

CLEAR CHANNEL COMMUNICATIONS INC

Form 10-Q

May 10, 2010

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**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2010**

**.. 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

**001-9645**

**CLEAR CHANNEL COMMUNICATIONS, INC.**

(Exact name of registrant as specified in its charter)

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

**200 East Basse Road**

**San Antonio, Texas**  
(Address of principal executive offices)

**74-1787539**  
(I.R.S. Employer Identification No.)

**78209**  
(Zip Code)

**(210) 822-2828**  
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

| Class                          | Outstanding at May 7, 2010 |
|--------------------------------|----------------------------|
| Common stock, \$.001 par value | 500,000,000                |

The Registrant meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this form in a reduced disclosure format permitted by General Instruction H(2).

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**CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES**

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**Table of Contents****PART I****Item 1. UNAUDITED FINANCIAL STATEMENTS OF CLEAR CHANNEL CAPITAL I, LLC****CLEAR CHANNEL CAPITAL I, LLC****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)**

|                                                 | March 31,<br>2010<br>(Unaudited) | December 31,<br>2009 |
|-------------------------------------------------|----------------------------------|----------------------|
| <b>CURRENT ASSETS</b>                           |                                  |                      |
| Cash and cash equivalents                       | \$ 1,482,291                     | \$ 1,883,994         |
| Accounts receivable, net                        | 1,201,429                        | 1,301,700            |
| Other current assets                            | 484,647                          | 473,151              |
| <b>Total Current Assets</b>                     | <b>3,168,367</b>                 | <b>3,658,845</b>     |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>            |                                  |                      |
| Structures, net                                 | 2,090,317                        | 2,143,972            |
| Other property, plant and equipment, net        | 1,169,397                        | 1,188,421            |
| <b>INTANGIBLE ASSETS</b>                        |                                  |                      |
| Definite-lived intangibles, net                 | 2,519,184                        | 2,599,244            |
| Indefinite-lived intangibles                    | 3,561,728                        | 3,562,057            |
| Goodwill                                        | 4,114,421                        | 4,125,005            |
| Other assets                                    | 776,570                          | 769,557              |
| <b>Total Assets</b>                             | <b>\$ 17,399,984</b>             | <b>\$ 18,047,101</b> |
| <b>CURRENT LIABILITIES</b>                      |                                  |                      |
| Accounts payable and accrued expenses           | \$ 891,621                       | \$ 995,740           |
| Current portion of long-term debt               | 800,184                          | 398,779              |
| Deferred income                                 | 197,410                          | 149,617              |
| <b>Total Current Liabilities</b>                | <b>1,889,215</b>                 | <b>1,544,136</b>     |
| Long-term debt                                  | 19,576,685                       | 20,303,126           |
| Deferred income taxes                           | 2,141,305                        | 2,220,023            |
| Other long-term liabilities                     | 847,565                          | 824,554              |
| Commitments and contingent liabilities (Note 6) |                                  |                      |
| <b>MEMBER S DEFICIT</b>                         |                                  |                      |
| Noncontrolling interest                         | 450,461                          | 455,648              |
| Member s interest                               | 2,113,325                        | 2,109,007            |
| Retained deficit                                | (9,251,498)                      | (9,076,084)          |
| Accumulated other comprehensive loss            | (367,074)                        | (333,309)            |
| <b>Total Member s Deficit</b>                   | <b>(7,054,786)</b>               | <b>(6,844,738)</b>   |

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|                                               |               |               |
|-----------------------------------------------|---------------|---------------|
| <b>Total Liabilities and Member s Deficit</b> | \$ 17,399,984 | \$ 18,047,101 |
|-----------------------------------------------|---------------|---------------|

See Notes to Consolidated Financial Statements

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**CLEAR CHANNEL CAPITAL I, LLC**

**CONSOLIDATED STATEMENTS OF OPERATIONS**

**(UNAUDITED)**

**(In thousands)**

|                                                                                       | Three Months Ended<br>March 31, |              |
|---------------------------------------------------------------------------------------|---------------------------------|--------------|
|                                                                                       | 2010                            | 2009         |
| Revenue                                                                               | \$ 1,263,778                    | \$ 1,207,987 |
| Operating expenses:                                                                   |                                 |              |
| Direct operating expenses (excludes depreciation and amortization)                    | 597,347                         | 618,349      |
| Selling, general and administrative expenses (excludes depreciation and amortization) | 349,296                         | 377,536      |
| Depreciation and amortization                                                         | 181,334                         | 175,559      |
| Corporate expenses (excludes depreciation and amortization)                           | 64,496                          | 47,635       |
| Other operating income (expense) net                                                  | 3,772                           | (2,894)      |
| Operating income (loss)                                                               | 75,077                          | (13,986)     |
| Interest expense                                                                      | 385,795                         | 387,053      |
| Equity in earnings (loss) of nonconsolidated affiliates                               | 1,871                           | (4,188)      |
| Other income (expense) net                                                            | 58,035                          | (3,180)      |
| Loss before income taxes                                                              | (250,812)                       | (408,407)    |
| Income tax benefit (expense)                                                          | 71,185                          | (19,592)     |
| Consolidated net loss                                                                 | (179,627)                       | (427,999)    |
| Amount attributable to noncontrolling interest                                        | (4,213)                         | (9,782)      |
| Net loss attributable to the Company                                                  | \$ (175,414)                    | \$ (418,217) |
| Other comprehensive income (loss), net of tax:                                        |                                 |              |
| Foreign currency translation adjustments                                              | (39,449)                        | (47,343)     |
| Unrealized gain (loss) on securities and derivatives:                                 |                                 |              |
| Unrealized holding gain (loss) on marketable securities                               | 3,945                           | (10,161)     |
| Unrealized holding loss on cash flow derivatives                                      | (3,154)                         | (28,358)     |
| Reclassification adjustment                                                           | 225                             | 3,633        |
| Comprehensive loss                                                                    | (213,847)                       | (500,446)    |
| Amount attributable to noncontrolling interest                                        | (4,668)                         | (9,172)      |
| Comprehensive loss attributable to the Company                                        | \$ (209,179)                    | \$ (491,274) |

See Notes to Consolidated Financial Statements

**Table of Contents****CLEAR CHANNEL CAPITAL I, LLC****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(UNAUDITED)****(In thousands)**

|                                                                                                    | Three Months Ended<br>March 31, |                     |
|----------------------------------------------------------------------------------------------------|---------------------------------|---------------------|
|                                                                                                    | 2010                            | 2009                |
| <b>Cash flows from operating activities:</b>                                                       |                                 |                     |
| Consolidated net loss                                                                              | \$ (179,627)                    | \$ (427,999)        |
| <b>Reconciling items:</b>                                                                          |                                 |                     |
| Depreciation and amortization                                                                      | 181,334                         | 175,559             |
| Deferred taxes                                                                                     | (83,842)                        | 8,497               |
| (Gain) loss on disposal of operating assets                                                        | (3,772)                         | 2,894               |
| Gain on extinguishment of debt                                                                     | (60,289)                        |                     |
| Provision for doubtful accounts                                                                    | 2,918                           | 12,964              |
| Share-based compensation                                                                           | 8,115                           | 9,771               |
| Equity in (earnings) loss of nonconsolidated affiliates                                            | (1,871)                         | 4,188               |
| Amortization of deferred financing charges, bond premiums and accretion of note discounts, net     | 52,704                          | 61,616              |
| Other reconciling items - net                                                                      | 3,055                           | 916                 |
| <b>Changes in operating assets and liabilities:</b>                                                |                                 |                     |
| Decrease in accounts receivable                                                                    | 89,370                          | 178,590             |
| Increase in deferred income                                                                        | 49,680                          | 52,086              |
| Increase (decrease) in accounts payable, accrued expenses and other liabilities                    | 797                             | (94,386)            |
| Decrease in accrued interest                                                                       | (9,959)                         | (72,988)            |
| Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions | (18,378)                        | (38,727)            |
| <b>Net cash provided by (used for) operating activities</b>                                        | <b>30,235</b>                   | <b>(127,019)</b>    |
| <b>Cash flows from investing activities:</b>                                                       |                                 |                     |
| Sales of investments net                                                                           |                                 | 23,500              |
| Purchases of property, plant and equipment                                                         | (55,324)                        | (48,484)            |
| Acquisition of operating assets                                                                    | (10,389)                        | (4,792)             |
| Proceeds from disposal of assets                                                                   | 8,140                           | 25,955              |
| Change in other net                                                                                | (14,087)                        | (273)               |
| <b>Net cash used for investing activities</b>                                                      | <b>(71,660)</b>                 | <b>(4,094)</b>      |
| <b>Cash flows from financing activities:</b>                                                       |                                 |                     |
| Draws on credit facilities                                                                         | 75,304                          | 1,590,000           |
| Payments on credit facilities                                                                      | (66,706)                        | (125,273)           |
| Proceeds (payments) on long-term debt                                                              | (244,109)                       | 1,340               |
| Repurchases of long-term debt                                                                      | (125,000)                       |                     |
| Change in other net                                                                                | 233                             |                     |
| <b>Net cash provided by (used for) financing activities</b>                                        | <b>(360,278)</b>                | <b>1,466,067</b>    |
| <b>Net increase (decrease) in cash and cash equivalents</b>                                        | <b>(401,703)</b>                | <b>1,334,954</b>    |
| <b>Cash and cash equivalents at beginning of period</b>                                            | <b>1,883,994</b>                | <b>239,846</b>      |
| <b>Cash and cash equivalents at end of period</b>                                                  | <b>\$ 1,482,291</b>             | <b>\$ 1,574,800</b> |



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**CLEAR CHANNEL CAPITAL I, LLC**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

**Note 1: BASIS OF PRESENTATION AND NEW ACCOUNTING STANDARDS**

**Preparation of Interim Financial Statements**

As permitted by the rules and regulations of the Securities and Exchange Commission (the "SEC"), the unaudited financial statements and related footnotes included in Item 1 of Part I of this Quarterly Report on Form 10-Q are those of Clear Channel Capital I, LLC (the "Company" or the "Parent Company"), the direct parent of Clear Channel Communications, Inc., a Texas corporation ("Clear Channel" or the "Subsidiary Issuer"), and contain certain footnote disclosures regarding the financial information of Clear Channel and Clear Channel's domestic wholly-owned subsidiaries that guarantee certain of Clear Channel's outstanding indebtedness.

The accompanying consolidated financial statements were prepared by the Company pursuant to the rules and regulations of the SEC and, in the opinion of management, include all adjustments (consisting of normal recurring accruals and adjustments necessary for adoption of new accounting standards) necessary to present fairly the results of the interim periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Due to seasonality and other factors, the results for the interim periods are not necessarily indicative of results for the full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2009 Annual Report on Form 10-K.

The consolidated financial statements include the accounts of the Company and its subsidiaries. Investments in companies in which the Company owns 20 percent to 50 percent of the voting common stock or otherwise exercises significant influence over operating and financial policies of the company are accounted for under the equity method. All significant intercompany transactions are eliminated in the consolidation process.

Certain prior-period amounts have been reclassified to conform to the 2010 presentation.

**Information Regarding the Company**

The Company is a limited liability company organized under Delaware law, with all of its interests being held by Clear Channel Capital II, LLC, a direct, wholly-owned subsidiary of CC Media Holdings, Inc. ("CCMH"). CCMH was formed in May 2007 by private equity funds sponsored by Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. (together, the "Sponsors") for the purpose of acquiring the business of Clear Channel. The acquisition (the "acquisition" or the "merger") was consummated on July 30, 2008 pursuant to the Agreement and Plan of Merger, dated November 16, 2006, as amended on April 18, 2007, May 17, 2007 and May 13, 2008 (the "Merger Agreement").

**New Accounting Pronouncements**

In February 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-09, *Amendments to Certain Recognition and Disclosure Requirements*. ASU 2010-09 updates ASC Topic 855, *Subsequent Events*. ASU 2010-09 removes the requirement to disclose the date through which an entity has evaluated subsequent events. The Company adopted the provisions of ASU 2010-09 upon issuance with no material impact to its financial position or results of operations.

