CLEAR CHANNEL COMMUNICATIONS INC
Form 10-Q
August 02, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2012

[ ] 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

001-09645

CLEAR CHANNEL COMMUNICATIONS, INC.

(Exact name of registrant as specified in its charter)

Texas
74-1787539

(State or other jurisdiction of (I.R.S. Employer Identification No.)

incorporation or organization)

200 East Basse Road

San Antonio, Texas 78209

(Address of principal executive offices) (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 [X]

Pursuant to the terms of its bond indentures, the registrant is a voluntary filer of reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, and has filed all such reports as required by its bond indentures during the preceding 12 months.

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 [X] 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 [X] 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 [X]

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 July 31, 2012
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).

CLEAR CHANNEL COMMUNICATIONS, INC.

INDEX

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS OF CLEAR CHANNEL CAPITAL I, LLC

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)		June 30, 2012 (Unaudited)		December 31, 2011
CURRENT ASSETS				
Cash and cash equivalents	$	1,316,516	$	1,228,682
Accounts receivable, net		1,371,276		1,399,135
Other current assets		368,079		357,468
Total Current Assets		3,055,871		2,985,285
PROPERTY, PLANT AND EQUIPMENT				
Structures, net		1,920,953		1,950,437
Other property, plant and equipment, net		1,100,595		1,112,890
INTANGIBLE ASSETS AND GOODWILL				
Definite-lived intangibles, net		1,882,905		2,017,760
Indefinite-lived intangibles		3,515,666		3,517,071
Goodwill		4,183,156		4,186,718
OTHER ASSETS				
Other assets		792,676		771,878
Total Assets	$	16,451,822	$	16,542,039
CURRENT LIABILITIES				
Accounts payable and accrued expenses	$	793,430	$	856,727
Accrued interest		155,567		160,361
Current portion of long-term debt		323,528		268,638
Deferred income		212,412		143,236
Total Current Liabilities		1,484,937		1,428,962
Long-term debt		20,391,288		19,938,531
Deferred income taxes		1,823,695		1,938,599
Other long-term liabilities		613,845		707,888
Commitments and contingent liabilities (Note 6)				
MEMBER'S DEFICIT				
Noncontrolling interest		291,449		521,794
Member's interest		2,128,381		2,129,575
Retained deficit		(10,039,921)		(9,857,267)
Accumulated other comprehensive loss		(241,852)		(266,043)
Total Member's Deficit		(7,861,943)		(7,471,941)
Total Liabilities and Member's Deficit	$	16,451,822	$	16,542,039

See Notes to Consolidated Financial Statements

1

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(UNAUDITED)

(In thousands)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Revenue	$ 1,602,494	$ 1,604,386	$ 2,963,217	$ 2,925,212
Operating expenses:				
Direct operating expenses (excludes depreciation and amortization)	607,095	630,015	1,221,529	1,214,084
Selling, general and administrative expenses (excludes depreciation and amortization)	398,123	420,436	821,751	793,146
Corporate expenses (excludes depreciation and amortization)	71,158	56,486	140,356	108,833
Depreciation and amortization	181,839	189,641	357,205	373,352
Other operating income - net	1,917	3,229	5,041	19,943
Operating income	346,196	311,037	427,417	455,740
Interest expense	385,867	358,950	759,883	728,616
Equity in earnings of nonconsolidated affiliates	4,696	5,271	8,251	8,246
Other expense - net	(1,397)	(4,517)	(17,670)	(6,553)
Loss before income taxes	(36,372)	(47,159)	(341,885)	(271,183)
Income tax benefit	8,663	9,184	166,061	101,845
Consolidated net loss	(27,709)	(37,975)	(175,824)	(169,338)
Less amount attributable to noncontrolling interest	11,316	15,204	6,830	15,673
Net loss attributable to the Company	$ (39,025)	$ (53,179)	$ (182,654)	$ (185,011)
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	(40,380)	36,565	(3,291)	75,872
Unrealized gain on securities and derivatives:				
Unrealized holding gain (loss) on marketable securities	(11,317)	11,057	731	14,009
Unrealized holding gain (loss) on cash flow derivatives	15,935	(1,399)	24,514	11,943
Reclassification adjustment	91	59	154	148
Other comprehensive income (loss)	(35,671)	46,282	22,108	101,972
Comprehensive loss	(74,696)	(6,897)	(160,546)	(83,039)
	(5,738)	6,435	(2,083)	13,133

