acquisitions that were closed during 2003 and the second half of 2002.

#### *Corporate Expense*

Corporate general and administrative expenses in total remained relatively flat in 2003 compared to 2002. However, variances occurred within various accounts. Those variances include increases in: payroll expense due to annual performance increases; travel and entertainment; technology communications expense as a result of the addition of four markets purchased from Brill Media; management conferences not held in the prior year; and increased rent expense primarily as a result of the termination of the sublease of our old office space. These increases were offset by an approximate 50% decrease in incentive compensation due to the difficult business revenue environment in 2003.

### *Interest Expense*

Interest expense increased by 66.3% from \$2.2 million in 2002 to \$3.7 million in 2003. The increase was due to debt that was incurred to close the Brill transaction in February 2003, as well as the write-off of approximately \$1.0 million in unamortized deferred finance costs related to our old credit facility. Average outstanding long-term debt balances in 2003 were \$62.1 million compared to \$33.8 million in 2002. The increase in interest expense was somewhat mitigated by a lower weighted average interest rate in 2003 of 2.87% compared to 3.59% in 2002.

### *Income Taxes*

We recorded income tax expense of approximately \$4.0 million in 2003 representing a 41% effective rate. The rate includes a state rate of approximately 5.7% as well as the 34% federal rate. Additionally, 1.8% was attributed to a small valuation allowance we recorded for state net operating losses generated in 2003 and miscellaneous adjustments accounted for a decrease of 0.5%. We recorded income tax expense of approximately \$7.2 million in 2002, prior to the income tax benefit from cumulative effect of accounting change. This represented a 34% federal rate and a 4.8% state rate, and included \$4.4 million of income tax expense related to the establishment of valuation allowances on our federal and state net operating loss carryforwards scheduled to expire in the years 2002 through 2016. In arriving at the determination as to the amount of the valuation allowance required for the year ended December 31, 2002, we considered the impact of deferred tax liabilities resulting from purchase transactions, statutory restrictions on the use of operating losses, and a tax planning strategy available to us. We determined that when considering the current state of private market values for radio station assets, it would be more likely than not that we would not be able to implement our tax planning strategy within the foreseeable future resulting in the establishment of the valuation allowance.

We determined that it was not necessary in 2003 to record additional valuation allowance against our Federal net operating loss carryforwards for years 2017 through 2023, based on estimated future taxable income during those years. Our estimated future taxable income in those periods takes into consideration the run-off of significant tax amortization related to existing FCC licenses and deductible goodwill by 2016.

We have cumulative federal and state tax loss carryforwards of approximately \$64.0 million at December 31, 2003, which expire in the years 2004 through 2023. The utilization of a portion of the net operating loss carryforwards for federal income tax purposes is limited, pursuant to the annual utilization limitations provided under the provisions of Internal Revenue Code Section 382.

### *Same Station Results*

Our revenues are produced exclusively by our radio stations and we believe that an analysis of the revenue of stations that we owned for the full years 2002 and 2003 is important because it presents a more direct view of whether or not our stations are operating effectively. Nevertheless, this measure should not be considered in isolation or as a substitute for broadcast net revenue, operating income (loss), net income (loss), net cash provided by (used in) operating activities or any other measure for determining our operating performance or liquidity that is calculated in accordance with generally accepted accounting principles.

While acquisitions have affected the comparability of our 2003 operating results to those of 2002, we believe meaningful quarter-to-quarter net broadcast revenue comparisons can be made for results of operations for those markets in which we have been operating for five full quarters, exclusive of markets disposed of during those years. The following comparable results between 2003 and 2002 includes the results

of 61 stations in twelve markets and are listed in the table below by quarter, excluding the effect of barter transactions (dollars in thousands).

	<u>2003 Net Revenue</u>	<u>2002 Net Revenue</u>	<u>% Change</u>
<i>Quarter 1</i>			
Net broadcast revenue.....	\$16,733	\$12,986	
Less remaining stations and barter effect .....	<u>4,209</u>	<u>691</u>	
Same station net broadcast revenue .....	\$12,524	\$12,295	1.9%

Revenue for the first quarter of 2003 was negatively impacted by the war in Iraq, as March was particularly affected after two fairly successful months in January and February. In addition, we had a very successful first quarter of 2002, making comparable revenue growth in 2003 difficult, given the economic climate. Also, we had political revenue of approximately \$150,000 in the first quarter of 2002 that we did not have in the first quarter of 2003.

	<u>2003 Net Revenue</u>	<u>2002 Net Revenue</u>	<u>% Change</u>
<i>Quarter 2</i>			
Net broadcast revenue.....	\$21,453	\$17,262	
Less remaining stations and barter effect .....	<u>5,407</u>	<u>1,072</u>	
Same station net broadcast revenue .....	\$16,046	\$16,190	(0.9)%

Revenue for the second quarter was slightly down compared to the prior year quarter results, as advertising economic conditions showed continued negative impact from the war. April revenue exceeded prior year and May and June were down 2% and 3.5%, respectively. Additionally, we had a non-traditional broadcast revenue shortfall of approximately \$150,000.

	<u>2003 Net Revenue</u>	<u>2002 Net Revenue</u>	<u>% Change</u>
<i>Quarter 3</i>			
Net broadcast revenue.....	\$21,353	\$18,710	
Less remaining stations and barter effect .....	<u>5,203</u>	<u>2,066</u>	
Same station net broadcast revenue .....	\$16,150	\$16,644	(3.0)%

The weakness in the advertising economy continued into the third quarter of 2003 as revenue was lower by \$0.5 million compared to 2002. Local revenue was flat compared to the prior year third quarter and national was favorable by 2.6%. Non-traditional broadcast revenue was down by approximately \$0.5 million, half of which was related to two events that were cancelled in 2003 but were included in 2002 results. Political revenue was down by approximately \$0.2 million compared to the third quarter of 2002.

	<u>2003 Net Revenue</u>	<u>2002 Net Revenue</u>	<u>% Change</u>
<i>Quarter 4</i>			
Net broadcast revenue.....	\$21,039	\$21,432	
Less remaining stations and barter effect .....	<u>5,164</u>	<u>5,441</u>	
Same station net broadcast revenue .....	\$15,875	\$15,991	(.7)%

Net revenue for the fourth quarter of 2003 showed some modest improvement in the advertising environment as October was down 2.8% and November and December were flat compared to the fourth quarter of 2002. Local revenue was up 3% and political revenue was down by approximately \$0.5 million as

2002 fourth quarter had some hotly contested elections in some of our markets. Additionally, non-traditional broadcast revenue was down by approximately \$0.2 million compared to the fourth quarter of 2002.

### *2002 Compared to 2001*

Results from operations in 2002, as compared to 2001, were affected considerably by full year results for our 2001 acquisitions in Peoria, Illinois, Lafayette, Louisiana, and to a lesser extent, Erie, Pennsylvania, and our 2002 acquisitions of radio stations in Flint and Grand Rapids, Michigan, as well as the 2001 disposition of our stations in Palmdale, California. Additionally, in September 2002, we began operating the Brill Media stations under time brokerage agreements. Accordingly, the results of our operations in 2002 are not comparable to those of the prior period, nor are they necessarily indicative of future results. Additionally, our results for the third and fourth quarters of 2001 were negatively impacted by the September 11, 2001 terrorist attacks.

### *Net Broadcast Revenues*

Net broadcast revenues were approximately \$70.4 million in 2002, a 31.0% increase over 2001 net revenues of approximately \$53.7 million. Approximately \$9.3 million of the increase was attributable to full year results for stations we acquired in 2001. Results for the stations we acquired or began operations under time brokerage agreements in 2002 contributed approximately \$6.6 million of the net revenue increase, and the remainder was due to revenue increases at stations we owned for both years, offset partially by the sale of our Palmdale, California stations during 2001.

### *Station Operating Expenses*

Operating expenses were approximately \$49.0 million in 2002, compared to approximately \$38.5 million in 2001. The increase is primarily a result of full year results for the stations we acquired in 2001, which represented approximately \$5.8 million of the increase, as well as expenses for the stations we purchased or operated under time brokerage agreements in 2002, which added approximately \$5.6 million of additional operating expense. A significant portion of the increase in our operating expense was due to research and promotional expenses we incurred to properly target our intended demographic audiences within our markets, as well as to promote our radio stations through various advertising campaigns and contest prize give-aways, which we believe will promote long-term growth at our radio stations.

### *Depreciation and Amortization*

Depreciation and amortization expense decreased by 75.0% from approximately \$13.4 million in 2001 to approximately \$3.4 million in 2002. Effective January 1, 2002, we adopted the provisions of SFAS 142, which eliminated the amortization of goodwill and other intangible assets determined to have an indefinite life, and also requires an annual impairment testing of those assets. Amortization expense related to goodwill and indefinite-lived intangible assets was approximately \$6.3 million, net of income taxes, for the year ended December 31, 2001.

### *Corporate Expenses*

Corporate general and administrative expenses increased from approximately \$4.9 million in 2001 to approximately \$6.1 million in 2002. This increase was due to a combination of the following: salary components of two employees who were charged at the market level in 2001 and were charged to corporate expense in 2002, due to our ability to leverage those resources at the corporate level; increased legal expenses; implementation of and compliance with various provisions of the Sarbanes-Oxley Act of 2002; an increase in



Director's and Officer's insurance premiums; and cash compensation paid to outside Directors for their service on the Company's Board of Directors, a policy which began in 2002.

#### *Impairment of Goodwill*

In conjunction with our annual impairment testing of goodwill and indefinite-lived intangible assets, it was determined that the fair value of goodwill for our Peoria, Illinois market was less than the carrying value of the goodwill recorded in our financial statements. As a result, during the fourth quarter of 2002, we recorded an impairment charge of \$1.8 million, net of income taxes, against operating income.

#### *Gain on Sale on Long-lived Assets*

On March 12, 2002, we completed the sale of WGNA-AM in Albany, New York for \$2.0 million in cash. We recorded a pre-tax gain of approximately \$442,000 on the sale. We treated the disposal of WGNA-AM as the disposal of long-lived assets, rather than a business or a component of a business, due to the fact that the stations had no independent revenue stream from its operations.

#### *Interest Expense*

Interest expense decreased by 32.7% in 2002 compared to 2001. The decrease was primarily the result of the paydown of outstanding debt under our credit facility with proceeds from our April 2002 stock offering. Also contributing to the decrease was lower interest rates throughout 2002, as compared to 2001. The weighted average interest rate for the year 2002 was 3.59%, compared to 5.32% for the 2001 year. The weighted average interest rate at December 31, 2002 was 2.67%, as compared to an average interest rate of 3.37% at December 31, 2001.

#### *Gain on Sale of Radio Stations*

On June 1, 2001, we completed the sale of our three stations in Palmdale, California to Concord Media Group, Inc. We recognized a pre-tax gain of approximately \$4.4 million on this transaction, which is reflected in the Consolidated Statements of Operations for the year ended December 31, 2001.

#### *Income Taxes*

We recorded income tax expenses of approximately \$7.2 million in 2002, prior to the income tax benefit from cumulative effect of accounting change. This represents a 34% federal rate and a 4.8% state rate, and includes \$4.4 million of income tax expense related to the establishment of valuation allowances on our federal and state net operating loss carryforwards scheduled to expire in the years 2002 through 2016. We had cumulative federal and state tax loss carryforwards of approximately \$49.8 million at December 31, 2002, which expire in the years 2003 through 2022. The utilization of a portion of the net operating loss carryforwards for federal income tax purposes is limited, pursuant to the annual utilization limitations provided under the provisions of Internal Revenue Code Section 382. In arriving at the determination as to the amount of the valuation allowance required for the years ended December 31, 2002 and 2001, we considered the impact of deferred tax liabilities resulting from purchase transactions, statutory restrictions on the use of operating losses, and a tax planning strategy available to us. Consequently, during the second half of 2002, we determined that when considering the current state of private market values for radio stations assets, it would be more likely than not that we would not be able to implement our tax planning strategy within the foreseeable future.

#### *Cumulative Effect of Accounting Change*

Upon the adoption of SFAS 142, we completed a transitional impairment analysis of our indefinite-lived FCC licenses and recorded an impairment of approximately \$3.9 million, net of income tax benefit of approximately \$2.4 million. Additionally, we completed the two-step transitional impairment analysis of goodwill and recorded impairment loss of approximately \$2.2 million, net of income tax benefit of approximately \$1.4 million. To estimate fair value, we used a discounted cash flow methodology. These losses

are reflected as a cumulative effect of accounting change in the Consolidated Statements of Operations for the year ended December 31, 2002.

## **Liquidity and Capital Resources**

### *Executive Overview*

Since our inception, we have demonstrated our ability to access the public markets to raise capital for acquisitions as discussed above. We have also negotiated three separate credit facilities with a number of banking institutions, with the most recent credit facility being put in place in June 2003. We believe that we have sufficient access to funds so that we will be able to continue to pursue our growth strategy during 2004.

Our liquidity has been supported by a strong credit policy that has enabled the Company to keep write-offs of accounts receivable to approximately 1% of net revenue or lower in the last three years. Additionally, our accounts receivable days sales outstanding decreased the last three years from 68 days in 2001 to 63 days in 2003, which was further strengthened in 2003 by the implementation of a bonus program for the business offices in our radio stations, which is based on certain criteria related to the collection of accounts receivables.

We expect the long-term liquidity of the Company to be strong, as radio stations typically do not have large capital requirements. Excluding consolidation projects, where we consolidate duplicate facilities in a market, our capital expenditures have been approximately 2% of our net revenue. Additionally, we have maintained a disciplined acquisition approach that has enabled us to consistently keep our debt leverage under our bank covenant levels. One half of our outstanding term loan is on a fixed interest rate through June 2006 and the other half is variable rate. Our interest rates are based on LIBOR rates and we had a weighted average interest rate in 2003 of 2.87%. Our term loan begins to reduce on December 31, 2004 with an initial payment of approximately \$0.8 million and continues quarterly thereafter to termination. The revolving credit facility begins to reduce on June 30, 2005 and continues thereafter to termination.

We believe the cash generated from operations and available borrowings under our credit facility will be sufficient to complete our pending acquisition and to meet our requirements for corporate expenses and capital expenditures for the remainder of 2004, based on our projected operations and indebtedness and giving effect to scheduled credit facility commitment reductions. After giving effect to all completed and pending asset transactions, at December 31, 2003, outstanding borrowings under our existing credit facility would be approximately \$80.2 million, with available borrowings of approximately \$70.7 million, subject to the terms and conditions of the credit facility. We have the capability to borrow up to a leverage ratio of 6.00 :1.00 through 2004 and at December 31, 2003 our debt leverage ratio including all pending transactions was 4.32 :1.00.

Upon the completion of our pending transactions in Bloomington, Illinois and Ft. Collins-Greeley, Colorado, where we will likely borrow on our revolving credit facility, we expect the long-term cash needs of the Company to be satisfied by cash from operating activities, including the scheduled reductions of our credit facility. We will further reassess our long-term cash requirements as additional acquisitions may be identified.

### *Discussion of Consolidated Statements of Cash Flows*

Our cash and cash equivalents balance at December 31, 2003 was approximately \$1.7 million compared to approximately \$2.7 million at December 31, 2002. The decrease is due primarily to a decrease in deposits in transit that is related to improvements in our cash management system through migration to a lockbox collection process. Consolidated cash balances are typically maintained between one to two million dollars as excess cash generated by operating activities after investing activities is utilized to pay down the revolving credit facility.

Net cash provided by operating activities was approximately \$14.0 million in 2003, compared to approximately \$11.0 million in 2002 representing an increase of 27%. The increase was due primarily to the operating activities of radio stations acquired or operated under time brokerage agreements in 2003 and in the latter part of 2002. The increase in accounts receivable reduced net cash from operating activities by

\$0.7 million in 2003 compared to \$4.6 million in 2002. The increase in the 2002 accounts receivable was due primarily to the increase of the Brill station accounts receivables that we began operating in September 2002.

Cash flow used in investing activities was approximately \$68.3 million in 2003 compared to approximately \$8.3 million in 2002. The increase in 2003 was due primarily to the acquisition of the Brill stations in 2003. Capital expenditures were higher in 2003 by approximately \$1.2 million due to consolidation projects in Flint and Peoria and new facilities in Utica.

Cash flows provided by financing activities were approximately \$53.4 million in 2003, compared to cash flows used in financing activities of approximately \$1.8 million in 2002. The increase in 2003 reflects the borrowing of funds to close the Brill transaction in 2003. During 2002, proceeds received from our April 2002 stock offering and the final proceeds received from our November 2001 private placement of equity were used to repay borrowings under our credit facility.

### *Sources of Funds*

In 2003, our sources of cash totaled approximately \$150.5 million, including \$72.9 million borrowed to pay off the old credit facility, and were derived from a combination of: cash provided by operating activities; borrowings under our new credit facility net of financing costs; and, to a much lesser extent, net proceeds from the sale of long-lived assets.

On June 30, 2003, we entered into a new senior secured reducing credit agreement with a group of lenders that provides for a maximum aggregate principal amount of \$150.0 million, consisting of a senior secured revolving credit facility in the aggregate principal amount of \$85.0 million and a senior secured term loan facility in the amount of \$65.0 million. The credit facility includes a commitment to issue letters of credit of up to \$35.0 million in aggregate face amount, subject to the maximum revolving commitment available. Regent incurred approximately \$2.0 million in financing costs related to the new credit facility, which are being amortized over the life of the facility using the effective interest method. The new credit facility is available for working capital and permitted acquisitions, including related acquisition costs. At December 31, 2003, we had borrowings under the new credit facility of \$67.5 million, comprised of a \$65.0 million term loan and \$2.5 million of revolver borrowings, and available borrowings of \$82.5 million, subject to the terms and conditions of the facility. The borrowings under the new credit facility were used to pay off the outstanding indebtedness under the old credit facility and the financing costs related to the new credit facility. At June 30, 2003, we incurred approximately \$1.0 million of interest expense to write-off unamortized deferred finance costs related to our old credit facility. At December 31, 2002, we had borrowings of approximately \$11.0 million under our old credit facility.