In January 2010, the FASB issued ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements*. This update amends ASC Topic 820, *Fair Value Measurements and Disclosures*, to require new disclosures for significant transfers in and out of Level 1 and Level 2 fair value measurements, disaggregation regarding classes of assets and liabilities, valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3. These disclosures are effective for the interim and annual reporting periods beginning after December 15, 2009. Additional new disclosures regarding the purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010 beginning with the first interim period. The Company adopted the relevant disclosure provisions of ASU 2010-06 on January 1, 2010 and will adopt the latter provisions on January 1, 2011 as appropriate.



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### Note 2: PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

#### Property, Plant and Equipment

The Company's property, plant and equipment consisted of the following classes of assets at March 31, 2010 and December 31, 2009, respectively.

| <i>(In thousands)</i>                     | March 31,<br>2010 | December 31,<br>2009 |
|-------------------------------------------|-------------------|----------------------|
| Land, buildings and improvements          | \$ 642,059        | \$ 633,222           |
| Structures                                | 2,515,746         | 2,514,602            |
| Towers, transmitters and studio equipment | 386,947           | 381,046              |
| Furniture and other equipment             | 237,690           | 234,101              |
| Construction in progress                  | 77,077            | 88,391               |
|                                           | 3,859,519         | 3,851,362            |
| Less accumulated depreciation             | 599,805           | 518,969              |
| Property, plant and equipment, net        | \$ 3,259,714      | \$ 3,332,393         |

#### Definite-lived Intangible Assets

The Company has definite-lived intangible assets which consist primarily of transit and street furniture contracts, permanent easements that provide the Company access to certain of its outdoor displays and other contractual rights in its Americas and International outdoor segments. The Company has talent and program rights contracts and advertiser relationships in its radio segment and contracts for non-affiliated radio and television stations in its media representation operations. These definite-lived intangible assets are amortized over the shorter of either the respective lives of the agreements or over the period of time the assets are expected to contribute directly or indirectly to the Company's future cash flows.

The following table presents the gross carrying amount and accumulated amortization for each major class of definite-lived intangible assets at March 31, 2010 and December 31, 2009:

| <i>(In thousands)</i>                                          | March 31, 2010           |                             | December 31, 2009        |                             |
|----------------------------------------------------------------|--------------------------|-----------------------------|--------------------------|-----------------------------|
|                                                                | Gross Carrying<br>Amount | Accumulated<br>Amortization | Gross Carrying<br>Amount | Accumulated<br>Amortization |
| Transit, street furniture and other outdoor contractual rights | \$ 788,260               | \$ 183,310                  | \$ 803,297               | \$ 166,803                  |
| Customer / advertiser relationships                            | 1,210,205                | 199,879                     | 1,210,205                | 169,897                     |
| Talent contracts                                               | 320,854                  | 68,284                      | 320,854                  | 57,825                      |
| Representation contracts                                       | 228,802                  | 72,511                      | 218,584                  | 54,755                      |
| Other                                                          | 550,305                  | 55,258                      | 550,041                  | 54,457                      |
| Total                                                          | \$ 3,098,426             | \$ 579,242                  | \$ 3,102,981             | \$ 503,737                  |

Total amortization expense related to definite-lived intangible assets was \$81.0 million and \$72.0 million for the three months ended March 31, 2010 and 2009, respectively.

As acquisitions and dispositions occur in the future, amortization expense may vary. The following table presents the Company's estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangible assets:

*(In thousands)*

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|      |            |
|------|------------|
| 2011 | \$ 303,571 |
| 2012 | 290,225    |
| 2013 | 272,927    |
| 2014 | 253,453    |
| 2015 | 231,189    |

**Table of Contents****Indefinite-lived Intangible Assets**

The Company's indefinite-lived intangible assets consist of Federal Communications Commission ( FCC ) broadcast licenses and billboard permits as follows:

| <i>(In thousands)</i>                           | March 31,<br>2010   | December 31,<br>2009 |
|-------------------------------------------------|---------------------|----------------------|
| FCC broadcast licenses                          | \$ 2,429,040        | \$ 2,429,839         |
| Billboard permits                               | 1,132,688           | 1,132,218            |
| <b>Total indefinite-lived intangible assets</b> | <b>\$ 3,561,728</b> | <b>\$ 3,562,057</b>  |

**Goodwill**

The following table presents the changes in the carrying amount of goodwill in each of the Company's reportable segments.

| <i>(In thousands)</i>               | Radio            | Americas<br>Outdoor | International<br>Outdoor | Other          | Total            |
|-------------------------------------|------------------|---------------------|--------------------------|----------------|------------------|
| Balance as of December 31, 2008     | \$ 5,579,190     | \$ 892,598          | \$ 287,543               | \$ 331,290     | \$ 7,090,621     |
| Impairment                          | (2,420,897)      | (390,374)           | (73,764)                 | (211,988)      | (3,097,023)      |
| Acquisitions                        | 4,518            | 2,250               | 110                      |                | 6,878            |
| Dispositions                        | (62,410)         |                     |                          | (2,276)        | (64,686)         |
| Foreign currency                    |                  | 16,293              | 17,412                   |                | 33,705           |
| Purchase price adjustments - net    | 47,086           | 68,896              | 45,042                   | (482)          | 160,542          |
| Other                               | (618)            | (4,414)             |                          |                | (5,032)          |
| <br>Balance as of December 31, 2009 | <br>3,146,869    | <br>585,249         | <br>276,343              | <br>116,544    | <br>4,125,005    |
| Acquisitions                        |                  |                     |                          | 214            | 214              |
| Dispositions                        | (2,261)          |                     |                          |                | (2,261)          |
| Foreign currency                    |                  | 283                 | (8,820)                  |                | (8,537)          |
| <br>Balance as of March 31, 2010    | <br>\$ 3,144,608 | <br>\$ 585,532      | <br>\$ 267,523           | <br>\$ 116,758 | <br>\$ 4,114,421 |

The balance at December 31, 2008 is net of cumulative impairments of \$1.1 billion, \$2.3 billion, and \$173.4 million in the Radio, Americas outdoor and International outdoor segments, respectively.

**NOTE 3: DEBT**

Long-term debt at March 31, 2010 and December 31, 2009 consisted of the following:

| <i>(In thousands)</i>                    | March 31,<br>2010 | December 31,<br>2009 |
|------------------------------------------|-------------------|----------------------|
| <b>Senior Secured Credit Facilities:</b> |                   |                      |
| Term Loan Facilities                     | \$ 10,885,447     | \$ 10,885,447        |
| Revolving Credit Facility Due 2014       | 1,862,500         | 1,812,500            |
| Delayed Draw Facilities Due 2016         | 874,432           | 874,432              |
| Receivables Based Facility Due 2014      | 318,732           | 355,732              |
| Other Secured Long-term Debt             | 6,246             | 5,225                |

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|                                                             |               |               |
|-------------------------------------------------------------|---------------|---------------|
| Total Consolidated Secured Debt                             | 13,947,357    | 13,933,336    |
| Senior Cash Pay Notes                                       | 796,250       | 796,250       |
| Senior Toggle Notes                                         | 783,783       | 915,200       |
| Clear Channel Senior Notes                                  | 3,027,574     | 3,267,549     |
| Subsidiary Senior Notes                                     | 2,500,000     | 2,500,000     |
| Other long-term debt                                        | 69,890        | 77,657        |
| Purchase accounting adjustments and original issue discount | (747,985)     | (788,087)     |
|                                                             | 20,376,869    | 20,701,905    |
| Less: current portion                                       | 800,184       | 398,779       |
| Total long-term debt                                        | \$ 19,576,685 | \$ 20,303,126 |

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The Company's weighted average interest rate at March 31, 2010 was 6.2%. The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately \$17.4 billion and \$17.7 billion at March 31, 2010 and December 31, 2009, respectively.

**Debt Repurchases and Maturities**

During the first quarter of 2010, Clear Channel Investments, Inc. (CC Investments), an indirect wholly-owned subsidiary of the Company, repurchased certain of Clear Channel's outstanding Senior Toggle Notes (senior toggle notes) through the open market as shown in the table below. Notes repurchased and held by CC Investments are eliminated in consolidation.

| <i>(In thousands)</i>                                      | Three Months Ended<br>March 31, 2010 |
|------------------------------------------------------------|--------------------------------------|
| <b><u>CC Investments</u></b>                               |                                      |
| Principal amount of debt repurchased                       | \$ 185,185                           |
| Deferred loan costs and other                              | 104                                  |
| Gain recorded in Other income (expense) <sup>(1)</sup> net | (60,289)                             |
| Cash paid for repurchases of long-term debt                | \$ 125,000                           |

(1) CC Investments repurchased certain of Clear Channel's senior toggle notes at a discount, resulting in a gain on the extinguishment of debt. During the first quarter of 2010, the Company repaid its remaining 4.50% senior notes upon maturity for \$240.0 million with available cash on hand.

**Note 4: OTHER DEVELOPMENTS****Restructuring Program**

In the fourth quarter of 2008, CCMH initiated a company-wide strategic review of its costs and organizational structure to identify opportunities to maximize efficiency and realign expenses with the Company's current and long-term business outlook (the restructuring program). As of March 31, 2010, the Company had incurred a total of \$279.6 million of costs in conjunction with this restructuring program.

No assurance can be given that the restructuring program will achieve all of the anticipated cost savings in the timeframe expected or at all, or that the cost savings will be sustainable. In addition, the Company may modify or terminate the restructuring program in response to economic conditions or otherwise.

**Share-based Compensation Expense**

The Company does not have any equity incentive plans. Employees of subsidiaries of the Company receive equity awards from CCMH's equity incentive plans. The following provides information related to CCMH's and Clear Channel's equity incentive plans.

Share-based compensation expense is measured at the grant date based on the fair value of the award and is recognized as expense on a straight-line basis over the vesting period. The following table presents the amount of share-based compensation expense recorded during the three months ended March 31, 2010 and 2009:

| <i>(In thousands)</i> | Three Months Ended<br>March 31,<br>2010 | 2009 |
|-----------------------|-----------------------------------------|------|
|-----------------------|-----------------------------------------|------|

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|                                              |          |          |
|----------------------------------------------|----------|----------|
| Direct operating expenses                    | \$ 2,721 | \$ 3,007 |
| Selling, general and administrative expenses | 1,661    | 1,888    |
| Corporate expenses                           | 3,733    | 4,876    |

|                                        |          |          |
|----------------------------------------|----------|----------|
| Total share-based compensation expense | \$ 8,115 | \$ 9,771 |
|----------------------------------------|----------|----------|

As of March 31, 2010, there was \$83.2 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements that will vest based on service conditions. This cost is expected to be recognized over three years.

**Table of Contents****Supplemental Disclosures**

During the quarter ended March 31, 2010, cash paid for interest and income taxes, net of income tax refunds of \$3.8 million, was as follows:

|                                  |                                      |         |
|----------------------------------|--------------------------------------|---------|
| <i>(In thousands)</i>            | Three Months Ended<br>March 31, 2010 |         |
| Interest                         | \$                                   | 345,058 |
| Income taxes                     |                                      | 6,214   |
| <b><u>Divestiture Trusts</u></b> |                                      |         |

The Company owns certain radio stations which, under current FCC rules, are not permitted or transferable. These radio stations were placed in a trust in order to comply with FCC rules at the time of the closing of the merger. The Company is the beneficial owner of the trust, but the radio stations are managed by an independent trustee. The Company will have to divest all of these radio stations unless any stations may be owned by the Company under then-current FCC rules, in which case the trust will be terminated with respect to such stations. The trust agreement stipulates that the Company must fund any operating shortfalls of the trust activities, and any excess cash flow generated by the trust is distributed to the Company. The Company is also the beneficiary of proceeds from the sale of stations held in the trust. The Company consolidates the trust in accordance with ASC 810-10, which requires an enterprise involved with variable interest entities to perform an analysis to determine whether the enterprise's variable interest or interests give it a controlling financial interest in the variable interest entity, as the trust was determined to be a variable interest entity and the Company is its primary beneficiary.