Less amount attributable to noncontrolling interest								
Comprehensive loss attributable to the Company	$	(68,958)	$	(13,332)	$	(158,463)	$	(96,172)

See Notes to Consolidated Financial Statements

2

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)	Six Months Ended June 30, 2012	2011
Cash flows from operating activities:		
Consolidated net loss	$ (175,824)	$ (169,338)
Reconciling items:		
Depreciation and amortization	357,205	373,352
Deferred taxes	(123,582)	(90,895)
Gain on disposal of operating assets	(5,041)	(19,943)
Loss on extinguishment of debt	15,167	5,721
Provision for doubtful accounts	8,271	8,300
Share-based compensation	12,712	8,029
Equity in earnings of nonconsolidated affiliates	(8,251)	(8,246)
Amortization of deferred financing charges and note discounts, net	84,132	100,233
Other reconciling items – net	10,119	13,998
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	15,608	(18,262)
Increase in deferred income	67,345	61,427
Decrease in accrued expenses	(33,690)	(108,083)
Decrease in accounts payable and other liabilities	(76,648)	(74,089)
Increase (decrease) in accrued interest	(4,791)	20,240
Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions	(26,126)	(38,944)
Net cash provided by operating activities	116,606	63,500
Cash flows from investing activities:		
Purchases of property, plant and equipment	(174,292)	(140,452)
Purchases of other operating assets	(18,636)	(37,962)
Proceeds from disposal of assets	11,284	48,116
Change in other – net	(9,488)	856
Net cash used for investing activities	(191,132)	(129,442)
Cash flows from financing activities:		
Draws on credit facilities	606,861	10,000
Payments on credit facilities	(1,920,013)	(958,074)
Proceeds from long-term debt	2,200,000	1,726,254
Payments on long-term debt	(437,182)	(1,362,496)
Dividends paid	(244,734)	-
Deferred financing charges	(40,002)	(46,597)
Change in other – net	(2,570)	(4,915)
Net cash provided by (used for) financing activities	162,360	(635,828)
Net increase (decrease) in cash and cash equivalents	87,834	(701,770)

Cash and cash equivalents at beginning of period		1,228,682		1,920,926
Cash and cash equivalents at end of period	$	1,316,516	$	1,219,156

See Notes to Consolidated Financial Statements

3

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

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 normal and recurring adjustments 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 2011 Annual Report on Form 10-K and Quarterly Report on Form 10-Q for the period ended March 31, 2012.

The consolidated financial statements include the accounts of the Company and its subsidiaries. Also included in the consolidated financial statements are entities for which the Company has a controlling financial interest or is the primary beneficiary. 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 2012 presentation.

During the first quarter of 2012, and in connection with the appointment of the new chief executive officer of the Company's indirect subsidiary, Clear Channel Outdoor Holdings, Inc. ("CCOH"), the Company reevaluated its segment reporting and determined that its Latin American operations were more appropriately aligned with the operations of its International outdoor advertising segment. As a result, the operations of Latin America are no longer reflected within the Company's Americas outdoor advertising segment and are currently included in the results of its International outdoor advertising segment. Accordingly, the Company has restated the corresponding segment disclosures for prior periods.

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”).

Omission of Per Share Information

Net loss per share information is not presented as Clear Channel Capital II, LLC is the sole member of the Company and owns 100% of the limited liability company interests. The Company does not have any publicly traded common stock or potential common stock.

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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 June 30, 2012 and December 31, 2011, respectively.