The term loan commitment reduces over seven years beginning on December 31, 2004, and the revolving commitment begins reduction on June 30, 2005, approximately as follows (in thousands):

<u>December 31,</u>	<u>Revolving Commitment</u>	<u>Term Loan Commitment</u>
2003 .....	\$85,000	\$65,000
2004 .....	85,000	64,188
2005 .....	81,175	60,450
2006 .....	72,888	54,275
2007 .....	60,350	44,363
2008 .....	42,288	31,200
2009 .....	21,463	15,600
2010 .....	-0-	-0-

The letter of credit subfacility of \$35.0 million reduces over a four- and one-half year period beginning June 30, 2006. The new credit facility also provides for an additional \$100.0 million incremental loan facility, subject to the terms of the facility, which matures not earlier than six months after the maturity date of the new credit facility, and is also subject to mandatory reductions. Borrowings that are outstanding under the

incremental loan facility after the original maturity date of the new credit facility may have different or additional financial or other covenants, and may be priced differently than the original term and revolving loans. The Company's ability to borrow amounts under this incremental loan facility expires June 30, 2006.

Under the current credit facility, we are required to maintain a maximum leverage ratio, minimum interest coverage ratio, and minimum fixed charge coverage ratio, as well as to observe negative covenants customary for facilities of this type. Borrowings under the new credit facility bear interest at a rate equal to, at our option, either (a) the higher of the rate announced or published publicly from time to time by the agent as its corporate base rate of interest or the Federal Funds Rate plus 0.5% in either case plus the applicable margin determined under the new credit facility, which varies between 0.0% and 1.5% depending upon our consolidated leverage ratio, or (b) the Eurodollar Rate plus the applicable margin, which varies between 1.5% and 3.0%, depending upon our consolidated leverage ratio. Borrowings under the new credit facility bore interest at an average rate of 3.15% at December 31, 2003. Borrowings under the old credit facility bore interest at an average rate of 2.67% at December 31, 2002. We are required to pay certain fees to the agent and the lenders for the underwriting commitment and the administration and use of the new credit facility. The underwriting commitment varies between 0.375% and 0.625% depending upon the amount of the new credit facility utilized. Our indebtedness under the new credit facility is collateralized by liens on substantially all of our personal property assets and by a pledge of our operating and license subsidiaries' stock and is guaranteed by those subsidiaries.

Under the terms of the new credit facility, we were required to enter into by December 31, 2003, and maintain for a two-year period after becoming effective, an interest rate protection agreement, providing interest rate protection for a minimum of one-half of the aggregate outstanding borrowings under the combined term loans and incremental term loans. In August 2003, we entered into a LIBOR-based forward interest rate swap agreement, which will effectively convert \$32.5 million of our variable-rate debt under the new credit facility to a fixed rate. The swap agreement becomes effective on June 30, 2004 and expires two years from that date. Under this agreement, payments will be made based on a fixed rate, which we set in August 2003 based on the market for a financial instrument of this type at that date. We have classified the swap agreement as a cash-flow hedge, in which we are hedging the variability of cash flows related to our variable-rate debt.

### *Uses of Funds*

In 2003, we utilized our sources of cash primarily to: repay borrowings of approximately \$82.0 million of which \$72.9 million was utilized to pay off our old credit facility; pay financing costs for the new credit facility of \$2.0 million; acquire radio stations and pay related acquisition costs totaling approximately \$62.9 million; and repurchase shares of our common stock for approximately \$1.0 million. Additionally in 2003, we funded capital expenditures of approximately \$5.0 million of which approximately \$3.2 million was utilized to upgrade our equipment and consolidate duplicate facilities in order to remain competitive and to create cost savings over the long term. Maintenance capital expenditures were \$1.8 million in 2003 compared to \$1.3 million in 2002. The increase in 2003 is due primarily to general increases in expenditures due to significantly more owned and operated stations in 2003. We expect capital expenditures to be approximately \$1.0 million in the first quarter of 2004 of which \$0.8 million is projected to be maintenance capital expenditures.

On February 25, 2003, we completed the acquisition of 12 radio stations from Brill Media Company LLC and its related entities. We began providing programming and other services to the stations under a time brokerage agreement on September 11, 2002. The stations we acquired and the markets they serve are as follows:

- WIOV-FM and WIOV-AM, serving the Lancaster-Reading, Pennsylvania market;
- WKDQ-FM, WBKR-FM and WOMI-AM, serving the Evansville, Indiana and Owensboro, Kentucky markets;
- KTRR-FM, KUAD-FM and KKQZ-FM (formerly a construction permit prior to commencing broadcast operations on November 1, 2002) serving the Ft. Collins-Greeley, Colorado market, and;

- KKCB-FM, KLDJ-FM, KBMX-FM and WEBC-AM, serving the Duluth, Minnesota market.

The purchase price of these assets, including acquisition costs, was approximately \$63.6 million, which we paid in cash through borrowings under our credit facility.

*Pending Sources and Uses of Funds — Transactions that have Subsequently Closed*

On February 27, 2003, we entered into an agreement with Clear Channel to exchange our four stations (KKCB-FM, KLDJ-FM, KBMX-FM and WEBC-AM) serving the Duluth, Minnesota market and \$2.7 million in cash for Clear Channel's five stations (WYNG-FM, WDKS-FM, WKRI-FM, WGBF-FM and WGBF-AM) serving the Evansville, Indiana market. On March 1, 2003, we began providing programming and other services to the Evansville stations, and Clear Channel began providing the same such services to the Duluth stations. On January 28, 2004, we completed the exchange with Clear Channel and paid \$2.7 million in cash.

*Pending Sources and Uses of Funds*

On January 10, 2003, we entered into an agreement to purchase substantially all the assets of KKPL-FM and KARS-FM, serving the Ft. Collins-Greeley, Colorado market from AGM-Nevada, L.L.C. for \$7.75 million. The purchase price is payable in a combination of \$5.0 million in cash and \$2.75 million in Regent common stock, based on a per share price equal to the average daily closing price for the ten consecutive trading days ending on the second trading day immediately preceding the closing date. In the event the average share price for that period is less than \$7.50 per share we may, at our sole discretion, reallocate the purchase price to increase the amount of cash consideration and reduce the portion paid in Regent common stock. On February 1, 2003, we began providing programming and other services to KKPL-FM under a time brokerage agreement. We have placed \$387,500 in escrow to secure our obligations under this agreement. The FCC has given us approval on this transaction and we expect to close late in the second quarter or early third quarter of 2004.

Additionally in the Ft. Collins-Greeley market, we have a pending transaction in which we will receive \$1.0 million in cash, net of our costs, from another operator to move our antenna off the KTRR-FM tower to our KUAD-FM tower that will enable us to have a better signal into the Ft. Collins-Greeley market as well as relieving us of a long-term lease on the KTRR tower. We anticipate completing this transaction sometime in the second quarter of 2004.

On February 9, 2004, we entered into an exchange agreement with Citadel Broadcasting Group ("Citadel"), whereby we agreed to exchange four stations (WXKC-FM, WRIE-AM, WXTA-FM, and WQHZ-FM) serving the Erie, Pennsylvania market and two stations (WIOV-AM and WIOV-FM) serving the Lancaster-Reading, Pennsylvania market, plus a cash payment, for five stations (WBNQ-FM, WBWN-FM, WTRX-FM, WJEZ-FM, and WJBC-AM) serving the Bloomington, Illinois market. The cash payment will be calculated as a multiple of 7.5 times the excess of station operating income from the Bloomington stations over that of the Erie and Lancaster-Reading stations for the twelve-month period ended January 31, 2004. The cash portion of the purchase price will be funded through borrowings under our credit facility. Effective February 1, 2004, we began providing programming and other services to the Bloomington stations and Citadel began providing the same such services to the Erie and Lancaster-Reading stations. We expect to complete this transaction late in the second quarter or early third quarter of 2004.

In March 2002, we filed a Registration Statement on Form S-3 covering a combined \$250.0 million of common stock, convertible preferred stock, depository shares, debt securities, warrants, stock purchase contracts and stock purchase units (the "Shelf Registration Statement"). The Shelf Registration Statement also covers debt securities that could be issued by one of our subsidiaries, and guarantees of such debt securities by us. We used approximately \$78.8 million of the amounts available under the Shelf Registration Statement for our April 2002 offering of common stock, leaving us with capacity of approximately \$171.2 million if we were to seek to raise monies in the public markets.

Our Board of Directors has authorized us to repurchase shares of our common stock on the open market when the share price reaches predetermined levels set by the Board. During the third quarter of 2002, the amount of our common stock we were authorized to repurchase was increased to bring the level to \$10.0 million. During the first quarter of 2003, we made purchases of our common stock totaling approximately \$1.0 million under this program. We have not purchased any shares since the first quarter of 2003 and still have approximately \$9.0 million of remaining capacity under the plan.

***Off Balance Sheet Financing Arrangements***

We have no off-balance sheet financing arrangements with related or unrelated parties and no unconsolidated subsidiaries.

***Contractual Obligations***

Contractual obligations related to our credit facility and other long-term debt, capital leases and operating leases are summarized below (in thousands). Under the terms of our credit facility, our maximum borrowings will reduce over seven years, beginning in 2004. Based upon our outstanding borrowings at December 31, 2003, the payments detailed below under Long-term Debt would be required to maintain compliance with our credit facility.

<u>Contractual Obligation</u>	<u>Payments Due by Period</u>				
	<u>Total</u>	<u>One year or less</u>	<u>Two to three years</u>	<u>Four to five years</u>	<u>Thereafter</u>
Long-term Debt(1) .....	\$67,890	\$ 872	\$10,243	\$23,075	\$33,700
Purchase Obligations(2) .....	13,445	6,685	6,760	-0-	-0-
Capital Leases .....	475	339	122	10	4
Asset Retirement Obligations .....	315	70	-0-	-0-	245
Operating Leases .....	<u>11,580</u>	<u>1,353</u>	<u>2,348</u>	<u>2,198</u>	<u>5,681</u>
Total Contractual Cash Obligations .....	<u>\$93,705</u>	<u>\$9,319</u>	<u>\$19,473</u>	<u>\$25,283</u>	<u>\$39,630</u>

- (1) Includes a long-term note payable of approximately \$0.4 million. If we are in default of our credit agreement, \$67.5 million of long-term debt could be accelerated.
- (2) Includes: approximately \$0.1 million to complete the construction of the KUAD tower in Ft. Collins, Colorado; approximately \$0.1 million to complete the upgrade of the studio facilities in Flint, Michigan; employment contracts of approximately \$5.4 million; and sports rights, ratings services and other programming contracts of approximately \$7.9 million.

**Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.***

We are exposed to the impact of interest rate changes as borrowings under our credit facility bear interest at variable interest rates. It is our policy to enter into interest rate transactions only to the extent considered necessary to meet our objectives. Under the terms of the new credit facility, the Company was required to enter into by December 31, 2003, and maintain for a two-year period after becoming effective, an interest rate protection agreement, providing interest rate protection for a minimum of one-half of the aggregate outstanding borrowings under the combined term loans and incremental term loans. In August 2003, the Company entered into a LIBOR-based forward interest rate swap agreement, which will effectively convert \$32.5 million of its variable-rate debt under the new credit facility to a fixed rate. The swap agreement becomes effective on June 30, 2004 and expires two years from that date. Under this agreement, payments will be made based on a fixed rate, which we set in August 2003 based on the market for a financial instrument of this type at that date. We have classified the swap agreement as a cash-flow hedge, in which we are hedging the variability of cash flows related to its variable-rate debt. Based on our exposure to variable rate borrowings at December 31, 2003, a one percent change in the weighted average interest rate would change our annual interest expense by approximately \$350,000.

**Item 8. *Financial Statements and Supplementary Data.***

**Regent Communications, Inc.  
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All other schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements and notes thereto.

## REPORT OF INDEPENDENT AUDITORS

To the Stockholders and Board of Directors of Regent Communications, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Regent Communications, Inc. and its subsidiaries at December 31, 2003 and December 31, 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. These financial statements and financial statement schedule are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 8, effective January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

*Price Waterhouse & Coopers LLP*

Cincinnati, Ohio  
March 8, 2004



**REGENT COMMUNICATIONS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended December 31,		
	2003	2002	2001
	(In thousands, except per share amounts)		
Broadcast revenues, net of agency commissions of \$8,347, \$7,296 and \$5,594 for the years ended December 31, 2003, 2002 and 2001, respectively .....	\$80,578	\$70,390	\$53,745
Station operating expenses .....	56,526	48,963	38,530
Depreciation and amortization .....	4,262	3,360	13,436
Corporate general and administrative expenses .....	6,151	6,149	4,857
Impairment of goodwill .....	—	2,900	—
Loss (gain) on sale of long-lived assets .....	102	(442)	—
Operating income (loss) .....	13,537	9,460	(3,078)
Interest expense .....	(3,671)	(2,208)	(3,279)
Gain on exchange/sale of radio stations, net .....	—	—	4,444
Other expense, net .....	(198)	(433)	(465)
Income (loss) before income taxes and cumulative effect of accounting change .....	9,668	6,819	(2,378)
Income tax (expense) benefit .....	(3,962)	(7,161)	665
Income (loss) before cumulative effect of accounting change .....	5,706	(342)	(1,713)
Cumulative effect of accounting change, net of applicable income taxes of \$3,762 .....	—	(6,138)	—
<b>NET INCOME (LOSS)</b> .....	<b>5,706</b>	<b>(6,480)</b>	<b>(1,713)</b>
Other comprehensive loss, net of tax Net unrealized loss on cash flow hedge .....	(199)	—	—
<b>NET COMPREHENSIVE INCOME (LOSS)</b> .....	<b>\$ 5,507</b>	<b>\$(6,480)</b>	<b>\$(1,713)</b>
<b>BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE:</b>			
Income (loss) before cumulative effect of accounting change .....	\$ 0.12	\$ (0.01)	\$ (0.05)
Cumulative effect of accounting change .....	—	(0.14)	—
Net income (loss) per common share .....	<u>\$ 0.12</u>	<u>\$ (0.15)</u>	<u>\$ (0.05)</u>
Weighted average number of common shares used in basic calculation ...	46,515	43,177	34,218
Weighted average number of common shares used in diluted calculation ..	46,837	43,177	34,218

The accompanying notes are an integral part of these consolidated financial statements.

**REGENT COMMUNICATIONS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share amounts)

	December 31,	
	2003	2002
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 1,673	\$ 2,656
Accounts receivable, net of allowance of \$868 and \$854 at December 31, 2003 and 2002, respectively .....	13,554	13,517
Other current assets .....	841	811
Total current assets .....	16,068	16,984
Property and equipment, net .....	35,135	26,889
Intangible assets, net .....	293,673	238,706
Goodwill, net .....	25,649	24,200
Other assets .....	2,776	1,251
Total assets .....	<u>\$373,301</u>	<u>\$308,030</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Current portion long-term debt .....	\$ 872	\$ 60
Accounts payable .....	2,366	2,050
Accrued compensation .....	1,402	2,158
Other current liabilities .....	3,318	3,680
Total current liabilities .....	7,958	7,948
Long-term debt, less current portion .....	67,018	11,359
Other long-term liabilities .....	696	90
Deferred taxes .....	13,831	10,143
Total liabilities .....	89,503	29,540
Commitments and Contingencies (Note 13)		
Stockholders' equity:		
Common stock, \$.01 par value, 100,000,000 shares authorized; 48,083,492 and 48,047,382 shares issued at December 31, 2003 and 2002, respectively .....	481	480
Treasury stock, 1,542,705 and 1,488,556 shares, at cost at December 31, 2003 and 2002, respectively .....	(7,758)	(7,575)
Additional paid-in capital .....	348,016	348,033
Accumulated other comprehensive loss .....	(199)	—
Accumulated deficit .....	(56,742)	(62,448)
Total stockholders' equity .....	283,798	278,490
Total liabilities and stockholders' equity .....	<u>\$373,301</u>	<u>\$308,030</u>

The accompanying notes are an integral part of these consolidated financial statements.

**REGENT COMMUNICATIONS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In thousands)

	Year Ended December 31,		
	2003	2002	2001
<b>Cash flows from operating activities:</b>			
Net income (loss) .....	\$ 5,706	\$ (6,480)	\$ (1,713)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Cumulative effect of accounting change, net of applicable income taxes .....	—	6,138	—
Depreciation and amortization .....	4,262	3,360	13,436
Provision for doubtful accounts .....	908	819	822
Deferred income tax expense (benefit) and valuation allowance ..	3,860	7,114	(847)
Write-off of unamortized deferred finance costs .....	1,032	—	—
Non-cash interest expense .....	321	281	283
Non-cash charge for compensation .....	497	499	491
Gain on sale of radio stations, net .....	—	—	(4,444)
Loss (gain) on sale of long-lived assets .....	102	(442)	—
Impairment of goodwill .....	—	2,900	—
Other, net .....	(102)	(422)	160
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable .....	(723)	(4,576)	(328)
Other assets .....	14	(204)	(107)
Current and long-term liabilities .....	(1,899)	1,996	597
Net cash provided by operating activities .....	<u>13,978</u>	<u>10,983</u>	<u>8,350</u>
<b>Cash flows from investing activities:</b>			
Acquisitions of radio stations, net of cash acquired, acquisition related costs, and escrow deposits on pending acquisitions .....	(63,322)	(6,248)	(63,450)
Capital expenditures .....	(5,033)	(3,856)	(3,161)
Net proceeds from sale of radio stations .....	—	—	13,393
Net proceeds from sale of long-lived assets and other .....	29	1,829	27
Net cash used in investing activities .....	<u>(68,326)</u>	<u>(8,275)</u>	<u>(53,191)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from issuance of common stock .....	—	75,785	4,068
Proceeds from long-term debt .....	138,500	5,000	60,500
Principal payments on long-term debt .....	(82,029)	(80,660)	(18,491)
Payment of financing costs .....	(1,959)	—	—
Payment of issuance costs .....	(1)	(820)	(249)
Treasury stock purchases .....	(992)	(1,122)	—
Repayment of capital lease obligations .....	(154)	—	—
Net cash provided by (used in) financing activities .....	<u>53,365</u>	<u>(1,817)</u>	<u>45,828</u>
Net (decrease) increase in cash and cash equivalents .....	(983)	891	987
Cash and cash equivalents at beginning of period .....	2,656	1,765	778
<b>Cash and cash equivalents at end of period .....</b>	<u><u>\$ 1,673</u></u>	<u><u>\$ 2,656</u></u>	<u><u>\$ 1,765</u></u>
<b>Supplemental schedule of non-cash investing and financing activities:</b>			
Common stock issued in conjunction with the acquisitions of radio stations .....	\$ —	\$ 2,445	\$ 7,459
Employer match on 401(k) plan .....	\$ 402	\$ 294	\$ 307
Capital lease obligations for property and equipment .....	\$ 150	\$ —	\$ —
<b>Supplemental data:</b>			
Cash paid for interest .....	\$ 4,132	\$ 2,082	\$ 3,077
Cash paid for income taxes .....	\$ 215	\$ 85	\$ 128

The accompanying notes are an integral part of these consolidated financial statements.