**Income Tax Benefit (Expense)**

The Company's income tax benefit (expense) for the three months ended March 31, 2010 and 2009, respectively, consisted of the following components:

|                                     |                                 |                    |
|-------------------------------------|---------------------------------|--------------------|
| <i>(In thousands)</i>               | Three Months Ended<br>March 31, |                    |
|                                     | 2010                            | 2009               |
| Current tax expense                 | \$ (12,657)                     | \$ (11,095)        |
| Deferred tax benefit (expense)      | 83,842                          | (8,497)            |
| <b>Income tax benefit (expense)</b> | <b>\$ 71,185</b>                | <b>\$ (19,592)</b> |

The effective tax rate is the provision for income taxes as a percent of income from continuing operations before income taxes. The effective tax rate for the three months ended March 31, 2010 was 28.4%. The 2010 effective rate was impacted primarily as a result of the Company's inability to benefit from tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years. The change in the effective rate compared to the same period of the prior year was impacted primarily as a result of a deferred tax valuation allowance recorded in 2009 due to the uncertainty of the Company's ability to utilize Federal tax losses at that time. For the three months ended March 31, 2009, the effective tax rate was a negative 4.8%, driven by the Company's inability to record tax benefits on Federal and foreign net losses generated during the period.

**Note 5: FAIR VALUE MEASUREMENTS****Marketable Equity Securities**

The Company holds marketable equity securities and interest rate swaps that are measured at fair value on each reporting date.

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ASC 820-10-35 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include: Level 1, defined as observable inputs such as quoted prices in active markets; Level 2, defined as inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, defined as unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The marketable equity securities are measured at fair value using quoted prices in active markets. Due to the fact that the inputs used to measure the marketable equity securities at fair value are observable, the Company has categorized the fair value measurements of the securities as Level 1. The cost, unrealized holding gains or losses, and fair value of the Company's investments at March 31, 2010 and December 31, 2009 are as follows:

|                                      | March 31, 2010 |                         |                        |           | December 31, 2009 |                         |                        |           |
|--------------------------------------|----------------|-------------------------|------------------------|-----------|-------------------|-------------------------|------------------------|-----------|
|                                      | Fair Value     | Gross Unrealized Losses | Gross Unrealized Gains | Cost      | Fair Value        | Gross Unrealized Losses | Gross Unrealized Gains | Cost      |
| Investments                          |                |                         |                        |           |                   |                         |                        |           |
| Available-for-sale                   | \$ 46,642      | \$ (1,297)              | \$ 28,835              | \$ 19,104 | \$ 38,902         | \$ (12,237)             | \$ 32,035              | \$ 19,104 |
| <u>Interest Rate Swap Agreements</u> |                |                         |                        |           |                   |                         |                        |           |

The Company's aggregate \$6.0 billion notional amount interest rate swap agreements are designated as a cash flow hedge and the effective portions of the gain or loss on the swaps are reported as a component of other comprehensive income. The Company entered into the swaps to effectively convert a portion of its floating-rate debt to a fixed basis, thus reducing the impact of interest-rate changes on future interest expense. These interest rate swap agreements mature at various times from 2010 through 2013.

The swap agreements are valued using a discounted cash flow model that takes into account the present value of the future cash flows under the terms of the agreements by using market information available as of the reporting date, including prevailing interest rates and credit spread. Due to the fact that the inputs are either directly or indirectly observable, the Company classified the fair value measurements of these agreements as Level 2.

The Company continually monitors its positions with, and credit quality of, the financial institutions which are counterparties to its interest rate swaps. The Company may be exposed to credit loss in the event of nonperformance by the counterparties to the interest rate swaps. However, the Company considers this risk to be low. If a derivative instrument no longer qualifies as a cash flow hedge, hedge accounting is discontinued and the gain or loss that was recorded in other comprehensive income is recognized currently in income.

The Company's interest rate swaps meet the four criteria in ASC 815-30-35-22, which states that if certain critical terms and matching criteria are met, the change-in-variable-cash-flows method will result in no ineffectiveness being recorded in earnings. In accordance with ASC 815-20-35-9, as the critical terms of the swaps and the floating-rate debt being hedged were the same at inception and remained the same during the current period, no ineffectiveness was recorded in earnings related to these interest rate swaps.

The fair value of the Company's interest rate swaps designated as hedging instruments and recorded in Other long-term liabilities was \$242.3 million and \$237.2 million at March 31, 2010 and December 31, 2009, respectively.

The following table details the beginning and ending accumulated other comprehensive loss and the current period activity related to the interest rate swap agreements:

| (In thousands)             | Accumulated other comprehensive loss |
|----------------------------|--------------------------------------|
| Balance at January 1, 2010 | \$ 149,179                           |
| Other comprehensive loss   | 3,154                                |
| Balance at March 31, 2010  | \$ 152,333                           |

Other Comprehensive Income (Loss)

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The following table discloses the amount of income tax benefit (expense) allocated to each component of other comprehensive income for the three months ended March 31, 2010 and 2009, respectively:

| <i>(In thousands)</i>                            | Three Months Ended |            |
|--------------------------------------------------|--------------------|------------|
|                                                  | March 31,          |            |
|                                                  | 2010               | 2009       |
| Unrealized holding loss on marketable securities | \$ (4,384)         | \$ (2,477) |
| Unrealized holding gain on cash flow derivatives | 1,888              | 16,508     |
| Income tax benefit (expense)                     | \$ (2,496)         | \$ 14,031  |

**Table of Contents****Note 6: COMMITMENTS, CONTINGENCIES AND GUARANTEES**

The Company and its subsidiaries are currently involved in certain legal proceedings arising in the ordinary course of business and, as required, the Company has accrued its estimate of the probable costs for resolution of those claims for which the occurrence of loss is probable and the amount can be reasonably estimated. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of its strategies related to these proceedings.

At March 31, 2010, Clear Channel guaranteed \$39.9 million of credit lines provided to certain of its international subsidiaries by a major international bank. Most of these credit lines related to intraday overdraft facilities covering participants in Clear Channel's European cash management pool. As of March 31, 2010, no amounts were outstanding under these agreements.

As of March 31, 2010, Clear Channel had outstanding commercial standby letters of credit and surety bonds of \$129.0 million and \$49.0 million, respectively. Letters of credit in the amount of \$15.7 million are collateral in support of surety bonds and these amounts would only be drawn under the letter of credit in the event the associated surety bonds were funded and Clear Channel did not honor its reimbursement obligation to the issuers.

These letters of credit and surety bonds relate to various operational matters including insurance, bid, and performance bonds as well as other items.

**Note 7: CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Clear Channel is a party to a management agreement with certain affiliates of the Sponsors and certain other parties pursuant to which such affiliates of the Sponsors will provide management and financial advisory services until 2018. These agreements require management fees to be paid to such affiliates of the Sponsors for such services at a rate not greater than \$15.0 million per year. For the three months ended March 31, 2010 and 2009, the Company recognized management fees of \$3.8 million.

In addition, the Company reimbursed the Sponsors for additional expenses in the amount of \$0.5 million for the three months ended March 31, 2010.

**Note 8: EQUITY AND COMPREHENSIVE INCOME (LOSS)**

The Company reports its noncontrolling interests in consolidated subsidiaries as a component of equity separate from the Company's equity. The following table shows the changes in equity attributable to the Company and the noncontrolling interests of subsidiaries in which the Company has a majority, but not total ownership interest:

| <i>(In thousands)</i>                                   | The Company    | Noncontrolling Interests | Consolidated   |
|---------------------------------------------------------|----------------|--------------------------|----------------|
| Balances at January 1, 2010                             | \$ (7,300,386) | \$ 455,648               | \$ (6,844,738) |
| Net loss                                                | (175,414)      | (4,213)                  | (179,627)      |
| Foreign currency translation adjustments                | (35,056)       | (4,393)                  | (39,449)       |
| Unrealized holding gain (loss) on marketable securities | 4,246          | (301)                    | 3,945          |
| Unrealized holding loss on cash flow derivatives        | (3,154)        |                          | (3,154)        |
| Reclassification adjustment                             | 199            | 26                       | 225            |
| Other - net                                             | 4,318          | 3,694                    | 8,012          |
| Balances at March 31, 2010                              | \$ (7,505,247) | \$ 450,461               | \$ (7,054,786) |

| <i>(In thousands)</i>       | The Company    | Noncontrolling Interests | Consolidated   |
|-----------------------------|----------------|--------------------------|----------------|
| Balances at January 1, 2009 | \$ (3,342,451) | \$ 426,220               | \$ (2,916,231) |

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|                                                  |                |            |                |
|--------------------------------------------------|----------------|------------|----------------|
| Net loss                                         | (418,217)      | (9,782)    | (427,999)      |
| Foreign currency translation adjustments         | (39,970)       | (7,373)    | (47,343)       |
| Unrealized holding loss on marketable securities | (8,362)        | (1,799)    | (10,161)       |
| Unrealized holding loss on cash flow derivatives | (28,358)       |            | (28,358)       |
| Reclassification adjustment                      | 3,633          | 33,382     | 37,015         |
| Other - net                                      | 6,728          | 2,774      | 9,502          |
| Balances at March 31, 2009                       | \$ (3,826,997) | \$ 443,422 | \$ (3,383,575) |

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### Note 9: SEGMENT DATA

The Company has three reportable segments, which it believes best reflect how the Company is currently managed radio broadcasting, Americas outdoor advertising and International outdoor advertising. The Americas outdoor advertising segment consists primarily of operations in the United States, Canada and Latin America, and the International outdoor segment includes operations primarily in Europe, Asia and Australia. The category other includes media representation and other general support services and initiatives. Revenue and expenses earned and charged between segments are recorded at fair value and eliminated in consolidation.

The following table presents the Company's operating segment results for the three months ended March 31, 2010 and 2009.

(In thousands)