(In thousands)		June 30, 2012		December 31, 2011
Land, buildings and improvements	$	670,122	$	657,346
Structures		2,858,625		2,783,434
Towers, transmitters and studio equipment		411,577		400,832
Furniture and other equipment		387,204		365,137
Construction in progress		75,128		68,658
		4,402,656		4,275,407
Less: accumulated depreciation		1,381,108		1,212,080
Property, plant and equipment, net	$	3,021,548	$	3,063,327

Definite-lived Intangible Assets

The Company has definite-lived intangible assets which consist primarily of transit and street furniture contracts, talent and representation contracts, and customer and advertiser relationships, all of which are amortized over 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 Company periodically reviews the appropriateness of the amortization periods related to its definite-lived intangible assets. These assets are recorded at cost.

The following table presents the gross carrying amount and accumulated amortization for each major class of definite-lived intangible assets at June 30, 2012 and December 31, 2011, respectively:

(In thousands)	June 30, 2012				December 31, 2011			
		Gross Carrying Amount		Accumulated Amortization		Gross Carrying Amount		Accumulated Amortization
Transit, street furniture and other outdoor contractual rights	$	779,418	$	(365,941)	$	773,238	$	(329,563)

Customer / advertiser relationships		1,210,245		(466,635)	1,210,269		(409,794)
Talent contracts		349,046		(161,833)	347,489		(139,154)
Representation contracts		243,936		(154,478)	237,451		(137,058)
Other		561,619		(112,472)	560,978		(96,096)
Total	$	3,144,264	$	(1,261,359)	$ 3,129,425	$	(1,111,665)

Total amortization expense related to definite-lived intangible assets was $76.2 million and $80.4 million for the three months ended June 30, 2012 and 2011, respectively, and $151.5 million and $159.5 million for the six months ended June 30, 2012 and 2011, respectively.

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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)		
2013	$	283,193
2014		263,354
2015		237,112
2016		222,565
2017		194,814

Indefinite-lived Intangible Assets

The Company's indefinite-lived intangible assets consist of Federal Communications Commission ("FCC") broadcast licenses in its Media and Entertainment ("CCME") segment and billboard permits in its Americas outdoor advertising ("Americas outdoor") segment. Due to significant differences in both business practices and regulations, billboards in the International outdoor segment are subject to long-term, finite contracts unlike the Company's permits in the United States and Canada. Accordingly, there are no indefinite-lived assets in the International outdoor segment. The Company's indefinite-lived intangible assets are as follows:

(In thousands)		June 30, 2012		December 31, 2011
FCC broadcast licenses	$	2,409,401	$	2,411,367
Billboard permits		1,106,265		1,105,704
Total indefinite-lived intangible assets	$	3,515,666	$	3,517,071

Goodwill

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

(In thousands)	CCME	Americas Outdoor	International Outdoor	Other	Consolidated

		Advertising	Advertising		
Balance as of December 31, 2010	$ 3,140,198	$ 571,932	$ 290,310	$ 116,886	$ 4,119,326
Impairment	-	-	(1,146)	-	(1,146)
Acquisitions	82,844	-	2,995	212	86,051
Dispositions	(10,542)	-	-	-	(10,542)
Foreign currency	-	-	(6,898)	-	(6,898)
Other	(73)	-	-	-	(73)
Balance as of December 31, 2011	$ 3,212,427	$ 571,932	$ 285,261	$ 117,098	$ 4,186,718
Acquisitions	188	-	-	51	239
Dispositions	(445)	-	-	-	(445)
Foreign currency	-	-	(3,325)	-	(3,325)
Other	(31)	-	-	-	(31)
Balance as of June 30, 2012	$ 3,212,139	$ 571,932	$ 281,936	$ 117,149	$ 4,183,156

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 3 – LONG-TERM DEBT

Long-term debt at June 30, 2012 and December 31, 2011 respectively, consisted of the following:

(In thousands)		June 30, 2012		December 31, 2011
Senior Secured Credit Facilities:				
Term Loan Facilities (1)	$	10,328,873	$	10,493,847
Revolving Credit Facility Due 2014		10,000		1,325,550
Delayed Draw Term Loan Facilities Due 2016		961,407		976,776
Receivables Based Facility Due 2014		-		-
Priority Guarantee Notes Due 2021		1,750,000		1,750,000
Other Secured Subsidiary Long-term Debt		27,187		30,976
Total Consolidated Secured Debt		13,077,467		14,577,149
Senior Cash Pay Notes Due 2016		796,250		796,250
Senior Toggle Notes Due 2016		829,831		829,831
Clear Channel Senior Notes (2)		1,748,564		1,998,415
Subsidiary Senior Notes Due 2017		2,500,000		2,500,000
Subsidiary Senior Subordinated Notes Due 2020		2,200,000		-
Other Subsidiary Debt		19,250		19,860
Purchase accounting adjustments and original issue discount		(456,546)		(514,336)
		20,714,816		20,207,169
Less: current portion		323,528		268,638
Total long-term debt	$	20,391,288	$	19,938,531

(1) Term Loan Facilities mature at various dates from 2014 through 2016.
(2) Clear Channel's Senior Notes mature at various dates from 2013 through 2027.

The Company's weighted average interest rate at June 30, 2012 was 6.5%. The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately $17.6 billion and $16.2 billion at June 30, 2012 and December 31, 2011, respectively.

Subsidiary Senior Subordinated Notes Issuance

During the first quarter of 2012, the Company's indirect subsidiary, Clear Channel Worldwide Holdings, Inc. ("CCWH") issued $275.0 million aggregate principal amount of 7.625% Series A Senior Subordinated Notes due 2020 and $1,925.0 million aggregate principal amount of 7.625% Series B Senior Subordinated Notes due 2020 (collectively, the "Subordinated Notes"). Interest on the Subordinated Notes is payable to the trustee weekly in arrears and to the noteholders on March 15 and September 15 of each year, beginning on September 15, 2012.

The Subordinated Notes are CCWH's senior subordinated obligations and are fully and unconditionally guaranteed, jointly and severally, on a senior subordinated basis by CCOH, its wholly-owned subsidiary Clear Channel Outdoor, Inc. ("CCOI"), and certain of CCOH's other domestic subsidiaries (collectively, the "Guarantors"). The Subordinated Notes are unsecured senior subordinated obligations that rank junior to all of CCWH's existing and future senior debt, including CCWH's outstanding senior notes, equally with any of CCWH's existing and future senior subordinated debt and ahead of all of CCWH's existing and future debt that expressly provides that it is subordinated to the Subordinated Notes. The guarantees of the Subordinated Notes rank junior to each Guarantor's existing and future senior debt, including CCWH's outstanding senior notes, equally with each Guarantor's existing and future senior subordinated debt and ahead of each Guarantor's existing and future debt that expressly provides that it is subordinated to the guarantees of the Subordinated Notes.

The Company capitalized $40.0 million in fees and expenses associated with the Subordinated Notes offering and is amortizing them through interest expense over the life of the Subordinated Notes.

With the proceeds of the Subordinated Notes (net of the initial purchasers' discount of $33.0 million), CCWH loaned an aggregate amount equal to $2,167.0 million to CCOI. CCOI paid all other fees and expenses of the offering using cash on hand and, with the proceeds of the loans, made a special cash dividend to CCOH, which in turn made a special cash dividend on March 15, 2012 in an amount equal to $6.0832 per share to its Class A and Class B stockholders of record at the close of business on March 12, 2012, including Clear Channel Holdings, Inc. ("CC Holdings") and CC Finco, LLC ("CC Finco"), both wholly-owned subsidiaries of the Company. Of the $2,170.4 million special cash dividend paid by CCOH, an aggregate of $1,925.7 million was distributed to CC Holdings and CC Finco, with the remaining $244.7 million distributed to other stockholders. As a result, the Company recorded a reduction of $244.7 million in "Noncontrolling interest" on the consolidated balance sheet.