REGENT COMMUNICATIONS, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)  
(In thousands, except share amounts)

	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
<b>Balance, December 31, 2000</b> .....	\$352	\$(7,063)	\$259,386	\$(54,255)	\$ —	\$198,420
Issuance of 700,000 shares of common stock, net of issuance costs of \$373 .....	7	—	3,644	—	—	3,651
Exercise of 28,468 stock options and 37,230 stock warrants .....	—	—	30	—	—	30
Issuance of 1,001,969 shares of common stock in conjunction with acquisitions .....	10	—	7,449	—	—	7,459
Stock bonus award (22,825 shares) .....	—	—	170	—	—	170
Issuance of 55,579 shares of treasury stock for 401 (k) match .....	—	306	15	—	—	321
Net loss .....	—	—	—	(1,713)	—	(1,713)
<b>Balance, December 31, 2001</b> .....	369	(6,757)	270,694	(55,968)	—	208,338
Issuance of 10,700,000 shares of common stock, net of issuance costs of \$4,832 .....	107	—	74,961	—	—	75,068
Issuance of 384,453 shares of common stock in conjunction with acquisitions .....	4	—	2,290	—	—	2,294
Exercise of 16,074 stock options .....	—	—	20	—	—	20
Issuance of 42,706 shares of treasury stock for 401 (k) match, net of forfeitures .....	—	235	38	—	—	273
Issuance of 12,571 shares of treasury stock for employee stock purchase plan .....	—	69	8	—	—	77
Purchase of 235,660 shares of treasury stock .....	—	(1,122)	—	—	—	(1,122)
Stock compensation expense .....	—	—	22	—	—	22
Net loss .....	—	—	—	(6,480)	—	(6,480)
<b>Balance, December 31, 2002</b> .....	480	(7,575)	348,033	(62,448)	—	278,490
Stock bonus award (30,960 shares) .....	—	170	13	—	—	183
Non-cash exercise of 36,110 stock options .....	1	—	(1)	—	—	—
Issuance of 69,794 shares of treasury stock for 401 (k) match, net of forfeitures .....	—	384	2	—	—	386
Issuance of 49,647 shares of treasury stock for employee stock purchase plan .....	—	273	(31)	—	—	242
Purchase of 201,500 shares of treasury stock .....	—	(992)	—	—	—	(992)
Other .....	—	(18)	—	—	—	(18)
Net income .....	—	—	—	5,706	—	5,706
Other comprehensive loss .....	—	—	—	—	(199)	(199)
<b>Balance, December 31, 2003</b> .....	<u>\$481</u>	<u>\$(7,758)</u>	<u>\$348,016</u>	<u>\$(56,742)</u>	<u>\$(199)</u>	<u>\$283,798</u>

The accompanying notes are an integral part of these consolidated financial statements.

## REGENT COMMUNICATIONS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Summary of Accounting Policies

##### *a. Consolidation:*

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany transactions and balances have been eliminated in consolidation. Certain prior year amounts and balances have been reclassified to conform to the current classifications with no effect on financial results.

##### *b. Use of Estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates 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 amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

##### *c. Cash and Cash Equivalents:*

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

##### *d. Property and Equipment:*

Property and equipment are stated at cost and depreciated on the straight-line basis over the estimated useful life of the assets. Buildings are depreciated over thirty-nine years, broadcasting equipment over a three-to-twenty year life and furniture and fixtures generally over a ten-year life. Leasehold improvements are amortized over the shorter of their useful lives or the terms of the related leases. Upon sale or disposition of an asset, the cost and related accumulated depreciation are removed from the accounts.

##### *e. Goodwill and Other Intangible Assets:*

Intangible assets consist principally of the value of FCC licenses and the excess of the purchase price over the fair value of net assets of acquired radio stations (goodwill). On January 1, 2002, the Company adopted the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") (See Note 8). SFAS 142 requires that a Company no longer amortize goodwill and intangible assets determined to have an indefinite life and also requires an annual impairment testing of those assets. Prior to the implementation of SFAS 142, FCC licenses and goodwill acquired through acquisitions prior to July 1, 2001, were amortized on a straight-line basis over lives ranging from 15 to 40 years. Non-competition agreements are amortized over the life of the agreement.

##### *f. Long-Lived Assets:*

Long-lived assets (including property, equipment, and intangible assets subject to amortization) to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposal of the asset. If it were determined that the carrying amount of an asset was not recoverable, an impairment loss would be recorded for the difference between the carrying amount and the fair value of the asset. The Company determines the fair value of its long-lived assets based upon the market value of similar assets, if available, or independent appraisals, if necessary. Long-lived assets to be disposed of and/or held for

REGENT COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

sale are reported at the lower of carrying amount or fair value, less cost to sell. The fair value of assets held for sale is determined in the same manner as described for assets held and used.

*g. Deferred Financing Costs:*

Deferred financing costs are amortized using the effective interest method over the term of the related debt.

*h. Concentrations of Credit Risk:*

Financial instruments which potentially subject the Company to concentrations of credit risk consist primarily of accounts receivable. The credit risk is limited due to the large number of customers comprising the Company's customer base and their dispersion across several different geographic areas of the country. The Company also maintains cash in bank accounts at financial institutions where the balance, at times, exceeds federally insured limits.

*i. Revenue Recognition:*

*Broadcast Revenue*

Broadcast revenue for commercial broadcasting advertisements is recognized when the commercial is broadcast. Revenue is reported net of agency commissions. Agency commissions are calculated based on a stated percentage applied to gross billing revenue for advertisers that use agencies. Agency commissions were approximately \$8.3 million, \$7.3 million and \$5.6 million for the years ended December 31, 2003, 2002 and 2001, respectively.

*Barter Transactions*

Barter transactions (advertising provided in exchange for goods and services) are reported at the estimated fair value of the products or services received. Revenue from barter transactions is recognized when advertisements are broadcast, and merchandise or services received are charged to expense when received or used. If merchandise or services are received prior to the broadcast of the advertising, a liability (deferred barter revenue) is recorded. If advertising is broadcast before the receipt of the goods or services, a receivable is recorded. Barter revenue was approximately \$4.5 million, \$4.5 million, and \$3.7 million and barter expense was approximately \$4.5 million, \$4.1 million, and \$3.7 million for the years ended December 31, 2003, 2002, and 2001, respectively.

*Time Brokerage Agreements*

At December 31, 2003, the Company operated six stations under the terms of time brokerage agreements ("TBAs"). Revenues and expenses related to such stations are included in operations since the effective dates of the TBAs. Fees paid under such TBAs are included in Other expense, net in the accompanying Consolidated Statements of Operations.

*j. Fair Value of Financial Instruments:*

*Short-Term Instruments*

Due to their short-term maturity, the carrying amount of accounts receivable, accounts payable and accrued expenses approximated their fair value at December 31, 2003 and 2002.

REGENT COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

*Long-Term Debt*

The fair value of the Company's long-term debt is estimated based on the current rates offered to the Company for debt of the same remaining maturities. Based on borrowing rates currently available, the fair value of long-term debt approximates its carrying value at December 31, 2003 and 2002.

*Interest Rate Swaps*

The Company enters into interest rate swap agreements to manage its exposure to interest rate movements by effectively converting a portion of its debt from variable to fixed rates. The Company follows the provisions of Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), as amended by SFAS 137, SFAS 138 and SFAS 149, which requires that all derivative financial instruments that qualify for hedge accounting, such as interest rate swap agreements, be recognized in the financial statements as assets or liabilities and be measured at fair value. If certain conditions are met, a derivative may be designated as a cash flow hedge, a fair value hedge or a foreign currency hedge. An entity that elects to apply hedge accounting is required to establish at the inception of the hedge the method it will use for assessing the effectiveness of the hedge and the measurement method it will use to assess the fair value of the hedge. Changes in the fair value of derivative instruments are either recognized periodically in income or as a component of stockholders' equity, in accumulated other comprehensive income (loss). The fair value of the hedge instruments are determined by obtaining quotations from the financial institutions that are counterparties to the Company's hedge agreements. The Company formally documents all relationships between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Company also formally assesses, both at the inception of the hedge and on an ongoing basis, whether each derivative is highly effective in offsetting changes in cash flows of the hedged item. If it is determined that a derivative is not highly effective as a hedge, or if a derivative ceases to be a highly effective hedge, the Company will discontinue hedge accounting prospectively.

*k. Income Taxes:*

Deferred income taxes are recognized for the tax consequences in future years of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates. Valuation allowances are established when necessary to reduce deferred tax assets to the amount more likely than not to be realized.

*l. Advertising and Promotion Costs:*

Costs of media advertising and associated production costs are expensed the first time the advertising takes place.

*m. Allowance for Doubtful Accounts:*

The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. The allowance is calculated based on a percentage of cash revenue, and includes a provision for known issues. Customer account activity is routinely reviewed to assess the adequacy of the allowance provided for potential losses.

*n. Variable Interest Entities:*

The Company has adopted the provisions of Financial Accounting Standards Board Interpretation No. 46, "Consolidation of Variable Interest Entities" ("FIN 46"). Under the provisions of FIN 46, the Company is required to consolidate the operations of entities for which it is the primary beneficiary, and

**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

deconsolidate those entities for which it is no longer the primary beneficiary. The Company may be required to consolidate or deconsolidate the operations of stations it operates as a lessee under time brokerage or local marketing agreements, or those stations it leases to other broadcasting entities under time brokerage or local marketing agreements. The Company will adopt the provisions of FIN 46 for variable interest entity contracts entered into prior to February 1, 2003 during the first quarter of 2004, as required by the statement, and expects no material impact upon adoption.

*o. Stock-Based Compensation Plans:*

At December 31, 2003, the Company had four stock-based employee compensation plans, which are described more fully in Note 6. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, under which compensation expense is recorded only to the extent that the market price of the underlying common stock on the date of grant exceeds the exercise price. The following table illustrates the effect on net income (loss) and income (loss) per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), to stock-based employee compensation (in thousands except per share information).

	Year Ended December 31,		
	2003	2002	2001
		(Unaudited)	
Net income (loss), as reported .....	\$ 5,706	\$ (6,480)	\$ (1,713)
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects .....	(1,362)	(1,546)	(1,409)
Pro forma net income (loss) .....	<u>\$ 4,344</u>	<u>\$ (8,026)</u>	<u>\$ (3,122)</u>
Pro forma income (loss) applicable to common shares .....	<u>\$ 4,344</u>	<u>\$ (8,026)</u>	<u>\$ (3,122)</u>
Basic and diluted income (loss) per share:			
As reported .....	\$ 0.12	\$ (0.15)	\$ (0.05)
Pro forma .....	\$ 0.09	\$ (0.19)	\$ (0.09)

**2. Acquisitions and Dispositions**

The Company seeks to acquire radio stations that enable it to expand within its existing markets and enter into new mid-sized and small markets that fit into Regent's operating strategy.

*Pending Acquisitions and Dispositions*

On January 10, 2003, Regent entered into an agreement to purchase substantially all of the assets of KKPL-FM and KARS-FM, serving the Ft. Collins-Greeley, Colorado market from AGM-Nevada, L.L.C. for \$7.75 million. The purchase price is payable in a combination of \$5.0 million in cash and \$2.75 million in Regent common stock, based on a per share price equal to the average daily closing price for the ten consecutive trading days ending on the second trading day immediately preceding the closing date. In the event the average share price of Regent common stock for that period is less than \$7.50 per share Regent may, at its sole discretion, reallocate the purchase price to increase the amount of cash consideration and reduce the portion paid in Regent common stock. On February 1, 2003, the Company began providing programming and other services to KKPL-FM under a time brokerage agreement. The Company has placed \$387,500 in escrow to secure its obligations under this agreement. The Company has received FCC approval for this transaction and expects to complete this transaction in the second or third quarter of 2004.



## REGENT COMMUNICATIONS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

On February 9, 2004, Regent entered into an exchange agreement with Citadel Broadcasting Group ("Citadel"), whereby Regent agreed to exchange four stations (WXXC-FM, WRIE-AM, WXTA-FM, and WQHZ-FM) serving the Erie, Pennsylvania market and two stations (WIOV-AM and WIOV-FM) serving the Lancaster-Reading, Pennsylvania market, plus a cash payment, for five stations (WBNQ-FM, WBWN-FM, WTRX-FM, WJEZ-FM, and WJBC-AM) serving the Bloomington, Illinois market. The cash payment will be calculated as a multiple of 7.5 times the excess of station operating income from the Bloomington stations over that of the Erie and Lancaster-Reading stations for the twelve-month period ended January 31, 2004. The cash portion of the purchase price will be funded through borrowings under the Company's credit facility. Effective February 1, 2004, Regent began providing programming and other services to the Bloomington stations and Citadel began providing the same such services to the Erie and Lancaster-Reading stations. The Company expects to complete this transaction in the second or third quarter of 2004.

#### *Subsequently Completed Acquisitions and Dispositions*

On January 28, 2004, Regent completed an exchange agreement with Clear Channel Broadcasting, Inc. and its affiliates ("Clear Channel") whereby Regent exchanged four stations (KKCB-FM, KLDJ-FM, KBMX-FM and WEBC-AM) serving the Duluth, Minnesota market, which Regent acquired on February 25, 2003, and \$2.7 million in cash, for five radio stations (WYNG-FM, WDKS-FM, WKRI-FM, WGBF-FM, and WGBF-AM) serving the Evansville, Indiana market. On March 1, 2003, Regent began providing programming and other services to the Evansville stations, and Clear Channel began providing the same such services to the Duluth stations. The cash portion of the purchase price was funded through borrowings under the Company's credit facility.

#### *2003 Acquisitions*

On February 25, 2003, the Company completed the acquisition of 12 radio stations from Brill Media Company LLC and its related entities. Regent had been providing programming and other services to the stations under a time brokerage agreement, which began on September 11, 2002. The stations acquired and the markets they serve are as follows:

- WIOV-FM and WIOV-AM, serving the Lancaster-Reading, Pennsylvania market
- WKDQ-FM, WBKR-FM and WOMI-AM, serving the Evansville, Indiana and Owensboro, Kentucky markets
- KTRR-FM, KUAD-FM and KKQZ-FM (formerly a construction permit prior to commencing broadcast operations on November 1, 2002) serving the Ft. Collins-Greeley, Colorado market, and
- KKCB-FM, KLDJ-FM, KBMX-FM and WEBC-AM, serving the Duluth, Minnesota market

The net purchase price of these assets after all adjustments, and excluding related acquisition costs, was approximately \$61.9 million, which Regent funded through borrowings under its credit facility. Acquisition related costs approximated \$1.7 million, of which approximately \$0.7 million were paid in 2002. The Company received a final independent appraisal for the purchase during the third quarter of 2003.

#### *2002 Acquisitions and Dispositions*

On March 12, 2002, the Company completed the disposition of substantially all the operating assets of WGNA-AM, serving the Albany, New York market, for \$2.0 million in cash to ABC, Inc. On February 15, 2002, ABC, Inc. began providing programming and other services to the station under a time brokerage agreement. The Company recognized a pre-tax gain of approximately \$442,000 on the sale. The Company

## REGENT COMMUNICATIONS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

treated the disposal of WGNA-AM as the disposal of long-lived assets, rather than a business or a component of a business, due to the fact that the station had no independent revenue stream from its operations.

On June 1, 2002, the Company acquired, through a subsidiary merger with The Frankenmuth Radio Co., Inc., WRCL-FM (formerly WZRZ-FM) serving the Flint, Michigan market, for 209,536 shares of Regent common stock, valued at approximately \$1.4 million. The Company also purchased the land and broadcasting assets used by WRCL-FM from MTE Corporation, a related entity, for approximately \$0.6 million in cash, net of \$125,000 that the Company placed in escrow in 2001 to secure its obligations under these agreements. Prior to the closing, the Company provided programming and other services to the station under a time brokerage agreement, which began January 1, 2002. The Company allocated approximately \$0.6 million of the total purchase price to fixed assets and approximately \$1.4 million to FCC licenses. Additionally, the Company recorded approximately \$0.5 million of goodwill and deferred taxes due to the difference between the fair market value and book value of the assets and liabilities acquired through the merger. The cash portion of the purchase price was funded primarily through proceeds received from the Company's April 2002 common stock offering.