|                                              | Radio<br>Broadcasting | Americas<br>Outdoor<br>Advertising | International<br>Outdoor<br>Advertising | Other       | Corporate and<br>other<br>reconciling<br>items | Eliminations | Consolidated  |
|----------------------------------------------|-----------------------|------------------------------------|-----------------------------------------|-------------|------------------------------------------------|--------------|---------------|
| <b>Three Months Ended March 31, 2010</b>     |                       |                                    |                                         |             |                                                |              |               |
| Revenue                                      | \$ 623,199            | \$ 270,977                         | \$ 337,791                              | \$ 52,046   | \$                                             | \$ (20,235)  | \$ 1,263,778  |
| Direct operating expenses                    | 203,760               | 139,308                            | 239,578                                 | 24,828      |                                                | (10,127)     | 597,347       |
| Selling, general and administrative expenses | 227,097               | 44,477                             | 66,880                                  | 20,950      |                                                | (10,108)     | 349,296       |
| Depreciation and amortization                | 63,932                | 49,451                             | 52,258                                  | 13,596      | 2,097                                          |              | 181,334       |
| Corporate expenses                           |                       |                                    |                                         |             | 64,496                                         |              | 64,496        |
| Other operating income - net                 |                       |                                    |                                         |             | 3,772                                          |              | 3,772         |
| Operating income (loss)                      | \$ 128,410            | \$ 37,741                          | \$ (20,925)                             | \$ (7,328)  | \$ (62,821)                                    | \$           | \$ 75,077     |
| Intersegment revenues                        | \$ 6,654              | \$ 1,057                           | \$                                      | \$ 12,524   | \$                                             | \$           | \$ 20,235     |
| Identifiable assets                          | \$ 8,499,493          | \$ 4,680,437                       | \$ 2,102,303                            | \$ 765,666  | \$ 1,352,085                                   | \$           | \$ 17,399,984 |
| Capital expenditures                         | \$ 4,589              | \$ 24,705                          | \$ 24,618                               | \$          | \$ 1,412                                       | \$           | \$ 55,324     |
| Share-based compensation expense             | \$ 1,749              | \$ 2,030                           | \$ 603                                  | \$          | \$ 3,733                                       | \$           | \$ 8,115      |
| <b>Three Months Ended March 31, 2009</b>     |                       |                                    |                                         |             |                                                |              |               |
| Revenue                                      | \$ 603,622            | \$ 270,187                         | \$ 312,029                              | \$ 41,798   | \$                                             | \$ (19,649)  | \$ 1,207,987  |
| Direct operating expenses                    | 228,182               | 144,880                            | 234,728                                 | 22,526      |                                                | (11,967)     | 618,349       |
| Selling, general and administrative expenses | 239,339               | 48,839                             | 68,925                                  | 28,115      |                                                | (7,682)      | 377,536       |
| Depreciation and amortization                | 56,832                | 46,650                             | 55,258                                  | 14,847      | 1,972                                          |              | 175,559       |
| Corporate expenses                           |                       |                                    |                                         |             | 47,635                                         |              | 47,635        |
| Other operating expense - net                |                       |                                    |                                         |             | (2,894)                                        |              | (2,894)       |
| Operating income (loss)                      | \$ 79,269             | \$ 29,818                          | \$ (46,882)                             | \$ (23,690) | \$ (52,501)                                    | \$           | \$ (13,986)   |
| Intersegment revenues                        | \$ 9,413              | \$ 125                             | \$                                      | \$ 10,111   | \$                                             | \$           | \$ 19,649     |
| Identifiable assets                          | \$ 11,762,613         | \$ 5,108,561                       | \$ 2,255,883                            | \$ 982,668  | \$ 1,919,334                                   | \$           | \$ 22,029,059 |
| Capital expenditures                         | \$ 10,705             | \$ 19,965                          | \$ 17,239                               | \$ 5        | \$ 570                                         | \$           | \$ 48,484     |
| Share-based compensation expense             | \$ 1,999              | \$ 2,168                           | \$ 656                                  | \$ 72       | \$ 4,876                                       | \$           | \$ 9,771      |

Revenue of \$375.6 million and \$340.7 million derived from non-U.S. operations are included in the data above for the three months ended March 31, 2010 and 2009, respectively. Identifiable assets of \$2.3 billion and \$2.5 billion derived from non-U.S. operations are included in the data above as of March 31, 2010 and 2009, respectively.



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## Note 9: GUARANTOR SUBSIDIARIES

The Company and certain of Clear Channel's direct and indirect wholly-owned domestic subsidiaries (the "Guarantor Subsidiaries") fully and unconditionally guaranteed on a joint and several basis certain of the outstanding indebtedness of Clear Channel (the "Subsidiary Issuer"). The following consolidating schedules present financial information on a combined basis in conformity with the SEC's Regulation S-X Rule 3-10(d):

| (In thousands)                                           | March 31, 2010 |                   |                        |                            |                |               |
|----------------------------------------------------------|----------------|-------------------|------------------------|----------------------------|----------------|---------------|
|                                                          | Parent Company | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations   | Consolidated  |
| Cash and cash equivalents                                | \$             | \$                | \$ 853,413             | \$ 628,878                 | \$             | \$ 1,482,291  |
| Accounts receivable, net                                 |                |                   | 519,157                | 682,272                    |                | 1,201,429     |
| Intercompany receivables                                 | 14,164         | 7,175,227         | 5,983                  | 35,816                     | (7,231,190)    |               |
| Other current assets                                     | 5,657          | 183,116           | 28,737                 | 280,359                    | (13,222)       | 484,647       |
| <b>Total Current Assets</b>                              | 19,821         | 7,358,343         | 1,407,290              | 1,627,325                  | (7,244,412)    | 3,168,367     |
| Property, plant and equipment, net                       |                |                   | 873,222                | 2,386,492                  |                | 3,259,714     |
| Definite-lived intangibles, net                          |                |                   | 1,742,200              | 776,984                    |                | 2,519,184     |
| Indefinite-lived intangibles licenses                    |                |                   | 2,429,040              |                            |                | 2,429,040     |
| Indefinite-lived intangibles permits                     |                |                   |                        | 1,132,688                  |                | 1,132,688     |
| Goodwill                                                 |                |                   | 3,257,612              | 856,809                    |                | 4,114,421     |
| Intercompany notes receivable                            |                | 212,000           |                        |                            | (212,000)      |               |
| Long-term intercompany receivable                        |                |                   |                        | 160,473                    | (160,473)      |               |
| Investment in subsidiaries                               | (7,979,043)    | 4,011,026         | 2,817,171              |                            | 1,150,846      |               |
| Other assets                                             |                | 209,934           | 177,783                | 864,493                    | (475,640)      | 776,570       |
| <b>Total Assets</b>                                      | \$ (7,959,222) | \$ 11,791,303     | \$ 12,704,318          | \$ 7,805,264               | \$ (6,941,679) | \$ 17,399,984 |
| Accounts payable and accrued expenses                    | \$             | \$ 82,106         | \$ 244,094             | \$ 578,643                 | \$ (13,222)    | \$ 891,621    |
| Intercompany payable                                     |                |                   | 7,225,207              | 5,983                      | (7,231,190)    |               |
| Current portion of long-term debt                        |                | 757,166           | 3                      | 43,015                     |                | 800,184       |
| Deferred income                                          |                |                   | 46,645                 | 150,765                    |                | 197,410       |
| <b>Total Current Liabilities</b>                         |                | 839,272           | 7,515,949              | 778,406                    | (7,244,412)    | 1,889,215     |
| Long-term debt                                           |                | 17,957,213        | 4,000                  | 2,534,119                  | (918,647)      | 19,576,685    |
| Long-term intercompany payable                           |                | 160,473           |                        |                            | (160,473)      |               |
| Intercompany long-term debt                              |                |                   | 212,000                |                            | (212,000)      |               |
| Deferred income taxes                                    | (10,968)       | 518,350           | 781,955                | 851,968                    |                | 2,141,305     |
| Other long-term liabilities                              |                | 295,038           | 294,905                | 257,622                    |                | 847,565       |
| Total member's interest (deficit)                        | (7,948,254)    | (7,979,043)       | 3,895,509              | 3,383,149                  | 1,593,853      | (7,054,786)   |
| <b>Total Liabilities and Member's Interest (Deficit)</b> | \$ (7,959,222) | \$ 11,791,303     | \$ 12,704,318          | \$ 7,805,264               | \$ (6,941,679) | \$ 17,399,984 |

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| (In thousands)                                           | December 31, 2009 |                   |                        |                            |                |               |
|----------------------------------------------------------|-------------------|-------------------|------------------------|----------------------------|----------------|---------------|
|                                                          | Parent Company    | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations   | Consolidated  |
| Cash and cash equivalents                                | \$                | \$                | \$ 1,258,993           | \$ 625,001                 | \$             | \$ 1,883,994  |
| Accounts receivable, net                                 |                   |                   | 569,300                | 732,400                    |                | 1,301,700     |
| Intercompany receivables                                 | 9,601             | 7,132,727         | 9,624                  | 47,690                     | (7,199,642)    |               |
| Other current assets                                     | 6,408             | 441,221           | (261,632)              | 309,634                    | (22,480)       | 473,151       |
| <b>Total Current Assets</b>                              | 16,009            | 7,573,948         | 1,576,285              | 1,714,725                  | (7,222,122)    | 3,658,845     |
| Property, plant and equipment, net                       |                   |                   | 890,068                | 2,442,325                  |                | 3,332,393     |
| Definite-lived intangibles, net                          |                   |                   | 1,789,195              | 810,049                    |                | 2,599,244     |
| Indefinite-lived intangibles licenses                    |                   |                   | 2,429,839              |                            |                | 2,429,839     |
| Indefinite-lived intangibles permits                     |                   |                   |                        | 1,132,218                  |                | 1,132,218     |
| Goodwill                                                 |                   |                   | 3,259,659              | 865,346                    |                | 4,125,005     |
| Intercompany notes receivable                            |                   | 212,000           |                        |                            | (212,000)      |               |
| Long-term intercompany receivable                        |                   |                   |                        | 123,308                    | (123,308)      |               |
| Investment in subsidiaries                               | (7,724,529)       | 4,042,305         | 2,903,194              |                            | 779,030        |               |
| Other assets                                             |                   | 214,688           | 42,430                 | 835,346                    | (322,907)      | 769,557       |
| <b>Total Assets</b>                                      | \$ (7,708,520)    | \$ 12,042,941     | \$ 12,890,670          | \$ 7,923,317               | \$ (7,101,307) | \$ 18,047,101 |
| Accounts payable and accrued expenses                    | \$                | \$ 158,817        | \$ 241,519             | \$ 617,884                 | \$ (22,480)    | \$ 995,740    |
| Intercompany payable                                     |                   |                   | 7,313,326              | 9,624                      | (7,322,950)    |               |
| Current portion of long-term debt                        |                   | 351,702           | 4                      | 47,073                     |                | 398,779       |
| Deferred income                                          |                   |                   | 37,189                 | 112,428                    |                | 149,617       |
| <b>Total Current Liabilities</b>                         |                   | 510,519           | 7,592,038              | 787,009                    | (7,345,430)    | 1,544,136     |
| Long-term debt                                           |                   | 18,457,142        | 4,000                  | 2,561,805                  | (719,821)      | 20,303,126    |
| Intercompany long-term debt                              |                   |                   | 212,000                |                            | (212,000)      |               |
| Deferred income taxes                                    | (11,220)          | 511,142           | 846,062                | 874,039                    |                | 2,220,023     |
| Other long-term liabilities                              |                   | 288,667           | 279,477                | 256,410                    |                | 824,554       |
| Total member s interest (deficit)                        | (7,697,300)       | (7,724,529)       | 3,957,093              | 3,444,054                  | 1,175,944      | (6,844,738)   |
| <b>Total Liabilities and Member s Interest (Deficit)</b> | \$ (7,708,520)    | \$ 12,042,941     | \$ 12,890,670          | \$ 7,923,317               | \$ (7,101,307) | \$ 18,047,101 |

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| <i>(In thousands)</i>                                   | Three Months Ended March 31, 2010 |                   |                        |                            |              |              |
|---------------------------------------------------------|-----------------------------------|-------------------|------------------------|----------------------------|--------------|--------------|
|                                                         | Parent Company                    | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| Revenue                                                 | \$                                | \$                | \$ 649,811             | \$ 615,284                 | \$ (1,317)   | \$ 1,263,778 |
| Operating expenses:                                     |                                   |                   |                        |                            |              |              |
| Direct operating expenses                               |                                   |                   | 217,521                | 380,086                    | (260)        | 597,347      |
| Selling, general and administrative expenses            |                                   |                   | 234,648                | 115,705                    | (1,057)      | 349,296      |
| Depreciation and amortization                           |                                   |                   | 79,248                 | 102,086                    |              | 181,334      |
| Corporate expenses                                      | 3,008                             | 3                 | 40,713                 | 20,772                     |              | 64,496       |
| Other operating income (expense) net                    |                                   |                   | 2,754                  | 1,018                      |              | 3,772        |
| Operating income (loss)                                 | (3,008)                           | (3)               | 80,435                 | (2,347)                    |              | 75,077       |
| Interest (income) expense net                           | 4                                 | 351,618           | 5,324                  | 14,653                     | 14,196       | 385,795      |
| Equity in earnings (loss) of nonconsolidated affiliates | (219,600)                         | 481               | (46,285)               | 1,880                      | 265,395      | 1,871        |
| Other income (expense) net                              |                                   |                   | (598)                  | (1,656)                    | 60,289       | 58,035       |
| Income (loss) before income taxes                       | (222,612)                         | (351,140)         | 28,228                 | (16,776)                   | 311,488      | (250,812)    |
| Income tax benefit (expense):                           |                                   |                   |                        |                            |              |              |
| Current                                                 | 1,357                             | 140,636           | (128,987)              | (25,663)                   |              | (12,657)     |
| Deferred                                                | (252)                             | (9,096)           | 72,881                 | 20,309                     |              | 83,842       |
| Income tax benefit (expense)                            | 1,105                             | 131,540           | (56,106)               | (5,354)                    |              | 71,185       |
| Consolidated net income (loss)                          | (221,507)                         | (219,600)         | (27,878)               | (22,130)                   | 311,488      | (179,627)    |
| Amount attributable to noncontrolling interest          |                                   |                   | (3,216)                | (997)                      |              | (4,213)      |
| Net income (loss) attributable to the Company           | \$ (221,507)                      | \$ (219,600)      | \$ (24,662)            | \$ (21,133)                | \$ 311,488   | \$ (175,414) |