2011 Refinancing Transactions

In February 2011, Clear Channel amended its senior secured credit facilities and its receivables based facility and issued $1,000 million aggregate principal amount of 9.0% Priority Guarantee Notes due 2021 (the "Initial Notes"). In June 2011, Clear Channel issued an additional $750.0 million in aggregate principal amount of its 9.0% Priority Guarantee Notes due 2021 (the "Additional Notes") at an issue price of 93.845% of the principal amount. The Initial Notes and the Additional Notes have identical terms and are treated as a single class.

The Company capitalized $39.5 million in fees and expenses associated with the Initial Notes offering and is amortizing them through interest expense over the life of the Initial Notes. The Company capitalized an additional $7.1 million in fees and expenses associated with the offering of the Additional Notes and is amortizing them through interest expense over the life of the Additional Notes.

Clear Channel used the proceeds of the Initial Notes offering to prepay $500.0 million of the indebtedness outstanding under its senior secured credit facilities. The $500.0 million prepayment was allocated on a ratable basis between outstanding term loans and revolving credit commitments under Clear Channel's revolving credit facility.

Clear Channel obtained, concurrent with the offering of the Initial Notes, amendments to its credit agreements with respect to its senior secured credit facilities and its receivables based facility (revolving credit commitments under the receivables based facility were reduced from $783.5 million to $625.0 million), which were required as a condition to complete the offering. The amendments, among other things, permit Clear Channel to request future extensions of the maturities of its senior secured credit facilities, provide Clear Channel with greater flexibility in the use of its accordion capacity, provide Clear Channel with greater flexibility to incur new debt, provided that the proceeds from such new debt are used to pay down senior secured credit facility indebtedness, and provide greater flexibility for CCOH and its subsidiaries to incur new debt, provided that the net proceeds distributed to Clear Channel from the issuance of such new debt are used to pay down senior secured credit facility indebtedness.

Of the $703.8 million of proceeds from the issuance of the Additional Notes ($750.0 million aggregate principal amount net of $46.2 million of discount), Clear Channel used $500 million for general corporate purposes (to replenish cash on hand that Clear Channel previously used to pay senior notes at maturity on March 15, 2011 and May 15, 2011) and used the remaining $203.8 million to repay at maturity a portion of Clear Channel's 5% senior notes that matured in March 2012.

Debt Repayments, Maturities and Other

In connection with the issuance of the Subordinated Notes, CCOH paid a special cash dividend equal to $2,170.4 million to its Class A and Class B stockholders, consisting of $1,925.7 million distributed to CC Holdings and CC Finco and $244.7 million distributed to other stockholders. In connection with the Subordinated Notes issuance and the dividend paid by CCOH during the first quarter of 2012, Clear Channel repaid indebtedness under its senior secured credit facilities in an amount equal to the aggregate amount of dividend proceeds distributed to CC Holdings and CC Finco, or $1,925.7 million. Of this amount, a prepayment of $1,918.1 million was applied to indebtedness outstanding under Clear Channel's revolving credit facility, thus permanently reducing the revolving credit commitments under Clear Channel's revolving credit facility to $10.0 million. The remaining $7.6 million prepayment was allocated on a pro rata basis to Clear Channel's term loan facilities.

In addition, on March 15, 2012, using cash on hand, Clear Channel made voluntary prepayments under its senior secured credit facilities in an aggregate amount equal to $170.5 million, as follows: (i) $16.2 million under its term loan A due 2014, (ii) $129.8 million under its term loan B due 2016, (iii) $10.0 million under its term loan C due 2016 and (iv) $14.5 million under its delayed

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

draw term loans due 2016. As a result of the prepayment of term loan indebtedness under Clear Channel's senior secured credit facilities, the scheduled repayment of term loans is revised as set forth below:

(In millions) Year	Tranche A Term Loan*	Tranche B Term Loan**	Tranche C Term Loan**	Delayed Draw 2 Term Loan**	Delayed Draw 3 Term Loan**
2013	$ 71.4	-	$ 2.8	-	-
2014	$ 998.6	-	$ 7.0	-	-
2015	-	-	$ 3.4	-	-
2016	-	$ 8,598.5	$ 647.2	$ 559.6	$ 401.8
Total	$ 1,070.0	$ 8,598.5	$ 660.4	$ 559.6	$ 401.8

*Balance of Tranche A Term Loan is due July 30, 2014

**Balance of Tranche B Term Loan, Tranche C Term Loan, Delayed Draw 1 Term Loan and Delayed Draw 2 Term Loan are due January 29, 2016

In connection with the prepayments on Clear Channel's senior secured credit facilities discussed above, the Company recorded a loss of $15.2 million in "Other expense" related to the accelerated expensing of loan fees.