Also on June 1, 2002, the Company purchased the outstanding stock of Haith Broadcasting Corporation, owner of WFGR-FM serving the Grand Rapids, Michigan market for approximately \$3.9 million. The purchase price was paid in cash, net of \$250,000 that the Company placed in escrow in 2001 to secure its obligations under this agreement. In conjunction with the above stock purchase, on February 4, 2002, the Company purchased the option to buy WFGR-FM from Connoisseur Communications of Flint, L.L.P., paid by the issuance of 174,917 shares of Regent common stock, valued at approximately \$1.0 million. Prior to the closing of the agreement, the Company provided programming and other services to the station under a time brokerage agreement, which began January 1, 2002. The Company allocated approximately \$38,000 of the purchase price to fixed assets and approximately \$4.9 million to FCC licenses. Additionally, the Company recorded approximately \$1.4 million of goodwill and deferred taxes due to the difference between the fair market value and book value of the assets and liabilities acquired through the merger. The cash portion of the purchase price was funded primarily through proceeds received from the Company's April 2002 common stock offering.

On October 1, 2002, the Company purchased substantially all of the broadcasting assets of WQUS-FM (formerly WRXF-FM) and WLSP-AM, serving the Flint, Michigan market, from Covenant Communications Corporation. Regent began providing programming and other services to the stations under a time brokerage agreement on December 3, 2001. The \$1.3 million purchase price, net of \$65,000 that was placed in escrow in 2001 to secure the Company's obligations under this agreement, was paid using cash from current operations. The Company allocated approximately \$0.1 million of the purchase price to fixed assets and approximately \$1.2 million to FCC licenses.

#### *2001 Acquisitions and Dispositions*

On May 9, 2001, the Company completed the acquisition by merger with StarCom, Inc. of one AM and two FM radio stations (KXSS-AM, KKSr-FM and KLZZ-FM) serving the St. Cloud, Minnesota market for approximately \$5.0 million in cash. Concurrent with the purchase, the Company entered into a \$500,000 non-compete agreement with a former shareholder of StarCom, Inc., to be paid ratably over a five-year period. The purchase was funded from borrowings under Regent's bank credit facility. Prior to the closing of the purchase, the Company provided programming and other services to the stations under a time brokerage agreement, which began in July 2000. The Company allocated approximately \$4.9 million of the purchase price to FCC licenses and approximately \$0.1 million to fixed assets.

On June 1, 2001, the Company completed the sale of substantially all the assets of its three radio stations serving the Palmdale, California market (KTPI-FM, KAVC-AM and KOSS-FM) to Concord Media Group,

REGENT COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Inc. for approximately \$13.5 million in cash. The Company recognized a pre-tax gain of approximately \$4.4 million on the sale.

On August 29, 2001, the Company completed an acquisition from Two Petaz, Inc.; WFYR, Inc.; Winston Communications, Inc. of Illinois; and the Cromwell Group, Inc., of (i) substantially all the assets of radio stations WGLO-FM, WPPY-FM, WRVP-FM and WVLE-AM, serving the Peoria, Illinois market, for a purchase price of approximately \$14.0 million in cash and (ii) substantially all the assets of radio stations WFYR-FM and WIXO-FM, also serving the Peoria market, in exchange for 786,141 shares of Regent common stock, valued at approximately \$5.8 million. Prior to the closing of the purchase, the Company provided programming and other services to the stations under time brokerage agreements, which began in May 2001. The Company received a final appraisal for this purchase in 2002, and accordingly re-allocated the purchase price to conform to the appraisal. Based on the final appraisal, the Company allocated approximately \$14.3 million of the purchase price to FCC licenses, approximately \$3.9 million to goodwill, \$10,000 to non-compete agreements and approximately \$1.6 million to fixed assets.

On October 15, 2001, the Company completed the acquisition of substantially all of the assets of WQHZ-FM (formerly WJET-FM), serving the Erie, Pennsylvania market, from NextMedia Group II, Inc. for \$4.9 million in cash. The Company allocated substantially all of the purchase price to FCC licenses.

On December 8, 2001 the Company completed the acquisition of substantially all of the assets of seven radio stations serving the Lafayette, Louisiana market (KMDL-FM, KRKA-FM, KFTE-FM, KTDY-FM, KPEL-FM, KPEL-AM and KROF-AM) from ComCorp of Lafayette, Inc. and its affiliates for approximately \$38.1 million in cash and 215,828 shares of Regent common stock, valued at approximately \$1.5 million. The Company received a final appraisal for this purchase in 2002, and accordingly re-allocated the purchase price to conform to the appraisal. Based on the final appraisal, the Company allocated approximately \$27.8 million of the purchase price to FCC licenses, approximately \$7.9 million to goodwill, and approximately \$3.9 million to fixed assets.

The Company accounted for all of its 2003, 2002 and 2001 acquisitions using the purchase method of accounting. The Company allocated the aggregate purchase price from all acquisitions in 2003 and 2002 as follows (in thousands):

	<u>2003</u>	<u>2002</u>
Barter accounts receivable .....	\$ 239	\$ —
Property and equipment .....	6,972	723
FCC licenses .....	55,133	7,486
Goodwill .....	2,238	1,921
Barter accounts payable .....	(522)	—
Other liabilities .....	<u>(419)</u>	<u>—</u>
	<u>\$63,641</u>	<u>\$10,130</u>

The Company uses independent valuations to determine the fair values of significant assets acquired. The results of operations of the acquired businesses are included in the Company's consolidated financial statements since their respective dates of acquisition or operation under time brokerage agreements.

**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The following unaudited pro forma data summarize the combined results of operations of Regent, together with the operations of the significant stations acquired in 2003 and 2002, as though those transactions had occurred on January 1, 2002.

	<b>Pro Forma (Unaudited)</b>	
	<u>2003</u>	<u>2002</u>
	<small>(In thousands, except per share amounts)</small>	
Net broadcast revenues .....	\$80,578	\$82,918
Net income (loss) .....	\$ 5,737	\$(4,165)
Net income (loss) per common share:		
Basic .....	\$ 0.12	\$ (0.10)
Diluted .....	\$ 0.12	\$ (0.10)

These unaudited pro forma amounts do not purport to be indicative of the results that might have occurred if the foregoing transactions had been consummated on the indicated dates, nor is it indicative of future results of operations.

**3. Long-Term Debt**

Long-term debt consists of the following as of December 31 (in thousands):

	<u>2003</u>	<u>2002</u>
Senior reducing term loan .....	\$65,000	\$10,969
Senior reducing revolving credit facility .....	2,500	—
Subordinated promissory note .....	<u>390</u>	<u>450</u>
	67,890	11,419
Less: current portion of long-term debt .....	<u>(872)</u>	<u>(60)</u>
	<u>\$67,018</u>	<u>\$11,359</u>

***Senior Reducing Revolving Credit Facility***

On June 30, 2003, the Company entered into a new senior secured reducing credit agreement with a group of lenders that provides for a maximum aggregate principal amount of \$150.0 million, consisting of a senior secured revolving credit facility in the aggregate principal amount of \$85.0 million and a senior secured term loan facility in the amount of \$65.0 million. The credit facility includes a commitment to issue letters of credit of up to \$35.0 million in aggregate face amount, subject to the maximum revolving commitment available. Regent incurred approximately \$2.0 million in financing costs related to the new credit facility, which are being amortized over the life of the facility using the effective interest method. The new credit facility is available for working capital and permitted acquisitions, including related acquisition costs. At December 31, 2003 the Company had borrowings under the new credit facility of \$67.5 million, comprised of a \$65.0 million term loan and \$2.5 million of revolver borrowings, and available borrowings of \$82.5 million, subject to the terms and conditions of the facility. The borrowings under the new credit facility were used to pay off the outstanding indebtedness under the old credit facility and the financing costs related to the new credit facility. At December 31, 2002, the Company had borrowings of approximately \$11.0 million under its old credit facility.

REGENT COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The term loan and revolver commitment reduce over seven years beginning in 2004, as follows (in thousands):

<u>December 31,</u>	<u>Revolving Commitment</u>	<u>Term Loan Commitment</u>
2003 .....	\$85,000	\$65,000
2004 .....	85,000	64,188
2005 .....	81,175	60,450
2006 .....	72,888	54,275
2007 .....	60,350	44,363
2008 .....	42,288	31,200
2009 .....	21,463	15,600
2010 .....	—	—

The letter of credit subfacility reduces over a four- and one-half-year period beginning in 2006. The new credit facility also provides for an additional \$100.0 million incremental loan facility, subject to the terms of the facility, which matures not earlier than six months after the maturity date of the new credit facility, and is also subject to mandatory reductions. Borrowings that are outstanding under the incremental loan facility after the original maturity date of the new credit facility may have different or additional financial or other covenants, and may be priced differently than the original term and revolving loans. The Company's ability to borrow amounts under this incremental loan facility expires June 30, 2006.

Under the current credit facility, the Company is required to maintain a maximum leverage ratio, minimum interest coverage ratio, and minimum fixed charge coverage ratio, as well as to observe negative covenants customary for facilities of this type. Borrowings under the new credit facility bear interest at a rate equal to, at the Company's option, either (a) the higher of the rate announced or published publicly from time to time by the agent as its corporate base rate of interest or the Federal Funds Rate plus 0.5%, in either case plus the applicable margin determined under the new credit facility, which varies between 0.0% and 1.5% depending upon the Company's consolidated leverage ratio, or (b) the Eurodollar Rate plus the applicable margin, which varies between 1.5% and 3.0%, depending upon the Company's consolidated leverage ratio. Borrowings under the new credit facility bore interest at an average rate of 3.15% at December 31, 2003. Borrowings under the old credit facility bore interest at an average rate of 2.67% at December 31, 2002. The Company is required to pay certain fees to the agent and the lenders for the underwriting commitment and the administration and use of the new credit facility. The underwriting commitment varies between 0.375% and 0.625% depending upon the amount of the new credit facility utilized. The Company's indebtedness under the new credit facility is collateralized by liens on substantially all of its assets and by a pledge of its operating and license subsidiaries' stock and is guaranteed by those subsidiaries.

Based upon our outstanding borrowings under the credit facility at December 31, 2003, and the balance of our subordinated promissory note, the payments detailed below would be required to maintain compliance with the maximum borrowings allowed under our credit facility over the next five years (in thousands):

2004 .....	\$ 872
2005 .....	4,068
2006 .....	6,175
2007 .....	9,912
2008 .....	13,163
Thereafter .....	<u>33,700</u>
	<u>\$67,890</u>

**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Prior to the current credit facility, the Company had an agreement with a group of lenders that provided for a senior reducing revolving credit facility with a commitment of up to \$125.0 million expiring in December 2006. On June 30, 2003, Regent used borrowings under the new credit facility to pay off the outstanding debt and accrued interest totaling approximately \$73.1 million under the old credit facility. At June 30, 2003, the Company incurred approximately \$1.0 million of interest expense to write-off unamortized deferred finance costs related to its old credit facility.

**4. Supplemental Guarantor Information**

The Company conducts the majority of its business through its subsidiaries (“Subsidiary Guarantors”). The Subsidiary Guarantors are wholly owned by Regent Broadcasting, Inc. (“RBI”), which is a wholly owned subsidiary of Regent Communications, Inc. (“RCI”). The Subsidiary Guarantors are guarantors of any debt securities that could be issued by RCI or RBI, and are therefore considered registrants of such securities. RCI would also guarantee any debt securities that could be issued by RBI. All such guarantees will be full and unconditional and joint and several. No debt securities have been issued to date by RBI or RCI.

Set forth below are consolidating financial statements for RCI, RBI and the Subsidiary Guarantors as of December 31, 2003 and 2002, and the years ended December 31, 2003, 2002 and 2001. The equity method of accounting has been used by the Company to report its investment in subsidiaries. Substantially all of RCI’s and RBI’s income and cash flow are generated by their subsidiaries. Separate financial statements for the Subsidiary Guarantors are not presented based on management’s determination that they do not provide additional information that is material to investors.

**Condensed Consolidating Statements of Operations**  
(in thousands)  
**Year Ended December 31, 2003**

	RCI	RBI	Subsidiary Guarantors	Eliminations	Total
Net broadcast revenue . . . . .	\$ —	\$ —	\$80,578	\$ —	\$80,578
Station operating expenses . . . . .	—	—	56,526	—	56,526
Depreciation and amortization . . . . .	109	—	4,153	—	4,262
Corporate general and administrative expenses . . . . .	6,089	62	—	—	6,151
Loss on sale of assets . . . . .	1	—	101	—	102
Equity in earnings of subsidiaries . . . . .	5,035	11,855	—	(16,890)	—
Operating (loss) income . . . . .	(1,164)	11,793	19,798	(16,890)	13,537
Interest expense . . . . .	(36)	(3,635)	—	—	(3,671)
Other income (expense), net . . . . .	13	(20)	(191)	—	(198)
(Loss) income before income taxes . . . . .	(1,187)	8,138	19,607	(16,890)	9,668
Income tax benefit (expense) . . . . .	453	(3,103)	(7,752)	6,440	(3,962)
Net (loss) income . . . . .	\$ (734)	\$ 5,035	\$11,855	\$(10,450)	\$ 5,706

REGENT COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statements of Operations

(in thousands)

Year Ended December 31, 2002

	<u>RCI</u>	<u>RBI</u>	<u>Subsidiary Guarantors</u>	<u>Eliminations</u>	<u>Total</u>
Net broadcast revenue .....	\$ —	\$ —	\$70,390	\$ —	\$70,390
Station operating expenses .....	—	—	48,963	—	48,963
Depreciation and amortization .....	109	—	3,251	—	3,360
Corporate general and administrative expenses..	6,088	61	—	—	6,149
Impairment of goodwill .....	—	—	2,900	—	2,900
Gain on sale of long-lived assets .....	—	—	(442)	—	(442)
Equity in (loss) earnings of subsidiaries .....	(286)	1,840	—	(1,554)	—
Operating (loss) income .....	(6,483)	1,779	15,718	(1,554)	9,460
Interest expense .....	(36)	(2,172)	—	—	(2,208)
Other expense, net .....	—	(88)	(345)	—	(433)
(Loss) income before income taxes and cumulative effect of accounting change .....	(6,519)	(481)	15,373	(1,554)	6,819
Income tax (expense) benefit .....	(588)	195	(7,395)	627	(7,161)
(Loss) income before cumulative effect of accounting change .....	(7,107)	(286)	7,978	(927)	(342)
Cumulative effect of accounting change .....	—	—	(6,138)	—	(6,138)
Net (loss) income .....	<u>\$ (7,107)</u>	<u>\$ (286)</u>	<u>\$ 1,840</u>	<u>\$ (927)</u>	<u>\$ (6,480)</u>

Condensed Consolidating Statements of Operations

(in thousands)

Year Ended December 31, 2001

	<u>RCI</u>	<u>RBI</u>	<u>Subsidiary Guarantors</u>	<u>Eliminations</u>	<u>Total</u>
Net broadcast revenue .....	\$ —	\$ —	\$53,745	\$ —	\$53,745
Station operating expenses .....	—	—	38,530	—	38,530
Depreciation and amortization .....	92	—	13,344	—	13,436
Corporate general and administrative expenses..	4,808	49	—	—	4,857
Equity (loss) in earnings of subsidiaries .....	(1,641)	1,012	—	629	—
Operating (loss) income .....	(6,541)	963	1,871	629	(3,078)
Interest expense .....	(36)	(3,243)	—	—	(3,279)
Gain on exchange/sale of radio stations .....	4,444	—	—	—	4,444
Other expense, net .....	—	—	(465)	—	(465)
(Loss) income before income taxes and cumulative effect of accounting change .....	(2,133)	(2,280)	1,406	629	(2,378)
Income tax benefit (expense) .....	597	639	(394)	(177)	665
Net (loss) income .....	<u>\$ (1,536)</u>	<u>\$ (1,641)</u>	<u>\$ 1,012</u>	<u>\$ 452</u>	<u>\$ (1,713)</u>

**REGENT COMMUNICATIONS, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**Condensed Consolidating Balance Sheets**  
**(in thousands)**  
**December 31, 2003**

	<u>RCI</u>	<u>RBI</u>	<u>Subsidiary Guarantors</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents .....	\$ —	\$ 1,673	\$ —	\$ —	\$ 1,673
Accounts receivable, net .....	—	—	13,554	—	13,554
Other current assets .....	<u>360</u>	<u>—</u>	<u>481</u>	<u>—</u>	<u>841</u>
Total current assets .....	360	1,673	14,035	—	16,068
Intercompany receivable .....	—	—	44,678	(44,678)	—
Investment in subsidiaries .....	273,905	382,642	—	(656,547)	—
Property and equipment, net .....	387	—	34,748	—	35,135
Intangible assets, net .....	—	—	293,673	—	293,673
Goodwill, net .....	1,599	—	24,050	—	25,649
Other assets .....	<u>8,984</u>	<u>2,242</u>	<u>438</u>	<u>(8,888)</u>	<u>2,776</u>
Total assets .....	<u>\$285,235</u>	<u>\$386,557</u>	<u>\$411,622</u>	<u>\$(710,113)</u>	<u>\$373,301</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Current portion of long-term debt .....	\$ 60	\$ 812	\$ —	\$ —	\$ 872
Accounts payable and accrued expenses ..	1,047	172	5,867	—	7,086
Intercompany payable .....	<u>—</u>	<u>44,678</u>	<u>—</u>	<u>(44,678)</u>	<u>—</u>
Total current liabilities .....	1,107	45,662	5,867	(44,678)	7,958
Long-term debt, less current portion .....	330	66,688	—	—	67,018
Deferred taxes and other long-term liabilities	<u>—</u>	<u>302</u>	<u>23,113</u>	<u>(8,888)</u>	<u>14,527</u>
Total liabilities .....	1,437	112,652	28,980	(53,566)	89,503
Stockholders' equity .....	<u>283,798</u>	<u>273,905</u>	<u>382,642</u>	<u>(656,547)</u>	<u>283,798</u>
Total liabilities and stockholders' equity	<u>\$285,235</u>	<u>\$386,557</u>	<u>\$411,622</u>	<u>\$(710,113)</u>	<u>\$373,301</u>