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| <i>(In thousands)</i>                                   | Three Months Ended March 31, 2009 |                   |                        |                            |              |              |
|---------------------------------------------------------|-----------------------------------|-------------------|------------------------|----------------------------|--------------|--------------|
|                                                         | Parent Company                    | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| Revenue                                                 | \$                                | \$                | \$ 620,002             | \$ 588,311                 | \$ (326)     | \$ 1,207,987 |
| Operating expenses:                                     |                                   |                   |                        |                            |              |              |
| Direct operating expenses                               |                                   |                   | 237,618                | 380,932                    | (201)        | 618,349      |
| Selling, general and administrative expenses            |                                   |                   | 255,784                | 121,877                    | (125)        | 377,536      |
| Depreciation and amortization                           |                                   |                   | 73,210                 | 102,349                    |              | 175,559      |
| Corporate expenses                                      | 2,662                             | 1                 | 30,726                 | 14,246                     |              | 47,635       |
| Merger expenses                                         |                                   |                   |                        |                            |              |              |
| Other operating income (expense) net                    |                                   |                   | (7,506)                | 4,612                      |              | (2,894)      |
| Operating income (loss)                                 | (2,662)                           | (1)               | 15,158                 | (26,481)                   |              | (13,986)     |
| Interest (income) expense net                           | 5                                 | 348,285           | 3,006                  | 34,539                     | 1,218        | 387,053      |
| Gain on marketable securities                           |                                   |                   |                        |                            |              |              |
| Equity in earnings (loss) of nonconsolidated affiliates | (414,268)                         | (87,115)          | (88,858)               | (4,188)                    | 590,241      | (4,188)      |
| Other income (expense) net                              |                                   | (114)             | (191)                  | (2,875)                    |              | (3,180)      |
| Income (loss) before income taxes                       | (416,935)                         | (435,515)         | (76,897)               | (68,083)                   | 589,023      | (408,407)    |
| Income tax benefit (expense):                           |                                   |                   |                        |                            |              |              |
| Current                                                 | 173                               | 3,214             | (8,402)                | (6,080)                    |              | (11,095)     |
| Deferred                                                | (237)                             | 18,033            | (10,775)               | (15,518)                   |              | (8,497)      |
| Income tax benefit (expense)                            | (64)                              | 21,247            | (19,177)               | (21,598)                   |              | (19,592)     |
| Consolidated net income (loss)                          | (416,999)                         | (414,268)         | (96,074)               | (89,681)                   | 589,023      | (427,999)    |
| Amount attributable to noncontrolling interest          |                                   |                   | (6,307)                | (3,475)                    |              | (9,782)      |
| Net income (loss) attributable to the Company           | \$ (416,999)                      | \$ (414,268)      | \$ (89,767)            | \$ (86,206)                | \$ 589,023   | \$ (418,217) |

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| (In thousands)                                                                                     | Three Months Ended March 31, 2010 |                   |                        |                            |              |              |
|----------------------------------------------------------------------------------------------------|-----------------------------------|-------------------|------------------------|----------------------------|--------------|--------------|
|                                                                                                    | Parent Company                    | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| <b>Cash flows from operating activities:</b>                                                       |                                   |                   |                        |                            |              |              |
| Consolidated net income (loss)                                                                     | \$ (221,507)                      | \$ (219,600)      | \$ (27,878)            | \$ (22,130)                | \$ 311,488   | \$ (179,627) |
| <b>Reconciling items:</b>                                                                          |                                   |                   |                        |                            |              |              |
| Depreciation and amortization                                                                      |                                   |                   | 79,248                 | 102,086                    |              | 181,334      |
| Deferred taxes                                                                                     | 252                               | 9,096             | (72,881)               | (20,309)                   |              | (83,842)     |
| (Gain) loss on disposal of operating assets                                                        |                                   |                   | (2,754)                | (1,018)                    |              | (3,772)      |
| Gain on extinguishment of debt                                                                     |                                   |                   |                        |                            | (60,289)     | (60,289)     |
| Provision for doubtful accounts                                                                    |                                   |                   | 2,454                  | 464                        |              | 2,918        |
| Share-based compensation                                                                           |                                   |                   | 5,468                  | 2,647                      |              | 8,115        |
| Equity in (earnings) loss of nonconsolidated affiliates                                            | 219,600                           | (481)             | 46,285                 | (1,880)                    | (265,395)    | (1,871)      |
| Amortization of deferred financing charges, bond premiums and accretion of note discounts, net     |                                   | 61,271            | 1,820                  | (24,583)                   | 14,196       | 52,704       |
| Other reconciling items - net                                                                      |                                   |                   | (243)                  | 3,298                      |              | 3,055        |
| <b>Changes in operating assets and liabilities:</b>                                                |                                   |                   |                        |                            |              |              |
| Decrease in accounts receivable                                                                    |                                   |                   | 57,646                 | 31,724                     |              | 89,370       |
| Increase in deferred income                                                                        |                                   |                   | 7,730                  | 41,950                     |              | 49,680       |
| Increase (decrease) in accounts payable, accrued expenses and other liabilities                    |                                   | 661               | 9,353                  | (9,217)                    |              | 797          |
| Increase (decrease) in accrued interest                                                            |                                   | (9,470)           | (926)                  | 437                        |              | (9,959)      |
| Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions | 751                               | 252,643           | (282,364)              | 10,592                     |              | (18,378)     |
| Net cash provided by (used for) operating activities                                               | (904)                             | 94,120            | (177,042)              | 114,061                    |              | 30,235       |
| <b>Cash flows from investing activities:</b>                                                       |                                   |                   |                        |                            |              |              |
| Proceeds from maturity of Clear Channel notes                                                      |                                   |                   |                        | 10,025                     | (10,025)     |              |
| Investment in Clear Channel notes                                                                  |                                   |                   | (125,000)              |                            | 125,000      |              |
| Purchases of property, plant and equipment                                                         |                                   |                   | (5,975)                | (49,349)                   |              | (55,324)     |
| Proceeds from disposal of assets                                                                   |                                   |                   | 6,330                  | 1,810                      |              | 8,140        |
| Acquisition of operating assets, net of cash acquired                                              |                                   |                   | (10,389)               |                            |              | (10,389)     |
| Change in other - net                                                                              |                                   | (93)              | (3,551)                | (10,443)                   |              | (14,087)     |
| Net cash provided (used for) by investing activities                                               |                                   | (93)              | (138,585)              | (47,957)                   | 114,975      | (71,660)     |
| <b>Cash flows from financing activities:</b>                                                       |                                   |                   |                        |                            |              |              |
| Draws on credit facilities                                                                         |                                   | 75,000            |                        | 304                        |              | 75,304       |
| Payments on credit facilities                                                                      |                                   | (37,000)          |                        | (29,706)                   |              | (66,706)     |
| Intercompany funding                                                                               | 904                               | 117,973           | (89,951)               | (28,926)                   |              |              |
| Proceeds (payments) on long-term debt                                                              |                                   | (250,000)         | (2)                    | (4,132)                    | 10,025       | (244,109)    |
| Repurchases of long-term debt                                                                      |                                   |                   |                        |                            | (125,000)    | (125,000)    |
| Change in other - net                                                                              |                                   |                   |                        | 233                        |              | 233          |
| Net cash provided by (used for) financing activities                                               | 904                               | (94,027)          | (89,953)               | (62,227)                   | (114,975)    | (360,278)    |
| Net increase (decrease) in cash and cash equivalents                                               |                                   |                   | (405,580)              | 3,877                      |              | (401,703)    |
| Cash and cash equivalents at beginning of period                                                   |                                   |                   | 1,258,993              | 625,001                    |              | 1,883,994    |

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|                                            |    |    |    |         |    |         |    |    |           |
|--------------------------------------------|----|----|----|---------|----|---------|----|----|-----------|
| Cash and cash equivalents at end of period | \$ | \$ | \$ | 853,413 | \$ | 628,878 | \$ | \$ | 1,482,291 |
|--------------------------------------------|----|----|----|---------|----|---------|----|----|-----------|

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| (In thousands)                                                                                     | Three Months Ended March 31, 2009 |                   |                        |                            |              |              |
|----------------------------------------------------------------------------------------------------|-----------------------------------|-------------------|------------------------|----------------------------|--------------|--------------|
|                                                                                                    | Parent Company                    | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
| <b>Cash flows from operating activities:</b>                                                       |                                   |                   |                        |                            |              |              |
| Consolidated net income (loss)                                                                     | \$ (416,999)                      | \$ (414,268)      | \$ (96,074)            | \$ (89,681)                | \$ 589,023   | \$ (427,999) |
| <b>Reconciling items:</b>                                                                          |                                   |                   |                        |                            |              |              |
| Depreciation and amortization                                                                      |                                   |                   | 73,210                 | 102,349                    |              | 175,559      |
| Deferred taxes                                                                                     | 237                               | (18,033)          | 10,775                 | 15,518                     |              | 8,497        |
| (Gain) loss on disposal of operating assets                                                        |                                   |                   | 7,506                  | (4,612)                    |              | 2,894        |
| Provision for doubtful accounts                                                                    |                                   |                   | 10,886                 | 2,078                      |              | 12,964       |
| Share-based compensation                                                                           |                                   |                   | 6,725                  | 3,046                      |              | 9,771        |
| Equity in loss (earnings) of nonconsolidated affiliates                                            | 414,268                           | 87,115            | 88,858                 | 4,188                      | (590,241)    | 4,188        |
| Amortization of deferred financing charges, bond premiums and accretion of note discounts, net     |                                   | 63,232            |                        | (2,834)                    | 1,218        | 61,616       |
| Other reconciling items - net                                                                      |                                   |                   |                        | 916                        |              | 916          |
| Changes in operating assets and liabilities:                                                       |                                   |                   |                        |                            |              |              |
| Decrease in accounts receivable                                                                    |                                   |                   | 122,206                | 56,384                     |              | 178,590      |
| Increase in deferred income                                                                        |                                   |                   | 9,126                  | 42,960                     |              | 52,086       |
| Increase (decrease) in accounts payable, accrued expenses and other liabilities                    |                                   | 708               | (34,764)               | (60,330)                   |              | (94,386)     |
| Increase (decrease) in accrued interest                                                            |                                   | (73,661)          | 628                    | 45                         |              | (72,988)     |
| Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions | (1,196)                           | 159,185           | (169,042)              | (27,674)                   |              | (38,727)     |
| Net cash provided by (used for) operating activities                                               | (3,690)                           | (195,722)         | 30,040                 | 42,353                     |              | (127,019)    |
| <b>Cash flows from investing activities:</b>                                                       |                                   |                   |                        |                            |              |              |
| Sales of investments - net                                                                         |                                   |                   |                        | 23,500                     |              | 23,500       |
| Purchases of property, plant and equipment                                                         |                                   |                   | (11,220)               | (37,264)                   |              | (48,484)     |
| Proceeds from disposal of assets                                                                   |                                   |                   | 21,080                 | 4,875                      |              | 25,955       |
| Acquisition of operating assets, net of cash acquired                                              |                                   |                   |                        | (4,792)                    |              | (4,792)      |
| Change in other - net                                                                              |                                   | (1,886)           | 11,103                 | (9,490)                    |              | (273)        |
| Net cash provided by (used for) investing activities                                               |                                   | (1,886)           | 20,963                 | (23,171)                   |              | (4,094)      |
| <b>Cash flows from financing activities:</b>                                                       |                                   |                   |                        |                            |              |              |
| Draws on credit facilities                                                                         |                                   | 1,590,000         |                        |                            |              | 1,590,000    |
| Intercompany funding                                                                               | 3,690                             | (1,269,514)       | 1,282,275              | (16,451)                   |              |              |
| Payments on credit facilities                                                                      |                                   | (122,877)         | (2)                    | (2,394)                    |              | (125,273)    |
| Proceeds on long-term debt                                                                         |                                   |                   |                        | 1,340                      |              | 1,340        |
| Net cash provided by (used for) financing activities                                               | 3,690                             | 197,609           | 1,282,273              | (17,505)                   |              | 1,466,067    |
| Net increase in cash and cash equivalents                                                          |                                   | 1                 | 1,333,276              | 1,677                      |              | 1,334,954    |
| Cash and cash equivalents at beginning of period                                                   |                                   |                   |                        |                            |              |              |
|                                                                                                    |                                   |                   | 139,433                | 100,413                    |              | 239,846      |
| Cash and cash equivalents at end of period                                                         |                                   |                   |                        |                            |              |              |
|                                                                                                    | \$                                | \$ 1              | \$ 1,472,709           | \$ 102,090                 | \$           | \$ 1,574,800 |