During the first quarter of 2012, Clear Channel repaid its 5.0% senior notes at maturity for $249.9 million (net of $50.1 million principal amount repaid to a subsidiary of Clear Channel with respect to notes repurchased and held by such entity), plus accrued interest, using a portion of the proceeds from the 2011 offering of the Additional Notes, along with cash on hand.

During the first six months of 2011, Clear Channel repaid its 6.25% senior notes at maturity for $692.7 million (net of $57.3 million principal amount repaid to a subsidiary of Clear Channel with respect to notes repurchased and held by such entity), plus accrued interest, using a portion of the proceeds from the 2011 offering of the Initial Notes, along with available cash on hand. Clear Channel also repaid its 4.4% senior notes at maturity for $140.2 million (net of $109.8 million principal amount repaid to a subsidiary of Clear Channel with respect to notes repurchased and held by such entity), plus accrued interest, with available cash on hand. Prior to, and in connection with the Additional Notes offering, Clear Channel repaid all amounts outstanding under its receivables based credit facility on June 8, 2011, using cash on hand. This voluntary repayment did not reduce the commitments under this facility and Clear Channel may reborrow amounts under this facility at any time. In addition, on June 27, 2011, Clear Channel made a voluntary payment of $500.0 million on its revolving credit facility.

NOTE 4 – SUPPLEMENTAL DISCLOSURES

Divestiture Trusts

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 that resulted in the Company's acquisition of Clear Channel. 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.

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

Income Tax Benefit

The Company's income tax benefit for the three and six months ended June 30, 2012 and 2011, respectively, consisted of the following components:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Current tax benefit (expense)	$ (16,481)	$ (21,045)	$ 42,479	$ 10,950
Deferred tax benefit	25,144	30,229	123,582	90,895
Income tax benefit	$ 8,663	$ 9,184	$ 166,061	$ 101,845

The effective tax rate for the three and six months ended June 30, 2012 was 23.8% and 48.6%, respectively. The effective tax rate for the three months ended June 30, 2012 was primarily impacted by the Company's inability to record tax benefits for tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future periods. The effective tax rate for the six months ended June 30, 2012 was primarily impacted by the completion of income tax examinations in various jurisdictions during the period which resulted in a reduction to income tax expense of approximately $61.0 million.

The effective tax rate for the three and six months ended June 30, 2011 was 19.5% and 37.6%, respectively. The effective tax rate for the three months ended June 30, 2011 was primarily impacted by the deferred tax expense recorded as a result of changes to tax rates and laws in certain domestic jurisdictions and the vesting of equity awards. The effective tax rate for the six months ended June 30, 2011 was primarily impacted by the Company's settlement of U.S. federal and state tax examinations during the period. Pursuant to the settlements, the Company recorded a reduction to income tax expense of approximately $12.3 million to reflect the net tax benefits of the settlements. In addition, the effective rate for the six months ended June 30, 2011 was impacted by the Company's ability to benefit from certain tax loss carryforwards in foreign jurisdictions due to increased taxable income during 2011, where the losses previously did not provide a benefit.

During the six months ended June 30, 2012 and 2011, cash paid for interest and income taxes, net of income tax refunds of $0.9 million and $1.2 million, respectively, was as follows:

(In thousands)	Six Months Ended June 30,

		2012		2011
Interest	$	682,608	$	610,549
Income taxes		37,764		62,080

NOTE 5 – FAIR VALUE MEASUREMENTS

The Company’s marketable equity securities and interest rate swap are measured at fair value on each reporting date.

Marketable Equity Securities

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 in accordance with ASC 820-10-35.