REGENT COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Balance Sheets  
(in thousands)  
December 31, 2002

	<u>RCI</u>	<u>RBI</u>	<u>Subsidiary Guarantors</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents .....	\$ —	\$ 2,656	\$ —	\$ —	\$ 2,656
Accounts receivable, net .....	—	—	13,517	—	13,517
Other current assets .....	<u>297</u>	<u>—</u>	<u>514</u>	<u>—</u>	<u>811</u>
Total current assets .....	297	2,656	14,031	—	16,984
Intercompany receivable .....	—	—	28,048	(28,048)	—
Investment in subsidiaries .....	269,302	304,105	—	(573,407)	—
Property and equipment, net .....	464	—	26,425	—	26,889
Intangible assets, net .....	—	—	238,706	—	238,706
Goodwill, net .....	1,754	493	21,953	—	24,200
Other assets .....	<u>9,021</u>	<u>1,149</u>	<u>43</u>	<u>(8,962)</u>	<u>1,251</u>
Total assets .....	<u>\$280,838</u>	<u>\$308,403</u>	<u>\$329,206</u>	<u>\$(610,417)</u>	<u>\$308,030</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
Current liabilities:					
Current portion of long-term debt .....	\$ 60	\$ —	\$ —	\$ —	\$ 60
Accounts payable and accrued expenses ..	1,898	84	5,906	—	7,888
Intercompany payable .....	<u>—</u>	<u>28,048</u>	<u>—</u>	<u>(28,048)</u>	<u>—</u>
Total current liabilities .....	1,958	28,132	5,906	(28,048)	7,948
Long-term debt, less current portion .....	390	10,969	—	—	11,359
Deferred taxes and other long-term liabilities	<u>—</u>	<u>—</u>	<u>19,195</u>	<u>(8,962)</u>	<u>10,233</u>
Total liabilities .....	2,348	39,101	25,101	(37,010)	29,540
Stockholders' equity .....	<u>278,490</u>	<u>269,302</u>	<u>304,105</u>	<u>(573,407)</u>	<u>278,490</u>
Total liabilities and stockholders' equity	<u>\$280,838</u>	<u>\$308,403</u>	<u>\$329,206</u>	<u>\$(610,417)</u>	<u>\$308,030</u>

REGENT COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statements of Cash Flows  
(in thousands)  
Year Ended December 31, 2003

	<u>RCI</u>	<u>RBI</u>	<u>Subsidiary Guarantors</u>	<u>Eliminations</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>					
Cash flows (used in) provided by operating activities . . . . .	\$(6,573)	\$ (5,077)	\$ 25,628	\$—	\$ 13,978
<i>Cash flows from investing activities:</i>					
Acquisitions of radio stations and related acquisition costs . . . . .	—	(63,322)	—	—	(63,322)
Capital expenditures . . . . .	(32)	(5,001)	—	—	(5,033)
Net proceeds from sale of long-lived assets . . . . .	<u>—</u>	<u>—</u>	<u>29</u>	<u>—</u>	<u>29</u>
Net cash (used in) provided by investing activities . . . . .	(32)	(68,323)	29	—	(68,326)
<i>Cash flows from financing activities:</i>					
Principal payments on long-term debt . . . . .	(60)	(81,969)	—	—	(82,029)
Repayment of capital lease obligations . . . . .	—	—	(154)	—	(154)
Long-term debt borrowings . . . . .	—	138,500	—	—	138,500
Purchase of treasury shares . . . . .	(992)	—	—	—	(992)
Payment of financing/issuance costs . . . . .	—	(1,960)	—	—	(1,960)
Net transfers from/(to) subsidiaries . . . . .	<u>7,657</u>	<u>17,846</u>	<u>(25,503)</u>	<u>—</u>	<u>—</u>
Net cash provided by (used in) financing activities . . . . .	<u>6,605</u>	<u>72,417</u>	<u>(25,657)</u>	<u>—</u>	<u>53,365</u>
Decrease in cash and cash equivalents . . . . .	—	(983)	—	—	(983)
Cash and cash equivalents at beginning of period . . . . .	<u>—</u>	<u>2,656</u>	<u>—</u>	<u>—</u>	<u>2,656</u>
Cash and cash equivalents at end of period . . . . .	<u>\$ —</u>	<u>\$ 1,673</u>	<u>\$ —</u>	<u>\$—</u>	<u>\$ 1,673</u>

REGENT COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statements of Cash Flows  
(in thousands)  
Year Ended December 31, 2002

	<u>RCI</u>	<u>RBI</u>	<u>Subsidiary Guarantors</u>	<u>Eliminations</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>					
Cash flows (used in) provided by operating activities .....	\$ (3,094)	\$ (2,651)	\$ 16,728	\$—	\$ 10,983
<i>Cash flows from investing activities:</i>					
Acquisitions of radio stations and related acquisition costs .....	—	(6,248)	—	—	(6,248)
Capital expenditures .....	—	(3,856)	—	—	(3,856)
Net proceeds from sale of long-lived assets .....	—	—	1,829	—	1,829
Net cash (used in) provided by investing activities .....	—	(10,104)	1,829	—	(8,275)
<i>Cash flows from financing activities:</i>					
Net proceeds from issuance of common stock .....	75,785	—	—	—	75,785
Principal payments on long-term debt .....	(60)	(80,600)	—	—	(80,660)
Long-term debt borrowings .....	—	5,000	—	—	5,000
Purchase of treasury shares .....	(1,122)	—	—	—	(1,122)
Payment of equity issuance costs .....	(820)	—	—	—	(820)
Net transfers (to)/from subsidiaries .....	(70,689)	89,246	(18,557)	—	—
Net cash provided by (used in) financing activities .....	<u>3,094</u>	<u>13,646</u>	<u>(18,557)</u>	<u>—</u>	<u>(1,817)</u>
Increase in cash and cash equivalents .....	—	891	—	—	891
Cash and cash equivalents at beginning of period .....	—	1,765	—	—	1,765
Cash and cash equivalents at end of period	<u>\$ —</u>	<u>\$ 2,656</u>	<u>\$ —</u>	<u>\$—</u>	<u>\$ 2,656</u>

REGENT COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statements of Cash Flows  
(in thousands)  
Year Ended December 31, 2001

	<u>RCI</u>	<u>RBI</u>	<u>Subsidiary Guarantors</u>	<u>Eliminations</u>	<u>Total</u>
<i>Cash flows from operating activities:</i>					
Cash flows (used in) provided by operating activities .....	\$ (2,463)	\$ (2,121)	\$ 12,934	\$—	\$ 8,350
<i>Cash flows from investing activities:</i>					
Acquisitions of radio stations and related acquisition costs .....	—	(63,450)	—	—	(63,450)
Capital expenditures .....	—	(3,161)	—	—	(3,161)
Proceeds from the sale of long-lived assets .....	—	—	27	—	27
Net proceeds from sale of radio stations ..	<u>13,393</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>13,393</u>
Net cash provided by (used in) investing activities .....	13,393	(66,611)	27	—	(53,191)
<i>Cash flows from financing activities:</i>					
Net proceeds from issuance of common stock .....	4,068	—	—	—	4,068
Principal payments on long-term debt ....	(60)	(18,431)	—	—	(18,491)
Long-term debt borrowings .....	—	60,500	—	—	60,500
Payment of equity issuance costs .....	(249)	—	—	—	(249)
Net transfers (to)/from subsidiaries .....	<u>(14,689)</u>	<u>27,650</u>	<u>(12,961)</u>	<u>—</u>	<u>—</u>
Net cash (used in) provided by financing activities .....	<u>(10,930)</u>	<u>69,719</u>	<u>(12,961)</u>	<u>—</u>	<u>45,828</u>
Increase in cash and cash equivalents .....	—	987	—	—	987
Cash and cash equivalents at beginning of period .....	<u>—</u>	<u>778</u>	<u>—</u>	<u>—</u>	<u>778</u>
Cash and cash equivalents at end of period	<u>\$ —</u>	<u>\$ 1,765</u>	<u>\$ —</u>	<u>\$—</u>	<u>\$ 1,765</u>

## REGENT COMMUNICATIONS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

#### 5. Capital Stock

The Company's authorized capital stock consists of 100,000,000 shares of common stock and 40,000,000 shares of preferred stock. No shares of preferred stock were issued or outstanding at December 31, 2003 or 2002. The Company has in the past designated shares of preferred stock in several different series. Of the available shares of preferred stock, 6,768,862 remain designated in several of those series and 33,231,138 shares are currently undesignated.

On February 4, 2003, the Company issued 30,960 shares of common stock to four executive officers at an issue price of \$5.905 as payment of a portion of 2002 bonuses awarded under the Company's Senior Management Bonus Plan. The shares were issued from previously repurchased treasury shares.

On March 5, 2003, the Company issued 36,110 shares of Regent common stock to a director of the Company in a net cashless exercise of a stock option issued under the Regent Communications, Inc. Faircom Conversion Stock Option Plan. The cashless exercise was completed by the tendering of mature shares as payment for the option exercise.

Regent has a stock buyback program, approved by its Board of Directors, which allows the Company to repurchase shares of its common stock at certain market price levels. During 2003, Regent acquired 201,500 shares of its common stock for an aggregate purchase price of approximately \$1.0 million. During 2002, Regent acquired 235,660 shares of treasury stock for an aggregate purchase price of approximately \$1.1 million. In October 2002, Regent's Board of Directors increased the amount of stock the Company could buy back by approximately \$6.7 million, providing for an aggregate amount available for repurchase of \$10.0 million at December 31, 2002. At December 31, 2003, there was approximately \$9.0 million available under the buyback plan for repurchases.

During 2003, Regent reissued 119,441 shares of treasury stock previously acquired, net of forfeited shares, as an employer match to employee contributions under the Company's 401(k) Profit Sharing Plan and to employees enrolled in the Company's Employee Stock Purchase Plan. During 2002, Regent reissued 55,277 shares of treasury stock previously acquired, net of forfeited shares, as an employer match to employee contributions under the Company's 401(k) Profit Sharing Plan, and to employees enrolled in the Company's Employee Stock Purchase Plan.

On February 4, 2002, the Company issued 174,917 shares of common stock to Connoisseur Communications of Flint, L.L.P., valued at approximately \$1.0 million, for the option to purchase WFGR-FM, serving the Grand Rapids, Michigan market.

On February 5, 2002, the Company issued 200,000 shares of common stock at a price of \$5.75 per share as part of its 2001 private placement offering to qualified investors. The shares were sold to a venture capital fund related to one of the Company's independent directors, and were held in escrow, along with the associated cash proceeds of approximately \$1.2 million, pending confirmation from Nasdaq that stockholder approval would not be required for such sale.

On April 29, 2002, the Company completed the sale of 10.5 million shares of its common stock at a price of \$7.50 per share. Net cash proceeds to the Company after underwriting discounts and commissions were approximately \$74.6 million. Approximately \$70.6 million of the proceeds were used to pay down outstanding indebtedness under the Company's credit facility. The remaining \$4.0 million of proceeds were used to partially fund the Company's acquisitions of WRCL-FM (formerly WZRZ-FM), serving the Flint, Michigan market, and WFGR-FM, serving the Grand Rapids, Michigan market, during the second quarter of 2002.

On June 1, 2002, the Company issued 209,536 shares of common stock, valued at approximately \$1.4 million, in conjunction with its subsidiary merger with The Frankenmuth Radio Co., Inc.

## REGENT COMMUNICATIONS, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

At various times during 2002, 16,074 options to purchase shares of Regent common stock were exercised by three former directors of Faircom Inc. at prices ranging from \$0.89 to \$3.73 per share. The options were issued under the Regent Communications, Inc. Faircom Conversion Stock Option Plan, which provided substitute options for those granted under the Faircom Inc. Stock Option Plan prior to the Company's merger with Faircom Inc.

At December 31, 2003 there were warrants outstanding entitling the holders to purchase a total of 790,000 shares of Regent's common stock at \$5.00 per share. These warrants were previously issued in 1998 in connection with the Series A, B, and F convertible preferred stock and expire ten years from the date of grant.

#### 6. Stock-Based Compensation Plans

##### *1998 Management Stock Option Plan*

The Regent Communications, Inc. 1998 Management Stock Option Plan, as amended (the "1998 Stock Option Plan") provides for the issuance of up to an aggregate of 4,000,000 common shares in connection with the issuance of incentive stock options ("ISO's") and non-qualified stock options ("NQSO's"). The Compensation Committee of the Company's Board of Directors determines eligibility. The exercise price of the options is to be not less than the fair market value of the underlying common stock at the grant date and in the case of ISO's granted to a 10% owner (as defined), the exercise price must be at least 110% of the fair market value of the underlying common stock at the grant date. Under the terms of the 1998 Stock Option Plan, the options expire no later than ten years from the date of grant in the case of ISO's (five years in the case of ISO's granted to a 10% owner), no later than ten years and one day in the case of NQSO's, or earlier in either case in the event a participant ceases to be an employee of the Company. The ISO's vest ratably over a five-year period and the NQSO's vest ratably over periods ranging from three to ten years.

##### *Faircom Conversion Stock Option Plan*

On June 15, 1998, the Company acquired, pursuant to an agreement of merger, all of the outstanding common stock of Faircom Inc. Upon consummation of the Faircom merger, the Board of Directors of the Company adopted the Regent Communications, Inc. Faircom Conversion Stock Option Plan ("Conversion Stock Option Plan") which applied to those individuals previously participating in the Faircom Inc. Stock Option Plan ("Faircom Plan"). In exchange for relinquishing their options under the Faircom Plan, five former officers and members of Faircom's Board of Directors were given, in total, the right to acquire 274,045 shares of the Company's common stock at exercise prices ranging from \$0.89 to \$3.73 per share and expiring from May 11, 1999 to July 1, 2002 (the "Converted Options"). Certain options granted to a director under the Conversion Stock Option Plan were extended until July 1, 2003 due to certain lock-up provisions related to the Company's public sale of common stock in April 2002. No additional compensation expense was recorded related to the option extension, as the Company had taken the maximum amount of expense at the date the options were converted from the Faircom Plan. At December 31, 2003, there were no options remaining under the Conversion Stock Option Plan.

##### *2001 Directors' Stock Option Plan*

The Regent Communications, Inc. 2001 Directors' Stock Option Plan (the "2001 Directors' Option Plan") provides for the issuance of up to an aggregate of 500,000 common shares in connection with the issuance of NQSO's. Grants in the amount of 10,000 shares are awarded initially to each new outside Director at the date of his first attendance at a meeting of the Board of Directors, and thereafter, on each one year anniversary date of the first attendance at a meeting of the Board of Directors, each outside Director will be automatically granted a further option to purchase 5,000 shares. The exercise price of the options is to be equal to the fair market value of the underlying common stock at the date of grant. Under the terms of the 2001

REGENT COMMUNICATIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Directors' Option Plan, the options are exercisable six months from the date of grant and expire ten years from the date of grant.

*Employee Stock Purchase Plan*

In December 2001, the Company adopted the Regent Communications, Inc. Employee Stock Purchase Plan (the "Stock Purchase Plan") and reserved 500,000 shares of common stock for issuance thereunder. Under the Stock Purchase Plan, participating employees may purchase shares of the Company's common stock at a price per share that is 90% of the lesser of the fair market value as of the beginning or the end of the quarterly offering period. Prior to January 1, 2003, the offering period was on a semi-annual basis. Under the terms of the Stock Purchase Plan, eligible employees may elect each offering period to have between 1 and 10% of their compensation withheld through payroll deductions. A total of approximately 38,000 and 24,000 shares of common stock have been issued under the Stock Purchase Plan for the 2003 and 2002 offering periods, respectively.

*Stock-based Compensation*

The Company applies the provisions of APB 25 in accounting for the 1998 Stock Option Plan, the 2001 Directors' Option Plan, and the Stock Purchase Plan. Under APB 25, no compensation expense is recognized for options granted to employees or Directors at exercise prices that are equal to or greater than the fair market value of the underlying common stock at the grant date, or for purchases of common stock under the Stock Purchase Plan. SFAS 123 requires the Company to provide, beginning with 1995 grants, pro forma information regarding net income (loss) and net income (loss) per common share as if compensation costs for the Company's stock-based compensation plans had been determined in accordance with the fair value based method prescribed in SFAS 123. Such pro forma information is included in Footnote 1.

The weighted average fair value per share for options granted under the 1998 Stock Option Plan and 2001 Directors' Option Plan was \$3.17, \$3.60, and \$4.10 for ISO's in 2003, 2002 and 2001, respectively, and \$3.17, \$3.57, and \$4.12 for NQSO's in 2003, 2002 and 2001, respectively. The weighted average fair value for options granted under the Conversion Stock Option Plan was approximately \$230,000 and such amount was recognized at the time of conversion since the Converted Options are fully vested. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions:

	2003		2002		2001	
	ISO's	NQSO's	ISO's	NQSO's	ISO's	NQSO's
Dividends .....	None	None	None	None	None	None
Volatility .....	60.3%	60.4%	53.5%	53.5%	55.1%	55.1%
Risk-free interest rate .....	3.16%	3.10%	4.70%	4.68%	5.11%	5.12%
Expected term .....	5 years	5 years	5 years	5 years	5 years	5 years

The weighted average fair value per share for common stock issued during 2003 under the Stock Purchase Plan was \$3.04, calculated using an average risk-free interest rate of 2.8%, volatility of 59.4%, assuming no dividends and an expected term of five years. For the 2002 year, the weighted average fair value per share was \$1.61, calculated using an average risk-free interest rate of 1.66%, volatility of 53.5%, assuming no dividends and an expected term of five years.