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### ***Introduction***

As permitted by the rules and regulations of the SEC, the unaudited financial statements and related footnotes included in Item 1 of Part I of this Quarterly Report on Form 10-Q are those of Clear Channel Capital I, LLC, the direct parent of Clear Channel Communications, Inc., a Texas corporation ( Clear Channel or Subsidiary Issuer ), and contain certain footnote disclosures regarding the financial information of Clear Channel and Clear Channel's domestic wholly-owned subsidiaries that guarantee certain of Clear Channel's outstanding indebtedness. All other financial information and other data and information contained in this Quarterly Report on Form 10-Q is that of Clear Channel, unless otherwise indicated. Accordingly, all references in Item 2 through Item 4 in Part I and all references in Part II of this Quarterly Report on Form 10-Q to we, us and our refer to Clear Channel and its consolidated subsidiaries.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### ***Format of Presentation***

Management's discussion and analysis of our results of operations and financial condition should be read in conjunction with the consolidated financial statements and related footnotes. Our discussion is presented on both a consolidated and segment basis. Our reportable operating segments are radio broadcasting ( radio or radio broadcasting ), which also includes our national syndication business, Americas outdoor advertising ( Americas or Americas outdoor advertising ) and International outdoor advertising ( International or International outdoor advertising ). Included in the other segment are our media representation business, Katz Media, as well as other general support services and initiatives.

We manage our operating segments primarily focusing on their operating income, while Corporate expenses, Other operating income (expense) -net, Interest expense, Equity in earnings (loss) of nonconsolidated affiliates, Other income (expense) -net and Income tax benefit (expense) are managed on a total company basis and are, therefore, included only in our discussion of consolidated results.

### ***Executive Summary***

The key highlights of our business for the current quarter are summarized below:

Consolidated revenue increased \$55.8 million compared to the first quarter of 2009, including \$27.0 million from movements in foreign exchange.

Radio revenue increased \$19.6 million primarily from improved rates on national advertising.

Americas revenue was relatively flat.

International revenue increased \$25.8 million, primarily as a result of movements in foreign exchange.

Our subsidiary, Clear Channel Investments, Inc., repurchased \$185.2 million aggregate principal amount of our Senior Toggle Notes for \$125.0 million.

We repaid \$240.0 million upon the maturity of our 4.50% senior notes due 2010.

### ***Restructuring Program***

In the fourth quarter of 2008, CC Media Holdings, Inc. ( CCMH ), our indirect parent, initiated a company-wide strategic review of our costs and organizational structure to identify opportunities to maximize efficiency and realign expenses with our current and long-term business outlook (the restructuring program ). As of March 31, 2010, we had incurred a total of \$279.6 million of costs in conjunction with this restructuring

program.

No assurance can be given that the restructuring program will achieve all of the anticipated cost savings in the timeframe expected or at all, or that the cost savings will be sustainable. In addition, we may modify or terminate the restructuring program in response to economic conditions or otherwise.

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The following table shows the expenses related to our restructuring program recognized as components of direct operating expenses, selling, general and administrative ( SG&A ) expenses and corporate expenses for the three months ended March 31, 2010 and 2009, respectively:

| (In thousands)            | Three Months Ended<br>March 31, |           |
|---------------------------|---------------------------------|-----------|
|                           | 2010                            | 2009      |
| Direct operating expenses | \$ 11,199                       | \$ 12,892 |
| SG&A expenses             | 5,213                           | 12,898    |
| Corporate expenses        | 2,851                           | 7,822     |
| Total                     | \$ 19,263                       | \$ 33,612 |

**RESULTS OF OPERATIONS*****Consolidated Results of Operations***

The comparison of the three months ended March 31, 2010 to the three months ended March 31, 2009 is as follows:

| (In thousands)                                                                        | Three Months Ended<br>March 31, |              | %<br>Change |
|---------------------------------------------------------------------------------------|---------------------------------|--------------|-------------|
|                                                                                       | 2010                            | 2009         |             |
| Revenue                                                                               | \$ 1,263,778                    | \$ 1,207,987 | 5%          |
| Operating expenses:                                                                   |                                 |              |             |
| Direct operating expenses (excludes depreciation and amortization)                    | 597,347                         | 618,349      | (3%)        |
| Selling, general and administrative expenses (excludes depreciation and amortization) | 349,296                         | 377,536      | (7%)        |
| Depreciation and amortization                                                         | 181,334                         | 175,559      | 3%          |
| Corporate expenses (excludes depreciation and amortization)                           | 64,496                          | 47,635       | 35%         |
| Other operating income (expense) - net                                                | 3,772                           | (2,894)      |             |
| Operating income (loss)                                                               | 75,077                          | (13,986)     |             |
| Interest expense                                                                      | 385,795                         | 387,053      |             |
| Equity in earnings (loss) of nonconsolidated affiliates                               | 1,871                           | (4,188)      |             |
| Other income (expense) net                                                            | 58,035                          | (3,180)      |             |
| Loss before income taxes                                                              | (250,812)                       | (408,407)    |             |
| Income tax benefit (expense)                                                          | 71,185                          | (19,592)     |             |
| Consolidated net loss                                                                 | (179,627)                       | (427,999)    |             |
| Amount attributable to noncontrolling interest                                        | (4,213)                         | (9,782)      |             |
| Net loss attributable to the Company                                                  | \$ (175,414)                    | \$ (418,217) |             |

***Consolidated Revenue***

Our consolidated revenue increased \$55.8 million during the first quarter of 2010 compared to the same period of 2009. Our radio broadcasting revenue increased \$19.6 million from increases in national advertising on improved average rates. Americas growth from poster and airport revenue was partially offset by the decline in taxi revenue as a result of the disposition of our taxi advertising business in December 2009. Our International outdoor revenue increased \$25.8 million, including \$25.1 million from movements in foreign exchange.

Consolidated Direct Operating Expenses

Direct operating expenses decreased \$21.0 million during the first quarter of 2010 compared to the same period of 2009. Our radio broadcasting direct operating expenses decreased \$24.4 million, primarily from a decline in programming salaries associated with our restructuring program. Americas outdoor direct operating expenses decreased \$5.6 million. The decline in direct operating expenses was a result of the disposition of our taxi advertising business, partially offset by an increase in site-lease expenses associated with the increase in revenue from posters and airports. Direct operating expenses in our International outdoor segment increased \$4.9 million and include a \$17.6 million increase from movements in foreign exchange. Partially offsetting the foreign exchange increase were decreases in International outdoor direct operating expenses associated with cost savings from our restructuring program.

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### **SG&A Expenses**

SG&A expenses decreased \$28.2 million during the first quarter of 2010 compared to the same period of 2009. Our radio broadcasting SG&A expenses declined \$12.2 million, as a result of bad debt expense in 2009 related to specific accounts that were considered at risk because of the economic environment during the first part of 2009. SG&A expenses decreased \$4.4 million in our Americas outdoor segment, partially as a result of the disposition of our taxi advertising business. Our International outdoor SG&A expenses decreased \$2.0 million from cost savings associated with our restructuring program, partially offset by a \$4.9 million increase from movements in foreign exchange.

### **Depreciation and Amortization**

Depreciation and amortization increased \$5.8 million during the first quarter of 2010 compared to the same period of 2009, primarily due to \$7.0 million reduction to amortization expense in the first quarter of 2009 associated with an adjustment recorded in connection with a change in the preliminary purchase accounting fair value of transit and street furniture contracts partially offset by a \$2.7 million decrease in amortization in 2010 related to assets in our International outdoor segment that became fully amortized during 2009.

### **Corporate Expenses**

Corporate expenses increased \$16.9 million during the first quarter of 2010 compared to the same period of 2009 primarily due to increased bonus expense from improved operating performance.

### **Interest Expense**

Interest expense decreased \$1.3 million during the first quarter of 2010 compared to the same period of 2009 primarily due to a decline of \$639.9 million in indebtedness, partially offset by an increase in the weighted average cost of debt. Clear Channel's weighted average cost of debt at March 31, 2010 was 6.2% compared to 5.9% at March 31, 2009.

### **Other Income (Expense) - Net**

Other income of \$58.0 million in the first quarter of 2010 primarily related to an aggregate gain of \$60.3 million on the repurchase of our Senior Toggle Notes (senior toggle notes), partially offset by foreign exchange translation losses on short term intercompany accounts. Please refer to the *Debt Repurchases and Maturities* section within this MD&A for additional discussion of the repurchase.

Other expense in the first quarter of 2009 primarily related to foreign exchange transaction gains and losses on short term intercompany accounts.

### **Income Tax Benefit (Expense)**

Our effective tax rate for the first quarter of 2010 was 28.4%. The effective rate was impacted by tax losses in certain foreign jurisdictions for which benefits could not be recorded due to the uncertainty of the ability to utilize those losses in future years.

Our effective tax rate for the first quarter of 2009 was negative 4.8%, and was impacted by our inability to record tax benefits on Federal and foreign net losses generated in the period. For the first quarter of 2009, the Federal tax laws did not allow companies to carry back net operating losses more than two years in most instances. On November 6, 2009, the Worker, Homeownership, and Business Assistance Act of 2009 (the Act) was enacted into law, allowing corporations to carry back net operating losses realized in a tax year ended after December 31, 2007 and beginning before January 1, 2010 for up to five years. The benefit associated with the Act was recorded in the fourth quarter of 2009.

We recorded a deferred tax benefit of \$83.8 million for the first quarter of 2010 as compared to deferred tax expense of \$8.5 million in the same period of 2009. Tax benefits are recorded during 2010 to the extent deferred tax liabilities are available to offset taxable losses incurred. We recorded a deferred tax valuation allowance in the first quarter of 2009 as a result of uncertainty in our ability to utilize tax losses at that time.

**Table of Contents****Segment Revenue and Divisional Operating Expenses****Radio Broadcasting**

Our radio broadcasting operating results were as follows:

(In thousands)

|                               | Three Months Ended<br>March 31, |            | %      |
|-------------------------------|---------------------------------|------------|--------|
|                               | 2010                            | 2009       | Change |
| Revenue                       | \$ 623,199                      | \$ 603,622 | 3%     |
| Direct operating expenses     | 203,760                         | 228,182    | (11%)  |
| SG&A expenses                 | 227,097                         | 239,339    | (5%)   |
| Depreciation and amortization | 63,932                          | 56,832     | 12%    |
| Operating income              | \$ 128,410                      | \$ 79,269  | 62%    |

Radio broadcasting revenue increased \$19.6 million during the first quarter of 2010 compared to the same period of 2009, driven primarily by increased national advertising. The increase in national advertising revenue was primarily a result of increased average rates. Increases in national advertising occurred across various markets and advertising categories including retail, automotive, food and beverage, and healthcare.