**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Presented below is a summary of the status of outstanding Company stock options issued to employees and Directors:

	Shares	Weighted Average Exercise Price
Company options held by employees and Directors:		
At December 31, 2000 .....	1,978,403	\$5.04
Granted .....	672,750	\$7.73
Exercised .....	(28,468)	\$1.65
Forfeited/expired .....	(13,000)	\$5.25
Company options held by employees and Directors:		
At December 31, 2001 .....	2,609,685	\$5.77
Granted .....	522,000	\$6.95
Exercised .....	(16,074)	\$1.86
Forfeited/expired .....	(32,750)	\$7.51
Company options held by employees and Directors:		
At December 31, 2002 .....	3,082,861	\$5.97
Granted .....	560,750	\$5.88
Exercised .....	(135,195)	\$3.73
Forfeited/expired .....	(24,500)	\$6.37
Company options held by employees and Directors:		
At December 31, 2003 .....	3,483,916	\$6.04

The following table summarizes the status of Company options outstanding and exercisable at December 31, 2003 under the 1998 Stock Option Plan and the 2001 Directors' Option Plan:

Exercise Price	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$6.13 - \$7.83 .....	1,348,250	7.6	\$7.35	614,800	\$7.44
\$5.00 - \$6.00 .....	2,135,666	5.7	\$5.22	1,450,166	\$5.02
	3,483,916			2,064,966	

There were options exercisable into common stock of 2,064,966, 1,764,411, and 1,531,976 shares at weighted average exercise prices of \$5.74, \$5.40, and \$5.24 per share at December 31, 2003, 2002, and 2001, respectively.

As of December 31, 2003, the stock options granted under the 1998 Stock Option Plan entitle the holders to purchase 3,263,916 shares of the Company's common stock. Stock options granted under the 2001 Directors' Option Plan entitle the holders to purchase 220,000 shares of the Company's common stock. There were no remaining stock options outstanding under the Conversion Stock Option Plan at December 31, 2003.

**7. Earnings Per Share**

Statement of Financial Accounting Standards No. 128 ("SFAS 128") calls for the dual presentation of basic and diluted earnings per share ("EPS"). Basic EPS is calculated by dividing net income by the weighted



**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

average number of common shares outstanding during the reporting period. The calculation of diluted earnings per share is similar to basic except that the weighted average number of shares outstanding includes the additional dilution that would occur if potential common stock, such as stock options or warrants, were exercised. The number of additional shares is calculated by assuming that outstanding stock options and warrants with an exercise price less than the Company's average stock price for the period were exercised, and that the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. At December 31, 2003, the effects of the assumed exercise of 2,135,666 outstanding stock options and 790,000 warrants to purchase shares of common stock were included in the calculation of diluted net income per share. The effects of the assumed exercise of 1,774,361 and 2,609,685 outstanding options and 790,000 and 790,000 warrants to purchase shares of common stock are excluded from the calculations of diluted net loss per share at December 31, 2002 and 2001, respectively, as their effect was anti-dilutive.

The following table sets forth the computation of basic and diluted net income (loss) per share for the periods indicated (in thousands except per share data):

	Year Ended December 31,		
	2003	2002	2001
Net income (loss) before cumulative effect of accounting change	\$5,706	\$ (342)	\$(1,713)
Cumulative effect of accounting change, net of applicable income taxes of \$3,762	—	(6,138)	—
Net income (loss)	<u>\$5,706</u>	<u>\$(6,480)</u>	<u>\$(1,713)</u>
Weighted average basic common shares	46,515	43,177	34,218
Dilutive effect of stock options and warrants	322	—	—
Weighted average diluted common shares	46,837	43,177	34,218
Net income (loss) per common share:			
Basic and diluted:			
Net income (loss) before cumulative effect of accounting change	\$ 0.12	\$ (0.01)	\$ (0.05)
Cumulative effect of accounting change	—	(0.14)	—
Net income (loss)	<u>\$ 0.12</u>	<u>\$(0.15)</u>	<u>\$(0.05)</u>

**8. Goodwill and Other Intangible Assets**

The Company's intangible assets consist principally of the value of FCC licenses and the excess of the purchase price over the fair value of net assets of acquired radio stations (goodwill). On January 1, 2002, the Company adopted the provisions of SFAS 142, which requires that a Company no longer amortize goodwill and intangible assets determined to have an indefinite life and also requires an annual impairment testing of those assets. Consistent with the application provisions of SFAS 142, the Company applied a fair value approach to test impairment of both indefinite-lived intangible assets and goodwill on a market-by-market basis. Based on the results of this evaluation, during the first quarter of 2002, the Company recorded impairment charges against indefinite-lived intangibles of approximately \$3.9 million, net of income taxes of approximately \$2.4 million, and against goodwill of approximately \$2.2 million, net of income taxes of approximately \$1.4 million. Regent reflected this charge as a component of cumulative effect of accounting change in its Consolidated Statements of Operations. In estimating future cash flows, the Company considered the impact of the economic slow down in the radio industry at the end of 2001. Those conditions, combined with the change in methodology for testing for impairment, which previously employed the

**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

utilization of undiscounted cash flow projections, adversely impacted the cash flow projections used to determine the fair value of the FCC licenses, as well as each reporting unit. No impairment charge was appropriate under the FASB's previous goodwill impairment standard, which was based on undiscounted cash flows.

During the fourth quarter of 2003, Regent performed its annual review of goodwill for impairment and determined that it was not necessary to record any impairment charges for the year 2003. While performing its annual impairment of goodwill during the fourth quarter of 2002, and based on the Company's methodology of comparing discounted cash flow projections for a reporting unit to the unit's carrying value, it was determined that the carrying amount of goodwill relating to the Peoria market exceeded the fair value by \$2.9 million. This amount was charged to operations in the fourth quarter of 2002 and was included in the Consolidated Statements of Operations as an impairment of goodwill.

Assuming amortization of goodwill and other indefinite-lived intangible assets had been discontinued at January 1, 2000, the comparable net income (loss) and net income (loss) per share (basic and diluted) for the prior-year periods would have been (in thousands, except per share amounts):

	<u>Year Ended December 31,</u>		
	<u>2003</u>	<u>2002</u>	<u>2001</u>
Reported net income (loss) .....	\$5,706	\$(6,480)	\$(1,713)
Add back: Goodwill amortization .....	—	—	597
Add back: FCC license amortization .....	—	—	<u>6,976</u>
Adjusted net income (loss) .....	<u>\$5,706</u>	<u>\$(6,480)</u>	<u>\$ 5,860</u>
Adjusted net income (loss) applicable to common shares.....	<u>\$5,706</u>	<u>\$(6,480)</u>	<u>\$ 5,860</u>
Basic and diluted income (loss) per share:			
Reported net income (loss) per share .....	\$ 0.12	\$ (0.15)	\$ (0.05)
Impact of goodwill amortization .....	—	—	0.02
Impact of FCC license amortization .....	—	—	<u>0.20</u>
Adjusted net income (loss) per share .....	<u>\$ 0.12</u>	<u>\$ (0.15)</u>	<u>\$ 0.17</u>

***Definite-lived Intangible Assets***

The Company has definite-lived intangible assets that continue to be amortized in accordance with SFAS 142, consisting primarily of non-compete agreements. These agreements are amortized over the life of the agreement. In accordance with the transition requirements of SFAS 142, the Company reassessed the useful lives of these intangibles and made no changes to their useful lives. The following table presents the gross carrying amount and accumulated amortization for the Company's definite-lived intangibles at December 31, 2003 and 2002 (in thousands):

	<u>December 31, 2003</u>		<u>December 31, 2002</u>	
	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>
Non-compete agreements and other .....	<u>\$762</u>	<u>\$458</u>	<u>\$762</u>	<u>\$292</u>
Total .....	<u>\$762</u>	<u>\$458</u>	<u>\$762</u>	<u>\$292</u>

The aggregate amortization expense related to the Company's definite-lived intangible assets for the years ended December 31, 2003, 2002 and 2001, was approximately \$166,000, \$140,000, and \$35,000, respectively.

**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

The estimated annual amortization expense for the years ending December 31, 2004, 2005 and 2006, is approximately \$127,000, \$108,000, and \$69,000, respectively.

***Indefinite-lived Intangible Assets***

The Company's indefinite-lived intangible assets consist of FCC licenses for radio stations. Upon adoption of SFAS 142, the Company ceased amortizing these assets, and instead tests the assets at least annually for impairment. The following table presents the carrying amount for the Company's indefinite-lived intangible assets at December 31, 2003 and 2002 (in thousands):

	December 31, 2003	December 31, 2002
FCC licenses .....	\$293,369	\$238,236
Total .....	\$293,369	\$238,236

The change in FCC licenses is due to the acquisition of radio stations in 2003.

***Goodwill***

SFAS 142 requires the Company to test goodwill for impairment using a two-step process. Step one identifies potential impairment, while step two measures the amount of the impairment. The following table presents the changes in the carrying amount of goodwill for the years ended December 31, 2003 and 2002 (in thousands):

	<u>Goodwill</u>
Balance as of December 31, 2001 .....	\$12,777
Adjustments .....	14,903
Acquisition related goodwill .....	2,997
Impairment loss related to the adoption of SFAS 142 (pre-tax) .....	(3,577)
Impairment of goodwill in Peoria .....	(2,900)
Balance as of December 31, 2002 .....	\$24,200
Adjustments .....	(110)
Acquisition related goodwill .....	1,559
Balance as of December 31, 2003 .....	\$25,649

The adjustment to goodwill in 2002 primarily relates to a reclassification to goodwill from FCC licenses upon the adoption of SFAS 142, and reclassifications, primarily between goodwill and FCC licenses, as a result of final appraisals for the acquisitions of radio stations in the Peoria, Illinois and Lafayette, Louisiana markets. The adjustments in 2003 primarily relate to pre-acquisition contingencies that were never realized and were subsequently recorded as a reduction to goodwill.

**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**9. Income Taxes**

The Company's income tax expense (benefit) consists of the following for the years ended December 31 (in thousands):

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Current federal .....	\$ —	\$ (46)	\$ 47
Current state .....	<u>102</u>	<u>93</u>	<u>135</u>
Total current .....	<u>\$ 102</u>	<u>\$ 47</u>	<u>\$ 182</u>
Deferred federal .....	\$3,763	\$2,442	\$(640)
Deferred state .....	<u>551</u>	<u>267</u>	<u>(207)</u>
Total deferred .....	<u>\$4,314</u>	<u>\$2,709</u>	<u>\$(847)</u>
Valuation allowance .....	\$ (454)	\$4,405	\$ —
Net income tax expense (benefit) .....	<u>\$3,962</u>	<u>\$7,161</u>	<u>\$(665)</u>

Additionally, the Company recorded an income tax benefit of approximately \$3.8 million as a component of the cumulative effect of accounting change as of January 1, 2002.

The components of the Company's deferred tax assets and liabilities are as follows as of December 31 (in thousands):

	<u>2003</u>	<u>2002</u>
Deferred tax assets:		
Net operating loss carryforwards .....	\$ 16,209	\$ 12,590
Miscellaneous accruals and credits .....	346	453
Accounts receivable reserve .....	<u>330</u>	<u>324</u>
Total deferred tax assets .....	<u>16,885</u>	<u>13,367</u>
Valuation allowance .....	<u>(3,951)</u>	<u>(4,405)</u>
Net deferred tax assets .....	<u>12,934</u>	<u>8,962</u>
Deferred tax liabilities:		
Property and equipment .....	(1,241)	(1,656)
Intangible assets .....	<u>(25,524)</u>	<u>(17,449)</u>
Total deferred tax liabilities .....	<u>(26,765)</u>	<u>(19,105)</u>
Net deferred tax liabilities .....	<u>\$(13,831)</u>	<u>\$(10,143)</u>

The Company has cumulative federal and state tax loss carryforwards of approximately \$64.0 million at December 31, 2003. These loss carryforwards will expire in years 2004 through 2023. The utilization of a portion of these net operating loss carryforwards for federal income tax purposes is limited pursuant to the annual utilization limitations provided under the provisions of Internal Revenue Code Section 382. The Company recorded a valuation allowance in 2003 for state net operating losses that were generated in 2003 and are scheduled to expire prior to 2016. Additionally, the valuation allowance against net operating losses that expired during 2003 was released.

During the second half of 2002, the Company's ability to implement its tax planning strategy to utilize net operating loss carryforwards was reevaluated based on the current state of private market values for radio

**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

station assets and the Company determined that it was more likely than not that certain deferred tax assets would not be utilized in the foreseeable future. Consequently, the Company recorded a valuation allowance of approximately \$4.4 million in 2002.

The difference between the Company's effective tax rate on income (loss) before income taxes and the federal statutory tax rate arise from the following:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Federal tax expense at statutory rate .....	34.0%	34.0%	(34.0)%
Amortization of intangibles and other non-deductible expenses .....	0.5	0.5	5.8
Increase (decrease) of valuation allowance .....	(4.7)	64.6	0.0
Expiration of net operating losses .....	6.5	3.4	0.0
State tax, net of federal tax benefit .....	5.7	4.8	(2.7)
Other .....	<u>(1.0)</u>	<u>(2.3)</u>	<u>3.0</u>
Effective tax rate .....	<u>41.0%</u>	<u>105.0%</u>	<u>(27.9)%</u>

**10. Derivative Financial Instruments**

Under the terms of its new credit facility, the Company was required to enter into by December 31, 2003, and maintain for a two-year period after becoming effective, an interest rate protection agreement, providing interest rate protection for a minimum of one-half of the aggregate outstanding borrowings under the combined term loans and incremental term loans. In August 2003, the Company entered into a LIBOR-based forward interest rate swap agreement, which will effectively convert \$32.5 million of its variable-rate debt under the new credit facility to a fixed rate. The swap agreement becomes effective on June 30, 2004 and expires two years from that date. Under this agreement, payments will be made based on a fixed rate, which Regent set in August 2003 based on the market for a financial instrument of this type at that date. The Company has classified the swap agreement as a cash-flow hedge, in which the Company is hedging the variability of cash flows related to its variable-rate debt. The unrealized loss related to the interest rate swap agreement was \$0.2 million at December 31, 2003, net of \$0.1 million of income taxes, based on information received from the counterparty to the agreement. This loss has been recorded as a component of accumulated other comprehensive loss. The Company determined that there was no ineffectiveness in the hedge agreement at either the date of inception or at December 31, 2003.

**11. Savings Plans**

***Regent Communications, Inc. 401(k) Profit Sharing Plan***

The Company sponsors a defined contribution plan covering substantially all employees. Both the employee and the Company can make voluntary contributions to the plan. In the third quarter of 2000, the Company added a matching feature to its contribution plan, in which the Company will match participant contributions in the form of employer stock. The matching formula is 50 cents for every dollar contributed up to the first 6% of compensation. Company matched contributions vest to the employees over a three-year period after one year of service. Contribution expense was approximately \$402,000, \$294,000 and \$307,000 in 2003, 2002 and 2001, respectively.

***Regent Communications, Inc. Deferred Compensation Plan***

On October 1, 2002, the Company implemented the Regent Communications, Inc. Deferred Compensation Plan as a vehicle for highly compensated employees to defer compensation that they could not otherwise defer due to the limitations applicable to the Regent Communications, Inc. 401(k) Profit Sharing Plan and to provide an opportunity to share in matching contributions on a portion of such deferrals. The Board of

**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

Directors determines the Company's matching cash contribution, if any, within 60 days after the end of the calendar year for which deferrals were made. For the 2003 plan year, the matching contribution was 100% of the first 1% of deferrals contributed by participants, and contribution expense was approximately \$25,000. For the short plan year period of October 1 through December 31, 2002, the matching contribution was 100% of the first 4% of deferrals contributed by participants. Contribution expense was approximately \$5,000 for the year ended December 31, 2002. Participants are immediately vested in all of their deferral contributions. Matching contributions vest after attainment of age 65, termination of employment due to disability, a change in control of the Company, or if sooner, based on a vesting schedule of 33.3% after one year of service, 66.6% after two years of service, and 100% after three years of service.

**12. Other Financial Information**

*Property and Equipment:*

Property and equipment consists of the following as of December 31 (in thousands):

	<u>2003</u>	<u>2002</u>
Equipment .....	\$37,791	\$29,949
Furniture and fixtures .....	1,989	1,699
Building and improvements .....	9,145	5,822
Land and improvements .....	<u>4,424</u>	<u>3,658</u>
	53,349	41,128
Less accumulated depreciation .....	<u>(18,214)</u>	<u>(14,239)</u>
Net property and equipment .....	<u><u>\$35,135</u></u>	<u><u>\$26,889</u></u>

Depreciation expense was approximately \$4.1 million, \$3.2 million, and \$2.9 million for the years ended December 31, 2003, 2002 and 2001.

*Other Current Liabilities:*

Other current liabilities consist of the following as of December 31 (in thousands):

	<u>2003</u>	<u>2002</u>
Accrued interest .....	\$ 184	\$ 90
Accrued professional fees .....	103	327
Accrued non-compete payments .....	200	300
Due to seller for collection of receivables and other .....	—	349
Acquisition related accruals .....	445	—
Accrued other .....	<u>2,386</u>	<u>2,614</u>
	<u><u>\$3,318</u></u>	<u><u>\$3,680</u></u>

**13. Commitments and Contingencies**

In the normal course of business, the Company is subject to various regulatory proceedings, lawsuits, claims and other matters. Such matters are subject to many uncertainties and outcomes are not predictable with assurance. In the opinion of the Company's management, the eventual resolution of such matters for amounts above those reflected in the consolidated financial statements would not likely have a materially adverse effect on the financial condition of the Company.