Direct operating expenses decreased \$24.4 million, primarily related to a \$12.3 million decline in programming expenses and a \$9.9 million decline in compensation expenses. The declines in programming and compensation expenses were primarily a result of cost savings from our restructuring program. SG&A expenses decreased approximately \$12.2 million, primarily from a \$7.9 million decline in bad debt expense. During the first quarter of 2009, we recorded additional bad debt expense related to specific accounts considered at risk because of the economic environment at the time.

Depreciation and amortization increased \$7.1 million as a result of adjustments recorded in the first quarter of 2009 made to finalize our purchase accounting adjustments in connection with the merger in 2008.

**Americas Outdoor Advertising***Disposition of Taxi Business*

On December 31, 2009, our subsidiary Clear Channel Outdoor, Inc. disposed of Clear Channel Taxi Media, LLC ( Taxis ), our taxi advertising business. For the first quarter of 2009, Taxis contributed \$8.9 million in revenue, \$9.6 million in direct operating expenses and \$2.6 million in SG&A expenses in our Americas segment.

Our Americas outdoor advertising operating results were as follows:

(In thousands)

|                               | Three Months Ended<br>March 31, |            | %      |
|-------------------------------|---------------------------------|------------|--------|
|                               | 2010                            | 2009       | Change |
| Revenue                       | \$ 270,977                      | \$ 270,187 | 0%     |
| Direct operating expenses     | 139,308                         | 144,880    | (4%)   |
| SG&A expenses                 | 44,477                          | 48,839     | (9%)   |
| Depreciation and amortization | 49,451                          | 46,650     | 6%     |
| Operating income              | \$ 37,741                       | \$ 29,818  | 27%    |

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Our Americas revenue was flat in the first quarter of 2010 compared to the same period of 2009. During the first quarter of 2010, poster revenue increased \$3.1 million driven by an increase in occupancy. We also saw an increase in airport revenues of approximately \$4.8 million as a result of the Vancouver Olympics. Digital displays also contributed to revenue growth. Partially offsetting the revenue increase was a decrease in revenue related to Taxis.

Direct operating expenses decreased \$5.6 million during the first quarter of 2010 compared to the same period of 2009. The decline in direct operating expenses was a result of the disposition of Taxis, partially offset by an increase in site-lease expenses associated with the increase in revenue from posters and airports. SG&A expenses decreased \$4.4 million during the first quarter of 2010 compared to the same period of 2009, primarily driven by decreased administrative expenses as a result of a favorable legal settlement as well as the disposition of Taxis.

**Table of Contents****International Outdoor Advertising**

Our international outdoor operating results were as follows:

(In thousands)

|                               | Three Months Ended<br>March 31, |             | %<br>Change |
|-------------------------------|---------------------------------|-------------|-------------|
|                               | 2010                            | 2009        |             |
| Revenue                       | \$ 337,791                      | \$ 312,029  | 8%          |
| Direct operating expenses     | 239,578                         | 234,728     | 2%          |
| SG&A expenses                 | 66,880                          | 68,925      | (3%)        |
| Depreciation and amortization | 52,258                          | 55,258      | (5%)        |
| Operating income (loss)       | \$ (20,925)                     | \$ (46,882) | 55%         |

International outdoor revenue increased approximately \$25.8 million during the first quarter of 2010 compared to the same period of 2009, primarily as a result of a \$25.1 million increase in foreign exchange. A stronger revenue performance from street furniture across countries as well as increased revenue from billboards in the U.K. were partially offset by revenue declines in Belgium, primarily due to a contract for a specific event in 2009, and the exit from businesses in Greece, India and the U.K. taxi business.

Direct operating expenses increased \$4.9 million primarily due to a \$17.6 million increase from movements in foreign exchange. Direct operating expenses declined, excluding the impact of foreign currency, primarily as a result of lower site lease expense associated with cost savings from our restructuring program. SG&A expenses also decreased due to declines in compensation and administrative expenses resulting from our restructuring program. Also included in SG&A expenses is a \$4.9 million increase from movements in foreign exchange.

**Reconciliation of Segment Operating Income (Loss) to Consolidated Operating Income (Loss)**

(In thousands)

|                                        | Three Months Ended<br>March 31, |             |
|----------------------------------------|---------------------------------|-------------|
|                                        | 2010                            | 2009        |
| Radio broadcasting                     | \$ 128,410                      | \$ 79,269   |
| Americas outdoor advertising           | 37,741                          | 29,818      |
| International outdoor advertising      | (20,925)                        | (46,882)    |
| Other                                  | (7,328)                         | (23,690)    |
| Other operating income (expense) - net | 3,772                           | (2,894)     |
| Corporate expenses                     | (66,593)                        | (49,607)    |
| Consolidated operating income(loss)    | \$ 75,077                       | \$ (13,986) |

**Share-Based Compensation Expense**

We do not have any compensation plans under which we grant stock awards to employees. Our employees receive equity awards from CCMH's equity incentive plans.

As of March 31, 2010, there was \$83.2 million of unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements that will vest based on service conditions. This cost is expected to be recognized over three years.

Included in direct operating expenses, SG&A expenses and corporate expenses in the first quarter of 2010 is \$2.7 million, \$1.7 million and \$3.7 million, respectively, of share-based compensation expense. Included in direct operating expenses, SG&A expenses and corporate expenses in the first quarter of 2009 is \$3.0 million, \$1.9 million and \$4.9 million, respectively, of share-based compensation expense.



**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES**

The following discussion highlights our cash flow activities from continuing operations during the three months ended March 31, 2010 and 2009.

**Cash Flows**

(In thousands)

|                              | Three Months Ended<br>March 31, |              |
|------------------------------|---------------------------------|--------------|
|                              | 2010                            | 2009         |
| Cash provided by (used for): |                                 |              |
| Operating activities         | \$ 30,235                       | \$ (127,019) |
| Investing activities         | \$ (71,660)                     | \$ (4,094)   |
| Financing activities         | \$ (360,278)                    | \$ 1,466,067 |

**Operating Activities**

The increase in cash flows from operations in the first quarter of 2010 compared to the same period of 2009 was primarily driven by improved profitability, including a 5% increase in revenues and a 5% decrease in direct operating and SG&A expenses. Cash flows from operations also increased as a result of working capital management, including an \$89.4 million decrease in accounts receivable and a \$49.7 million increase in deferred revenue.

**Investing Activities**

Cash used for investing activities during the first quarter of 2010 primarily reflected capital expenditures of \$55.3 million. We spent \$4.6 million for capital expenditures in our Radio segment, \$24.7 million in our Americas segment primarily related to the construction of new billboards, and \$24.6 million in our International segment primarily related to new billboard and street furniture contracts and renewals of existing contracts. In addition, Katz Media acquired representation contracts for \$10.4 million and we received proceeds of \$8.1 million primarily related to the sale of a radio station and Americas assets.

Cash used for investing activities during the first quarter of 2009 primarily reflected \$48.5 million related to the purchase of assets in our outdoor operations and \$5.1 million related to the purchase of various other items, offset by proceeds of \$23.5 million from the sale of a portion of our investment in Grupo ACIR and \$26.0 million related primarily to the disposition of radio stations and corporate assets.

**Financing Activities**

Cash used for financing activities during the first quarter of 2010 included draws and repayments on our credit facilities of \$75.3 million and \$66.7 million, respectively. Our wholly-owned subsidiary, Clear Channel Investments, Inc., repurchased \$185.2 million aggregate principal amount of senior toggle notes for \$125.0 million as discussed in the *Debt Repurchases and Maturities* section within this MD&A. In addition, we repaid our remaining 4.50% senior notes upon maturity for \$240.0 million with available cash on hand.

Cash provided by financing activities for the first quarter of 2009 primarily reflected a draw of remaining availability of \$1.6 billion under our \$2.0 billion revolving credit facility to improve our liquidity position in light of continuing uncertainty in credit market and economic conditions.

**Anticipated Cash Requirements**

Our ability to fund our working capital needs, debt service and other obligations, and to comply with the financial covenant under our financing agreements depends on our future operating performance and cash flow, which are in turn subject to prevailing economic conditions and other factors, many of which are beyond our control. If our future operating performance does not meet our expectations or our plans materially change in an adverse manner or prove to be materially inaccurate, we may need additional financing. There can be no assurance that such financing, if permitted under the terms of our financing agreements, will be available on terms acceptable to us or at all. The inability to obtain additional financing in such circumstances could have a material adverse effect on our financial condition and on our ability to meet our obligations.

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Based on our current and anticipated levels of operations and conditions in our markets, we believe that cash on hand as well as cash flow from operations will enable us to meet our working capital, capital expenditure, debt service and other funding requirements for at least the next 12 months.

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We expect to be in compliance with the covenants contained in our material financing agreements, including the subsidiary senior notes, in 2010, including the financial covenant contained in our senior credit facilities that limits the ratio of our consolidated senior secured debt, net of cash and cash equivalents, to our consolidated adjusted EBITDA for the preceding four quarters. However, our anticipated results are subject to significant uncertainty and our ability to comply with this limitation may be affected by events beyond our control, including prevailing economic, financial and industry conditions. The breach of any covenants set forth in our financing agreements would result in a default thereunder. An event of default would permit the lenders under a defaulted financing agreement to declare all indebtedness thereunder to be due and payable prior to maturity. Moreover, the lenders under the revolving credit facility under our senior secured credit facilities would have the option to terminate their commitments to make further extensions of revolving credit thereunder. If we are unable to repay our obligations under any secured credit facility, the lenders could proceed against any assets that were pledged to secure such facility. In addition, a default or acceleration under any of our material financing agreements, including the subsidiary senior notes, could cause a default under other of our obligations that are subject to cross-default and cross-acceleration provisions. The threshold amount for a cross-default under the senior secured credit facilities is \$100.0 million.

**SOURCES OF CAPITAL**

As of March 31, 2010 and December 31, 2009, we had the following debt outstanding, net of cash and cash equivalents:

| <i>(In millions)</i>                      | March 31,<br>2010  | December 31,<br>2009 |
|-------------------------------------------|--------------------|----------------------|
| <b>Senior Secured Credit Facilities:</b>  |                    |                      |
| Term Loan Facilities                      | \$ 10,885.4        | \$ 10,885.4          |
| Revolving Credit Facility                 | 1,862.5            | 1,812.5              |
| Delayed Draw Term Loan Facilities         | 874.4              | 874.4                |
| Receivables Based Facility                | 318.7              | 355.8                |
| Secured Subsidiary Debt                   | 6.3                | 5.2                  |
| <b>Total Secured Debt</b>                 | <b>13,947.3</b>    | <b>13,933.3</b>      |
| Senior Cash Pay Notes                     | 796.3              | 796.3                |
| Senior Toggle Notes                       | 783.8              | 915.2                |
| Clear Channel Senior Notes <sup>(1)</sup> | 2,279.6            | 2,479.5              |
| Subsidiary Senior Notes                   | 2,500.0            | 2,500.0              |
| Clear Channel Subsidiary Debt             | 69.9               | 77.7                 |
| <b>Total Debt</b>                         | <b>20,376.9</b>    | <b>20,702.0</b>      |
| Less: Cash and cash equivalents           | 1,482.3            | 1,884.0              |
|                                           | <b>\$ 18,894.6</b> | <b>\$ 18,818.0</b>   |

(1) Includes \$748.0 million and \$788.1 million at March 31, 2010 and December 31, 2009, respectively, in unamortized fair value purchase accounting discounts related to the merger.

We and our subsidiaries have from time to time repurchased certain of our debt obligations and may, in the future, as part of various financing and investment strategies we may elect to pursue, purchase additional outstanding indebtedness of ours or our subsidiaries or outstanding equity securities of Clear Channel Outdoor Holdings, Inc., in tender offers, open market purchases, privately negotiated transactions or otherwise. We may also sell certain assets or properties and use the proceeds to reduce our indebtedness or the indebtedness of our subsidiaries. These purchases or sales, if any, could have a material positive or negative impact on our liquidity available to repay outstanding debt obligations or on our consolidated results of operations. These transactions could also require or result in amendments to the agreements governing outstanding debt obligations or changes in our leverage or other financial ratios, which could have a material positive or negative impact on our ability to comply with the covenants contained in our debt agreements. These transactions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

The senior secured credit facilities require us to comply on a quarterly basis with a financial covenant limiting the ratio of our consolidated secured debt, net of cash and cash equivalents, to our consolidated adjusted EBITDA for the preceding four quarters. Our secured debt consists

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of the senior secured credit facilities, the receivables-based credit facility and certain other secured subsidiary debt. Our consolidated adjusted EBITDA for the preceding four quarters of \$1.7 billion is calculated as our operating income for the period before depreciation, amortization, and other operating income (expense) net, plus impairment charges and non-cash compensation for the period, and is further adjusted for certain items, including: (i) an increase for expected cost savings (limited to \$100.0 million in any twelve month period) of \$100.0 million; (ii) an increase of \$22.8 million for cash received from nonconsolidated affiliates; (iii) an increase of \$42.0 million for non-cash items; (iv) an increase of \$150.1 million related to expenses incurred associated with our cost savings program; and (v) an increase of \$22.7 million for various other items. The maximum ratio under this financial covenant is currently set at 9.5:1 and becomes more restrictive over time beginning in the second quarter of 2013. At March 31, 2010, our ratio was 7.3:1.

**Table of Contents****USES OF CAPITAL****Debt Repurchases and Maturities**

During the first quarter of 2010, Clear Channel Investments, Inc. ( CC Investments ), our indirect wholly-owned subsidiary, repurchased certain of our outstanding senior toggle notes through the open market as shown in the table below. Notes repurchased and held by CC Investments are eliminated in consolidation.

| (In thousands)                                             |    | Three Months Ended<br>March 31, 2010 |
|------------------------------------------------------------|----|--------------------------------------|
| <b><u>CC Investments</u></b>                               |    |                                      |
| Principal amount of debt repurchased                       | \$ | 185,185                              |
| Deferred loan costs and other                              |    | 104                                  |
| Gain recorded in Other income (expense) net <sup>(1)</sup> |    | (60,289)                             |
| Cash paid for repurchases of long-term debt                | \$ | 125,000                              |

(1) CC Investments repurchased certain of our senior toggle notes at a discount, resulting in a gain on the extinguishment of debt.

During the first quarter of 2010, we repaid our remaining 4.50% senior notes upon maturity for \$240.0 million with available cash on hand.

**Certain Relationships with the Sponsors**

We are party to a management agreement with certain affiliates of Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. (together, the Sponsors ) and certain other parties pursuant to which such affiliates of the Sponsors will provide management and financial advisory services until 2018. These arrangements require management fees to be paid to such affiliates of the Sponsors for such services at a rate not greater than \$15.0 million per year plus expenses. For the three months ended March 31, 2010 and 2009, we recognized management fees of \$3.8 million.

In addition, we reimbursed the Sponsors for additional expenses in the amount of \$0.5 million for the three months ended March 31, 2010.

**Commitments, Contingencies and Guarantees**

We are currently involved in certain legal proceedings. Based on current assumptions, we have accrued an estimate of the probable costs for the resolution of those claims for which the occurrence of loss is probable and the amount can be reasonably estimated. Future results of operations could be materially affected by changes in these assumptions or the ineffectiveness of our strategies related to these proceedings.

**MARKET RISK****Interest Rate Risk**

A significant amount of our long-term debt bears interest at variable rates. Accordingly, our earnings will be affected by changes in interest rates. At March 31, 2010, we had interest rate swap agreements with a \$6.0 billion aggregate notional amount that effectively fixes interest rates on a portion of our floating rate debt. The fair value of these agreements at March 31, 2010 was a liability of \$242.3 million. At March 31, 2010, approximately 38% of our aggregate principal amount of long-term debt, taking into consideration debt for which we have entered into pay-fixed-rate-receive-floating-rate swap agreements, bears interest at floating rates.

Assuming the current level of borrowings and interest rate swap contracts and assuming a 30% change in LIBOR, our interest expense for the three months ended March 31, 2010 would have changed by approximately \$1.5 million.

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In the event of an adverse change in interest rates, management may take actions to further mitigate its exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, the preceding interest rate sensitivity analysis assumes no such actions. Further, the analysis does not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

### **Foreign Currency Exchange Rate Risk**

We have operations in countries throughout the world. Foreign operations are measured in their local currencies. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we have operations. We believe we mitigate a small portion of our exposure to foreign currency fluctuations with a natural hedge through borrowings in currencies other than the U.S. dollar. We estimate a 10% increase in the value of the U.S. dollar relative to foreign currencies would have increased our net loss for the three months ended March 31, 2010 by approximately \$2.0 million and that a 10% decrease in the value of the U.S. dollar relative to foreign currencies would have decreased our net loss by a corresponding amount.

This analysis does not consider the implications that such fluctuations could have on the overall economic activity that could exist in such an environment in the U.S. or the foreign countries or on the results of operations of these foreign entities.

### **New Accounting Pronouncements**

In February 2010, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) 2010-09, *Amendments to Certain Recognition and Disclosure Requirements*. ASU 2010-09 updates ASC Topic 855, *Subsequent Events*. ASU 2010-09 removes the requirement to disclose the date through which an entity has evaluated subsequent events. We adopted the provisions of ASU 2010-09 upon issuance with no material impact to our financial position or results of operations.

In January 2010, the FASB issued ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements*. This update amends ASC Topic 820, *Fair Value Measurements and Disclosures*, to require new disclosures for significant transfers in and out of Level 1 and Level 2 fair value measurements, disaggregation regarding classes of assets and liabilities, valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements for Level 2 or Level 3. These disclosures are effective for the interim and annual reporting periods beginning after December 15, 2009. Additional new disclosures regarding the purchases, sales, issuances and settlements in the roll forward of activity in Level 3 fair value measurements are effective for fiscal years beginning after December 15, 2010 beginning with the first interim period. We adopted the relevant disclosure provisions of ASU 2010-06 on January 1, 2010 and will adopt the latter provisions on January 1, 2011 as appropriate.

### **Inflation**

Inflation is a factor in the economies in which we do business and we continue to seek ways to mitigate its effect. Inflation has affected our performance in terms of higher costs for wages, salaries and equipment. Although the exact impact of inflation is indeterminable, we believe we have offset these higher costs by increasing the effective advertising rates of most of our broadcasting stations and outdoor display faces.

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

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Except for the historical information, this report contains various forward-looking statements which represent our expectations or beliefs concerning future events, including, without limitation, our future operating and financial performance and availability of capital and the terms thereof. Statements expressing expectations and projections with respect to future matters are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. We caution that these forward-looking statements involve a number of risks and uncertainties and are subject to many variables which could impact our future performance. These statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and performance. There can be no assurance, however, that management's expectations will necessarily come to pass. We do not intend, nor do we undertake any duty, to update any forward-looking statements.

A wide range of factors could materially affect future developments and performance, including:

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the impact of the substantial indebtedness incurred to finance the consummation of the merger, including the effect of our leverage on our financial position and earnings;

the need to allocate significant amounts of our cash flow to make payments on our indebtedness, which in turn could reduce our financial flexibility and ability to fund other activities;

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risks associated with the global economic downturn and its impact on capital markets;

general economic and political conditions in the United States and in other countries in which we currently do business, including those resulting from recessions, political events and acts or threats of terrorism or military conflicts;

the risk that our restructuring program may not be entirely successful;

the impact of the geopolitical environment;

the risk that we may not be able to integrate the operations of recently acquired companies successfully;

shifts in population and other demographics;

industry conditions, including competition;

fluctuations in operating costs;

technological changes and innovations;

changes in labor conditions;

fluctuations in exchange rates and currency values;

capital expenditure requirements;

the outcome of pending and future litigation;

legislative or regulatory requirements;

changes in interest rates;

taxes;

access to capital markets and borrowed indebtedness; and

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certain other factors set forth in our other filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2009.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative and is not intended to be exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Required information is presented under **MARKET RISK** within Item 2 of this Part I.

### **ITEM 4. CONTROLS AND PROCEDURES**

Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, who joined us effective January 4, 2010, we have carried out an evaluation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2010 to ensure that information we are required to disclose in reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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### **Part II OTHER INFORMATION**

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

We are a co-defendant with Live Nation (which was spun off as an independent company in December 2005) in 22 putative class actions filed beginning in May 2006 by different named plaintiffs in various district courts throughout the country. These actions generally allege that the defendants monopolized or attempted to monopolize the market for live rock concerts in violation of Section 2 of the Sherman Act. Plaintiffs claim that they paid higher ticket prices for defendants' rock concerts as a result of defendants' conduct. They seek damages in an undetermined amount. On April 17, 2006, the Judicial Panel for Multidistrict Litigation centralized these class action proceedings in the Central District of California. On March 2, 2007, plaintiffs filed motions for class certification in five template cases involving five regional markets: Los Angeles, Boston, New York, Chicago and Denver. Defendants opposed that motion and, on October 22, 2007, the district court issued its decision certifying the class for each regional market. On February 20, 2008, defendants filed a Motion for Reconsideration of the Class Certification Order, which is still pending. Plaintiffs filed a Motion for Approval of the Class Notice Plan on September 25, 2009, but the Court denied the Motion as premature and ordered the entire case stayed until the 9th Circuit issues its en banc opinion in *Dukes v. Wal-Mart*, 509 F.3d 1168 (9th Cir. 2007), a case that may change the standard for granting class certification in the 9th Circuit. On April 26, 2010, the 9th Circuit issued its opinion adopting a new class certification standard which will require district courts to resolve Rule 23 factual disputes that overlap with the merits of the case. In response, Defendants asked the court to set a hearing date for argument on our Motion for Reconsideration of the Class Certification Order. In the Master Separation and Distribution Agreement between us and Live Nation that was entered into in connection with our spin-off of Live Nation in December 2005, Live Nation agreed, among other things, to assume responsibility for legal actions existing at the time of, or initiated after, the spin-off in which we are a defendant if such actions relate in any material respect to the business of Live Nation. Pursuant to the Agreement, Live Nation also agreed to indemnify us with respect to all liabilities assumed by Live Nation, including those pertaining to the claims discussed above.

We are currently involved in certain legal proceedings arising in the ordinary course of business and, as required, have accrued an estimate of the probable costs for the resolution of these claims. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. Additionally, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our financial condition or results of operations.

#### **Item 1A. Risk Factors**

For information regarding our risk factors, please refer to Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2009. There have not been any material changes in the risk factors disclosed in the 2009 Annual Report on Form 10-K.

Additional information relating to risk factors is described in Management's Discussion and Analysis of Financial Condition and Results of Operations under Cautionary Statement Concerning Forward-Looking Statements.

#### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

#### **Item 3. Defaults Upon Senior Securities**

None.

#### **Item 4. (Removed and Reserved)**

#### **Item 5. Other Information**

None.

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**Item 6. Exhibits**

**Exhibit**

**Number**

**Description**

|        |                                                                                                                                                                          |
|--------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 31.1*  | Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2*  | Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                       |
| 32.2** | Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                       |

\* Filed herewith.

\*\* Furnished herewith.

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**Signatures**

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

May 10, 2010

CLEAR CHANNEL COMMUNICATIONS, INC.

/s/ Scott D. Hamilton  
Scott D. Hamilton

Chief Accounting Officer