**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

As previously reported, Regent Communications, Inc. and certain of its officers were named as defendants in a class action lawsuit relating to our initial public offering, which proceeding remains pending in the United States district court for the Southern District of New York. The suit against Regent is a related proceeding to the *In re Initial Public Offering Securities Litigation* brought by various plaintiffs in connection with various initial public offerings conducted during the applicable statute of limitations time periods. Although the suit remains in its preliminary stages, the Regent officers who were initially named as defendants have subsequently been dismissed from the proceeding. In addition, settlement discussions are ongoing with respect to the *In re Initial Public Offering Securities Litigation*, and Regent expects to participate in a settlement that will effectively end its participation in the litigation. The terms of the agreement have been reached and the settlement should be finalized in the near future. Notwithstanding the foregoing, the outcome of this litigation remains uncertain and we have not reserved for it.

The Company leases certain facilities and equipment used in its operations. Certain of the Company's operating leases contain renewal options and/or escalating rent provisions. Total rental expenses were approximately \$2.2 million, \$2.0 million, and \$1.2 million in 2003, 2002, and 2001, respectively.

At December 31, 2003, the total minimum annual rental commitments under non-cancelable leases are as follows (in thousands):

	<u>Operating Leases</u>	<u>Capital Leases</u>
2004 .....	\$ 1,353	\$339
2005 .....	1,181	88
2006 .....	1,167	34
2007 .....	1,148	9
2008 .....	1,050	1
Thereafter .....	<u>5,681</u>	<u>4</u>
Total minimum payments .....	<u>\$11,580</u>	475
Amount representing interest .....		<u>12</u>
Present value of net minimum lease payments .....		<u>\$463</u>

The Company classifies the current portion of capital leases in other current liabilities and the long-term portion in other long-term liabilities. The cost and accumulated depreciation associated with assets under capital leases is considered insignificant.

**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

**14. Quarterly Financial Information (Unaudited):**

All adjustments necessary for a fair statement of income for each period have been included (in thousands, except per share amounts):

	<u>1st Quarter ended March 31</u>	<u>2nd Quarter ended June 30</u>	<u>3rd Quarter ended Sept. 30</u>	<u>4th Quarter ended Dec. 31</u>	<u>Total Year</u>
2003					
Net broadcast revenues .....	\$16,733	\$21,453	\$21,353	\$21,039	\$80,578
Operating income .....	748	4,635	4,474	3,680	13,537
NET INCOME: .....	110	1,924	2,137	1,535	5,706
BASIC AND DILUTED NET INCOME PER COMMON SHARE(1)(2):					
Net income per common share .....	\$ 0.00	\$ 0.04	\$ 0.05	\$ 0.03	\$ 0.12
2002					
Net broadcast revenues .....	\$12,986	\$17,262	\$18,710	\$21,432	\$70,390
Operating income(3) .....	1,111	3,400	3,670	1,279	9,460
Cumulative effect of accounting change, net of taxes(4) .....	(6,138)	—	—	—	(6,138)
NET (LOSS) INCOME: .....	(6,070)	1,674	1,817	(3,901)	(6,480)
BASIC AND DILUTED NET (LOSS) INCOME PER COMMON SHARE(1)(2):					
Before cumulative effect of accounting change .....	\$ 0.00	\$ 0.04	\$ 0.04	\$ (0.08)	\$ (0.01)
Net (loss) income per common share ..	\$ (0.17)	\$ 0.04	\$ 0.04	\$ (0.08)	\$ (0.15)

- (1) The sum of the quarterly net income (loss) per share amounts may not equal the annual amount reported, as per share amounts are computed independently for each quarter.
- (2) Despite net income for all four quarters in 2003 and for the second and third quarters of 2002, net income per common share was the same for both the basic and diluted calculation.
- (3) Results for the fourth quarter of 2002 include a charge of \$2.9 million to operating income for the impairment of goodwill related to the Company's Peoria market. Refer to Note 8 for further disclosures.
- (4) Refer to Note 8 for information regarding the cumulative effect of accounting change.

**15. Recently Issued Accounting Pronouncements**

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"). SFAS 150 changes the accounting for certain financial instruments that, under previous guidance could be classified as equity or mezzanine equity by now requiring those instruments to be classified as liabilities (or assets in some circumstances) in the balance sheet. SFAS 150 affects an entity's classification of mandatorily redeemable instruments, financial instruments to repurchase an entity's own equity instruments and financial instruments embodying obligations that the issuer must or could choose to settle by issuing a variable number of its shares or other equity instruments based entirely on a fixed monetary amount known at inception or something other than changes in its own equity instruments. The Company adopted SFAS 150 effective June 30, 2003, with no



**REGENT COMMUNICATIONS, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)**

impact to the Company's financial position, cash flows or results of operations. Under its currently effective shelf registration statement, the Company has the ability to offer for sale financial instruments with characteristics of both debt and equity. If the Company were to issue such instruments, the provisions of SFAS 150 would be applied.

**SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS**  
(In thousands)

	<u>Balance at Beginning of Period</u>	<u>Additions</u>		<u>Deductions(1)</u>	<u>Balance at the End of Period</u>
		<u>Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>		
Allowance for doubtful accounts:					
Years ended December 31,					
2003 .....	\$ 854	908	—	894	\$ 868
2002 .....	\$ 719	819	—	684	\$ 854
2001 .....	\$ 403	822	—	506	\$ 719
Deferred tax asset valuation allowance:					
Years ended December 31,					
2003 .....	\$4,405	177(2)	—	631(3)	\$3,951
2002 .....	\$ —	4,405(4)	—	—	\$4,405
2001 .....	\$ —	—	—	—	\$ —

(1) Represents accounts written off to the reserve.

(2) Represents a valuation allowance recorded for state net operating loss carryforwards generated in 2003 and scheduled to expire prior to 2016.

(3) Represents the release of valuation allowance for federal and state net operating loss carryforwards that expired in 2003.

(4) See Note 9 in the Notes to Consolidating Financial Statements.

**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

Not applicable.

**Item 9A. *Controls and Procedures.***

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure based closely on the definition of "disclosure controls and procedures" in Rule 13a-14c. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company has 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 the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective.

There have been no significant changes to the Company's internal controls over financial reporting during the quarter December 31, 2003 or in other factors that could significantly affect the internal controls subsequent to the date the Company completed its evaluation. Therefore, no corrective actions were taken.

**PART III**

**Item 10. *Directors and Executive Officers of the Registrant.***

The information required by this Item 10 is hereby incorporated by reference from our definitive Proxy Statement, and specifically from the portions thereof captioned "Section 16 (a) Beneficial Ownership Reporting Compliance," "Election of Directors" and "Executive Officers," to be filed in April 2004 in connection with the 2004 Annual Meeting of Stockholders presently scheduled to be held on May 19, 2004.

**Item 11. *Executive Compensation.***

The information required by this Item 11 are hereby incorporated by reference from our definitive Proxy Statement to be filed in April 2004 in connection with the 2004 Annual Meeting of Stockholders, presently scheduled to be held on May 19, 2004, and specifically from the portions thereof captioned "Executive Compensation" and "Stock Performance Graph," except that the information required by Items 402(k) and (l) of Regulation S-K which appear within such caption under the sub-heading "Compensation Committee Report" are specifically not incorporated by reference into this Form 10-K or into any other filing by Regent under the Securities Act of 1933 or the Securities Exchange Act of 1934.

**Item 12. *Security Ownership of Certain Beneficial Owners and Management.***

Except for the information required by Item 201(d) of Regulation S-K, which is included below, the information required by this Item 12 is hereby incorporated by reference from our definitive Proxy Statement, and specifically from the portion thereof captioned "Security Ownership of Certain Beneficial Owners and Management," to be filed in April 2004, in connection with the 2004 Annual Meeting of Stockholders, presently scheduled to be held on May 19, 2004.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for issuance under equity compensation plans (excluding securities reflected in column a ) (c)
Equity compensation plans approved by security holders .....	3,497,496	\$6.05	1,656,825
Equity compensation plans not approved by security holders .....	—	—	—
Total .....	<u>3,497,496</u>	<u>\$6.05</u>	<u>1,656,825</u>

**Item 13. *Certain Relationships and Related Transactions.***

The information required by this Item 13 is hereby incorporated by reference from our definitive Proxy Statement, and specifically from the portion thereof captioned “Certain Relationships and Related Transactions,” to be filed in April 2004 in connection with the 2004 Annual Meeting of Stockholders, presently scheduled to be held on May 19, 2004.

**Item 14. *Principal Accounting Fees and Services***

The information required by this Item 14 is hereby incorporated by reference from our definitive Proxy Statement, and specifically from the portion thereof captioned “Independent Public Accountants,” to be filed in April 2004 in connection with the 2004 Annual Meeting of Stockholders, presently scheduled to be held on May 19, 2004.

**PART IV**

**Item 15. *Exhibits, Financial Statement Schedules, and Reports on Form 8-K.***

(a)1. *Financial Statements.*

The consolidated financial statements of Regent Communications, Inc. and subsidiaries filed as part of this Annual Report on Form 10-K are set forth under Item 8.

2. *Financial Statement Schedules.*

The financial statement schedule filed as part of this Annual Report on Form 10-K is set forth under Item 8.

3. *Exhibits.*

A list of the exhibits filed or incorporated by reference as part of this Annual Report on Form 10-K is set forth in the Index to Exhibits which immediately precedes such exhibits and is incorporated herein by this reference.

(b) *Reports on Form 8-K.*

On November 2003, we filed a report on Form 8-K announcing financial results for the third quarter of 2003.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Regent Communications, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REGENT COMMUNICATIONS, INC.

BY:           /s/ TERRY S. JACOBS            
TERRY S. JACOBS,  
*Chairman of the Board, Chief Executive Officer  
and Treasurer*

Date: March 10, 2004

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

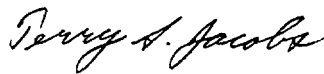
<u>Signature</u>	<u>Title</u>	<u>Date</u>
/s/ TERRY S. JACOBS Terry S. Jacobs	Chairman of the Board, Chief Executive Officer, Treasurer and Director (Principal Executive Officer)	March 10, 2004
/s/ WILLIAM L. STAKELIN William L. Stakelin	President, Chief Operating Officer, Secretary and Director Senior Vice President and Chief	March 10, 2004
/s/ ANTHONY A. VASCONCELLOS Anthony A. Vasconcellos	Financial Officer (Principal Financial and Principal Accounting Officer)	March 10, 2004
/s/ JOEL M. FAIRMAN Joel M. Fairman	Director	March 10, 2004
/s/ HENDRIK J. HARTONG, JR. Hendrik J. Hartong, Jr.	Director	March 10, 2004
/s/ WILLIAM H. INGRAM William H. Ingram	Director	March 10, 2004
/s/ R. GLEN MAYFIELD R. Glen Mayfield	Director	March 10, 2004
/s/ TIMOTHY M. MOONEY Timothy M. Mooney	Director	March 10, 2004

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ RICHARD H. PATTERSON</u> Richard H. Patterson	Director	March 10, 2004
<u>/s/ WILLIAM P. SUTTER, JR.</u> William P. Sutter, Jr.	Director	March 10, 2004
<u>/s/ JOHN H. WYANT</u> John H. Wyant	Director	March 10, 2004

## CERTIFICATIONS

I, Terry S. Jacobs, certify that:

1. I have reviewed this report on Form 10-K of Regent Communications, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.



Terry S. Jacobs  
Chairman of the Board and  
Chief Executive Officer

Date: March 10, 2004

## CERTIFICATIONS

I, Anthony A. Vasconcellos, certify that:

1. I have reviewed this report on Form 10-K of Regent Communications, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.



Anthony A. Vasconcellos  
Chief Financial Officer  
and Senior Vice President

Date: March 10, 2004



## EXHIBIT INDEX

The following exhibits are filed, or incorporated by reference where indicated, as part of Part IV of this Annual Report on Form 10-K:

<u>Exhibit Number</u>	<u>Exhibit Description</u>
2(a)*	Asset Purchase Agreement made by and among Regent Communications, Inc. and Brill Media Company L.L.C. and certain of its subsidiaries dated August 22, 2002 (excluding exhibits not deemed material or filed separately in executed form) (previously filed as Exhibit 2.1 to the Registrant's Form 8-K dated March 11, 2003 and incorporated herein by this reference)
3(a)*	Amended and Restated Certificate of Incorporation of Regent Communications, Inc., as amended by a Certificate of Designation, Number, Powers, Preferences and Relative, Participating, Optional and Other Special Rights and the Qualifications, Limitations, Restrictions, and Other Distinguishing Characteristics of Series G Preferred Stock of Regent Communications, Inc., filed January 21, 1999 (previously filed as Exhibit 3(a) to the Registrant's Form 10-K for the year ended December 31, 1998 and incorporated herein by this reference)
3(b)*	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Regent Communications, Inc. filed with the Delaware Secretary of State on November 19, 1999 (previously filed as Exhibit 3(b) to the Registrant's Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by this reference)
3(c)*	Certificate of Decrease of Shares Designated as Series G Convertible Preferred Stock of Regent Communications, Inc., filed with the Delaware Secretary of State on June 21, 1999 amending the Amended and Restated Certificate of Incorporation of Regent Communications, Inc., as amended (previously filed as Exhibit 3(c) to the Registrant's Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by this reference)
3(d)*	Certificate of Designation, Number, Powers, Preferences and Relative, Participating, Optional and Other Special Rights and the Qualifications, Limitations, Restrictions, and Other Distinguishing Characteristics of Series H Preferred Stock of Regent Communications, Inc., filed with the Delaware Secretary of State on June 21, 1999 amending the Amended and Restated Certificate of Incorporation of Regent Communications, Inc., as amended (previously filed as Exhibit 3(d) to the Registrant's Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by this reference)
3(e)*	Certificate of Decrease of Shares Designated as Series G Convertible Preferred Stock of Regent Communications, Inc., filed with the Delaware Secretary of State on August 23, 1999 amending the Amended and Restated Certificate of Incorporation of Regent Communications, Inc., as amended (previously filed as Exhibit 3(e) to the Registrant's Form 10-Q for the quarter ended on September 30, 1999 and incorporated herein by this reference)
3(f)*	Certificate of Increase of Shares Designated as Series H Convertible Preferred Stock of Regent Communications, Inc., filed with the Delaware Secretary of State on August 23, 1999 amending the Amended and Restated Certificate of Incorporation of Regent Communications, Inc., as amended (previously filed as Exhibit 3(f) to the Registrant's Form 10-Q for the quarter ended on September 30, 1999 and incorporated herein by this reference)
3(g)*	Certificate of Designation, Number, Powers, Preferences and Relative, Participating, Optional, and Other Special Rights and the Qualifications, Limitations, Restrictions, and Other Distinguishing Characteristics of Series K Preferred Stock of Regent Communications, Inc., filed with the Delaware Secretary of State on December 13, 1999 amending the Amended and Restated Certificate of Incorporation of Regent Communications, Inc., as amended (previously filed as Exhibit 3(g) to Amendment No. 1 to the Registrant's Form S-1 Registration Statement No. 333-91703 filed December 29, 1999 and incorporated herein by this reference)
3(h)*	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Regent Communications, Inc. filed with the Delaware Secretary of State on March 13, 2002 (previously filed as Exhibit 3(h) to the Registrant's Form 10-K for the year ended December 31, 2001 and incorporated herein by this reference)

<u>Exhibit Number</u>	<u>Exhibit Description</u>
3(i)*	Amended and Restated By-Laws of Regent Communications, Inc. (previously filed as Exhibit 3(b) to the Amendment No. 1 to the Registrant's Form S-4 Registration Statement No. 333-46435 filed April 8, 1999 and incorporated herein by this reference)
3(j)*	Amendments to By-Laws of Regent Communications, Inc. adopted December 13, 1999 (previously filed as Exhibit 3(h) to Amendment No. 1 to the Registrant's Form S-1 Registration Statement No. 333-91703 filed December 29, 1999 and incorporated herein by this reference)
4(a)*	Credit Agreement dated as of June 30, 2003 among Regent Broadcasting, Inc., Regent Communications, Inc., Fleet National Bank, as Administrative Agent, Fleet National Bank, as Issuing Lender, US Bank, National Association, as Syndication Agent, Wachovia Bank, National Association and Suntrust Bank, as co-Documentation Agents, and the several lenders party thereto (previously filed as Exhibit 10.1 to the Registrant's Form 8-K filed July 1, 2003 and incorporated herein by this reference)
4(b)*	Rights Agreement dated as of May 19, 2003 between Regent Communications, Inc. and Fifth Third Bank (previously filed as Exhibit 4.1 to the Registrant's Form 8-K filed May 20, 2003 and incorporate herein by this reference)
10(a)*#	Regent Communications, Inc. 1998 Management Stock Option Plan, as amended through May 17, 2001 and restated as of October 24, 2002 (previously filed as Exhibit 10(b) to the Registrant's Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by this reference)
10(b)*#	Regent Communications, Inc. 2001 Directors' Stock Option Plan dated May 17, 2001 (previously filed as Exhibit 10(b) to the Registrant's Form 10-Q for the quarter ended June 30, 2001 and incorporated herein by this reference)
10(c)*#	Regent Communications, Inc. Employee Stock Purchase Plan, as amended on October 24, 2002 and effective January 1, 2003 (previously filed as Exhibit 10(a) to the Registrant's Form 10-Q for the quarter ended September 30, 2002 and incorporated herein by this reference)
10(d)*#	Regent Communications, Inc. Deferred Compensation Plan dated July 25, 2002 and effective October 1, 2002 (previously filed as Exhibit 10(e) to the Registrant's Form 10-K for the year ended December 31, 2002 and incorporated herein by this reference)
10(e)#	Employment Agreement between Regent Communications, Inc. and Terry S. Jacobs
10(f)#	Employment Agreement between Regent Communications, Inc. and William L. Stakelin
10(g)#	Employment Agreement between Regent Communications, Inc. and Anthony A. Vasconcellos
10(h)*	Stock Purchase Agreement dated June 15, 1998 among Regent Communications, Inc., Waller-Sutton Media Partners, L.P., WPG Corporate Development Associates V, L.C.C., WPG Corporate Development Associates (Overseas) V, L.P., General Electric Capital Corporation, River Cities Capital Fund Limited Partnership and William H. Ingram (excluding exhibits not deemed material or filed separately in executed form) (previously filed as Exhibit 4(d) to the Registrant's Form 8-K filed June 30, 1998 and incorporated herein by this reference)
10(i)*	Registration Rights Agreement dated June 15, 1998 among Regent Communications, Inc., PNC Bank, N.A., Trustee, Waller-Sutton Media Partners, L.P., WPG Corporate Development Associates V, L.C.C., WPG Corporate Development Associates (Overseas) V, L.P., BMO Financial, Inc., General Electric Capital Corporation, River Cities Capital Fund Limited Partnership, Terry S. Jacobs, William L. Stakelin, William H. Ingram, Blue Chip Capital Fund II Limited Partnership, Miami Valley Venture Fund L.P. and Thomas Gammon (excluding exhibits not deemed material or filed separately in executed form) (previously filed as Exhibit 4(e) to the Registrant's Form 8-K filed June 30, 1998 and incorporated herein by this reference)
10(j)*	Warrant for the Purchase of 650,000 Shares of Common Stock issued by Regent Communications, Inc. to Waller-Sutton Media Partners, L.P. dated June 15, 1998 (See Note 1 below) (previously filed as Exhibit 4(f) to the Registrant's Form 8-K filed June 30, 1998 and incorporated herein by this reference)

Exhibit  
Number

Exhibit Description

- 10(k)\* Stock Purchase Agreement dated June 21, 1999 between Regent Communications, Inc. and Waller-Sutton Media Partners, L.P. relating to the purchase of 90,909 shares of Regent Communications, Inc. Series H convertible preferred stock (See Note 2 below) (excluding exhibits not deemed material or filed separately in executed form) (previously filed as Exhibit 4(aa) to the Registrant's Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by this reference)
- 10(l)\* Stock Purchase Agreement dated June 21, 1999, among Regent Communications, Inc., WPG Corporate Development Associates V, L.L.C. and WPG Corporate Development Associates V (Overseas), L.P. relating to the purchase of 1,180,909 and 182,727 shares, respectively, of Regent Communications, Inc. Series H convertible preferred stock (excluding exhibits not deemed material or filed separately in executed form) (previously filed as Exhibit 4(bb) to the Registrant's Form 10-Q for the quarter ended June 30, 1999 and incorporated herein by this reference)
- 10(m)\* Stock Purchase Agreement dated as of August 31, 1999 among Regent Communications, Inc., The Roman Arch Fund L.P. and The Roman Arch Fund II L.P. relating to the purchase of 109,091 and 72,727 shares, respectively, of Regent Communications, Inc. Series H convertible preferred stock (excluding exhibits not deemed material or filed separately in executed form) (previously filed as Exhibit 4(ee) to the Registrant's Form 10-Q for the quarter ended on September 30, 1999 and incorporated herein by this reference)
- 10(n)\* First Amendment to Registration Rights Agreement dated as of August 31, 1999 among Regent Communications, Inc., PNC Bank, N.A., as trustee, Waller-Sutton Media Partners, L.P., WPG Corporate Development Associates V, L.L.C., WPG Corporate Development Associates (Overseas) V, L.P., BMO Financial, Inc., General Electric Capital Corporation, River Cities Capital Fund Limited Partnership, Terry S. Jacobs, William L. Stakelin, William H. Ingram, Blue Chip Capital Fund II Limited Partnership, Miami Valley Venture Fund L.P. and Thomas P. Gammon (excluding exhibits not deemed material or filed separately in executed form) (previously filed as Exhibit 4(gg) to the Registrant's Form 10-Q for the quarter ended on September 30, 1999 and incorporated herein by this reference)
- 10(o)\* Second Amendment to Registration Rights Agreement dated as of December 13, 1999, among Regent Communications, Inc., Terry S. Jacobs, William L. Stakelin, Blue Chip Capital Fund II Limited Partnership, Blue Chip Capital Fund III Limited Partnership, Miami Valley Venture Fund, L.P., PNC Bank, N.A., as trustee, PNC Bank, N.A., Custodian, Waller-Sutton Media Partners, L.P., River Cities Capital Fund Limited Partnership, Mesirov Capital Partners VII, WPG Corporate Development Associates V, L.L.C., WPG Corporate Development Associates V (Overseas) L.P., General Electric Capital Corporation, William H. Ingram, The Roman Arch Fund L.P., The Roman Arch Fund II L.P. and The Prudential Insurance Company of America (previously filed as Exhibit 4(hh) to Amendment No. 1 to the Registrant's Form S-1 Registration Statement No. 333-91703 filed December 29, 1999 and incorporated herein by this reference)
- 10(p)\* Third Amended and Restated Stockholders' Agreement dated as of December 13, 1999, among Regent Communications, Inc., Terry S. Jacobs, William L. Stakelin, Blue Chip Capital Fund II Limited Partnership, Blue Chip Capital Fund III Limited Partnership, Miami Valley Venture Fund, L.P., PNC Bank, N.A., as trustee, PNC Bank, N.A., Custodian, Waller-Sutton Media Partners, L.P., River Cities Capital Fund Limited Partnership, Mesirov Capital Partners VII, WPG Corporate Development Associates V, L.L.C., WPG Corporate Development Associates V (Overseas) L.P., General Electric Capital Corporation, William H. Ingram, Joel M. Fairman, The Roman Arch Fund L.P., The Roman Arch Fund II L.P. and the Prudential Insurance Company of America (previously filed as Exhibit 4(ii) to Amendment No. 1 to the Registrant's Form S-1 Registration Statement No. 333-91703 filed December 29, 1999 and incorporated herein by this reference)
- 10(q)\* Stock Purchase Agreement dated as of November 24, 1999, between Regent Communications, Inc. and Blue Chip Capital Fund III Limited Partnership (see Note 3 below) (previously filed as Exhibit (jj) to Amendment No. 1 to the Registrant's Form S-1 Registration Statement filed December 29, 1999 and incorporated herein by this reference)

**Exhibit  
Number**

**Exhibit Description**

- 10(r)\* Third Amendment to Registration Rights Agreement, dated August 28, 2001, among Regent Communications, Inc. and the Stockholders who are signatories thereto (previously filed as Exhibit 10(b) to the Registrant's Form 10-Q for the quarter ended September 30, 2001 and incorporated herein by this reference)
- 10(s)\* Fourth Amendment to Registration Rights Agreement, dated as of November 26, 2001, among Regent Communications, Inc. and the Stockholders who are signatories thereto (previously filed as Exhibit 10(t) to the Registrant's Form 10-K for the year ended December 31, 2001 and incorporated herein by this reference)
- 10(t)\* Registration Rights Agreement dated as of January 7, 2002, between Regent Communications, Inc. and ComCorp of Lafayette, Inc. (previously filed as Exhibit 10(u) to the Registrant's Form 10-K for the year ended December 31, 2001 and incorporated herein by this reference)
- 10(u)\* Registration Rights Agreement dated as of January 7, 2002 between Regent Communications, Inc. and Abbeville Broadcasting Service, Inc. (previously filed as Exhibit 10(v) to the Registrant's Form 10-K for the year ended December 31, 2001 and incorporated herein by this reference)
- 21 Subsidiaries of Registrant
- 23 Consent of Independent Accountants
- 31(a) Chief Executive Officer Rule 13a-14(a)/15d-14(a) Certification
- 31(b) Chief Financial Officer Rule 13a-14(a)/15d-14(a) Certification
- 32(a) Chief Executive Officer Section 1350 Certification
- 32(b) Chief Financial Officer Section 1350 Certification

\* Incorporated by reference.

# Constitutes a management contract or compensatory plan or arrangement.

Notes:

1. Six substantially identical warrants for the purchase of shares of Registrant's common stock were issued as follows:

	<u>Shares</u>
Waller-Sutton Media Partners, L.P. ....	650,000
WPG Corporate Development Associates V, L.L.C. ....	112,580
WPG Corporate Development Associates (Overseas) V, L.P. ....	17,420
General Electric Capital Corporation ....	50,000
River Cities Capital Fund Limited Partnership.....	20,000
William H. Ingram .....	10,000

2. Two substantially identical stock purchase agreements were entered into for the purchase of Series H convertible preferred stock as follows:

Blue Chip Capital Fund II Limited Partnership .....	363,636 shares
PNC Bank, N.A., as trustee .....	181,818 shares

3. Four substantially identical stock purchase agreements were entered into for the purchase of Series K convertible preferred stock as follows:

WPG Corporate Development Associates V, L.L.C. and WPG Corporate Development Associates V (Overseas), L.P. ....	181,818 shares
PNC Bank, N.A., Custodian .....	181,818 shares
Mesirov Capital Partners VII .....	818,181 shares
The Prudential Insurance Company of America .....	1,000,000 shares

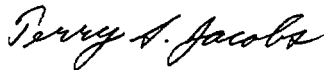
## MANAGEMENT'S REPORT ON FINANCIAL STATEMENTS

The consolidated financial statements and notes related thereto were prepared by and are the responsibility of management. The financial statements and related notes were prepared in conformity with accounting principles generally accepted in the United States of America and include amounts based upon management's best estimates and judgments.

It is management's objective to ensure the integrity and objectivity of its financial data through systems of internal controls designed to provide reasonable assurance that all transactions are properly recorded in our books and records, that assets are safeguarded from unauthorized use, and that financial records are reliable to serve as a basis for preparation of financial statements.

The financial statements have been audited by our independent auditors, PricewaterhouseCoopers LLP, to the extent required by auditing standards generally accepted in the United States of America and, accordingly, they have expressed their professional opinion on the financial statements in their report included herein.

The Board of Directors has an Audit Committee comprised of non-management directors. The Audit Committee meets periodically with management and the independent auditors to review accounting, control, auditing, and financial reporting matters. The independent auditors have unrestricted access to the Audit Committee, without management present, to discuss the results of the audit and the quality of the Company's financial reporting and internal controls.



Terry S. Jacobs  
Chairman of the Board and Chief Executive Officer



Anthony A. Vasconcellos  
Senior Vice President and Chief Financial Officer

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## Directors

### Terry S. Jacobs

Chairman of the Board,  
Chief Executive Officer and Treasurer

### William L. Stakelin

President, Chief Operating Officer  
and Secretary

### Joel M. Fairman\*

Chairman of North Shore Strategies Inc.

### Hendrik J. Hartong, Jr.

Managing General Partner of  
Brynwood Partners

### William H. Ingram

Chairman of the Board of Directors of  
Waller-Sutton Management Group, Inc.

### R. Glen Mayfield\*

Principal of RiverCities Capital Fund  
Limited Partnership and Chairman of  
Mayfield & Robinson, Inc.

### Timothy M. Mooney

Retired Executive Vice President,  
Chief Financial Officer of Kendle  
International Inc.

### Richard H. Patterson

Vice President of Waller-Sutton  
Management Group, Inc. and a managing  
member of Spire Capital Partners, L.P.

### William P. Sutter, Jr.

Principal of Hopewell Ventures and  
Adjunct Professor of Finance at  
Northwestern's Kellogg Graduate  
School of Management

### John H. Wyant

President of Blue Chip Venture Company

\*not standing for reelection in 2004

## Officers



**Terry S. Jacobs**  
Chairman of the  
Board, Chief  
Executive Officer  
and Treasurer



**William L. Stakelin**  
President, Chief  
Operating Officer  
and Secretary



**Anthony A.  
Vasconcellos**  
Senior Vice  
President and Chief  
Financial Officer



**Robert E. Allen, Jr.**  
Vice President,  
Finance and  
Accounting



**Fred L. Murr**  
Senior Vice  
President,  
Operations



**Robert J. Ausfeld**  
Regional Vice  
President



**Michael J. Grimsley**  
Regional Vice  
President



**Gary J. Spurgeon**  
Regional Vice  
President



**Matthew A. Yeoman**  
Vice President,  
Operations



**Robert A. Moody**  
Vice President of  
Programming



**David J. Remund**  
Vice President of  
Engineering

## Stockholder Information

### Corporate Offices

Regent Communications, Inc.  
100 East RiverCenter Boulevard, 9th Floor  
Covington, Kentucky 41011  
(859) 292-0030  
www.regentcomm.com

### Transfer Agent and Registrar

Computershare Investor Services, LLC  
2 North LaSalle Street  
Chicago, IL 60602  
(312) 588-4990  
www.computershare.com

### Investor Relations

Brainerd Communicators, Inc.  
New York, New York  
Contact: John R. Buckley  
Phone: (212) 986-6667  
Fax: (212) 986-8302  
E-mail: buckley@braincomm.com

### General Counsel

Graydon Head & Ritchey LLP  
Cincinnati, Ohio

### FCC Counsel

Latham & Watkins  
Washington, D.C.

### Auditors

PricewaterhouseCoopers LLP  
Cincinnati, Ohio

### Publications

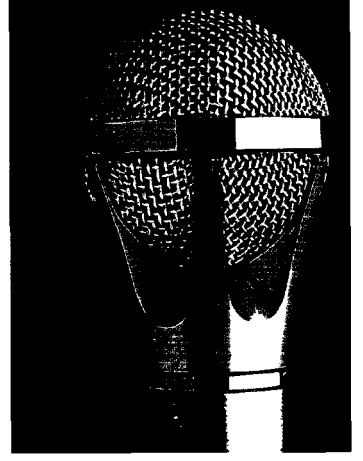
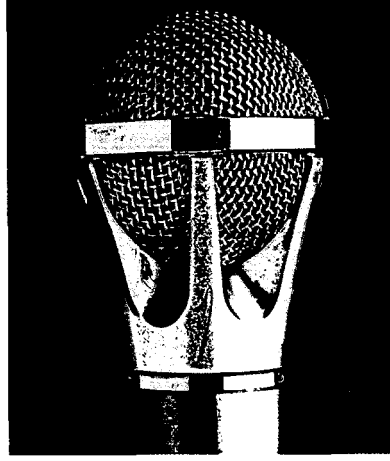
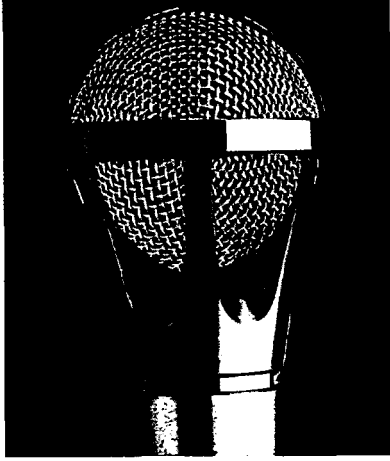
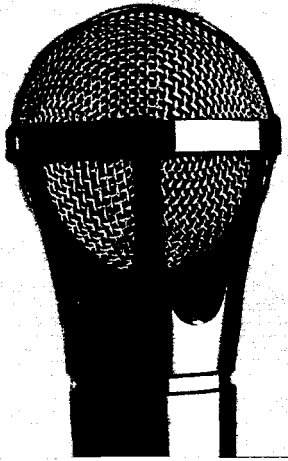
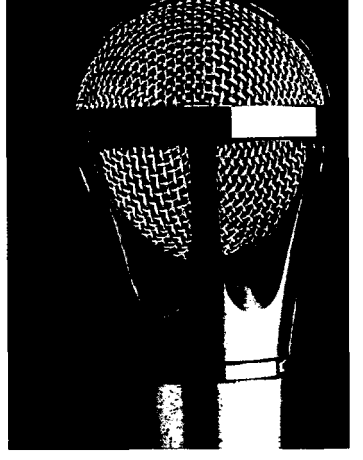
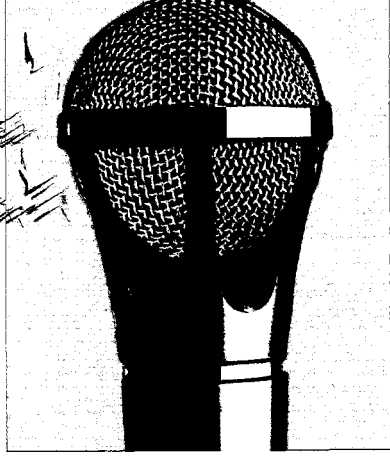
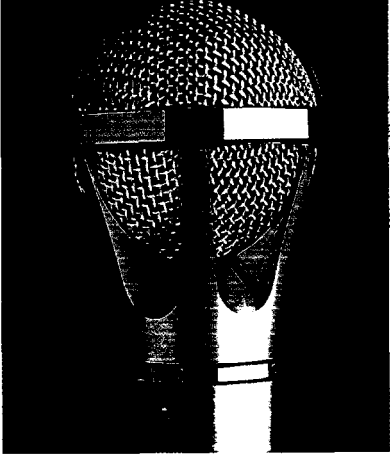
The Company's Annual Report,  
Form 10-K and Quarterly Reports to  
Stockholders are available free of  
charge to stockholders. Copies of  
the exhibits to those reports are also  
available upon payment of a fee  
covering the Company's reasonable  
expenses of processing and shipping.  
Inquiries are welcome by letter to the

Corporate Offices or by e-mail to  
investorrelations@regentcomm.com

Stockholders whose stock is held in  
street name are encouraged to visit our  
web site at www.regentcomm.com and  
subscribe to our financial mailing list,  
enabling them to receive notification of  
issuance of annual and interim reports  
without delay.

### Annual Meeting

The Annual Meeting of Stockholders  
will be held on Wednesday, May 19,  
2004 at 10:00 A.M., local time, at the  
Metropolitan Club, 50 East RiverCenter  
Boulevard, Covington, Kentucky.



100 East RiverCenter Blvd.  
11th Floor - Covington, KY  
www.regentcomm.com

**REGENT**  
COMMUNICATIONS, INC.