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

The cost, unrealized holding gains or losses, and fair value of the Company's investments at June 30, 2012 and December 31, 2011 are as follows:

(In thousands)		June 30, 2012		December 31, 2011
Cost	$	7,786	$	7,786
Gross unrealized losses		-		-
Gross unrealized gains		66,373		65,214
Fair value	$	74,159	$	73,000

Interest Rate Swap Agreement

The Company's $2.5 billion notional amount interest rate swap agreement is designated as a cash flow hedge and the effective portion of the gain or loss on the swap is reported as a component of other comprehensive income (loss). Ineffective portions of a cash flow hedging derivative's change in fair value are recognized currently in earnings. In accordance with ASC 815-20-35-9, as the critical terms of the swap 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.

The Company entered into the swap 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. The interest rate swap agreement matures in September 2013.

The swap agreement is valued using a discounted cash flow model that takes into account the present value of the future cash flows under the terms of the agreement 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 its swap agreement as Level 2 in accordance with ASC 820-10-35.

The Company continually monitors its positions with, and credit quality of, the financial institution which is counterparty to its interest rate swap. The Company may be exposed to credit loss in the event of nonperformance by the counterparty to the interest rate swap. 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 in income.

The fair value of the Company's $2.5 billion notional amount interest rate swap designated as a hedging instrument and recorded in "Other long-term liabilities" was $121.0 million and $159.1 million at June 30, 2012 and December 31, 2011, respectively.

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

(In thousands)	Accumulated other comprehensive loss	
Balance at December 31, 2011	$	100,292
Other comprehensive income		(24,514)
Balance at June 30, 2012	$	75,778

11

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

Other Comprehensive Income (Loss)

The following table discloses the amount of income tax (asset) liability allocated to each component of other comprehensive income (loss) for the three and six months ended June 30, 2012 and 2011, respectively:

(In thousands)	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Six Months Ended June 30, 2012	Six Months Ended June 30, 2011
Foreign currency translation adjustments	$ 884	$ -	$ (1,350)	$ -
Unrealized holding gain (loss) on marketable securities	6,588	(12,643)	(429)	(13,772)
Unrealized holding gain (loss) on cash flow derivatives	(8,480)	835	(13,600)	(7,129)
Total income tax benefit	$ (1,008)	$ (11,808)	$ (15,379)	$ (20,901)

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.

Although the Company is involved in a variety of legal proceedings in the ordinary course of business, a large portion of the Company’s litigation arises in the following contexts: commercial disputes; defamation matters; employment and benefits related claims; governmental fines; intellectual property claims; and tax disputes.

Brazil Litigation

On or about July 12, 2006 and April 12, 2007, two of the Company’s operating businesses (L&C Outdoor Ltda. (“L&C”) and Publicidad Klimes São Paulo Ltda. (“Klimes”), respectively) in the São Paulo, Brazil market received notices of infraction from the state taxing authority, seeking to impose a value added tax (“VAT”) on such businesses, retroactively for the period from December 31, 2001 through January 31, 2006. The taxing authority contends that these businesses fall within the definition of “communication services” and as such are subject to the VAT. L&C and Klimes filed separate petitions to challenge the imposition of this tax.

On August 8, 2011, Brazil’s National Council of Fiscal Policy (CONFAZ) published a convenio authorizing sixteen states, including the State of São Paulo, to issue an amnesty that would reduce the principal amount of VAT allegedly owed and reduce or waive related interest and penalties. The State of São Paulo ratified the amnesty in late August 2011. On May 10, 2012, the State of São Paulo published an amnesty decree that mirrors the convenio. Klimes and L&C accepted the amnesty on May 24, 2012 by making the aggregate required payment of $10.9 million. On that same day, Klimes and L&C filed petitions to discontinue the tax litigation based on the amnesty payments.

Guarantees

As of June 30, 2012, Clear Channel had outstanding surety bonds and commercial standby letters of credit of $50.1 million and $140.2 million, respectively, of which $67.5 million of letters of credit were cash secured. Letters of credit in the amount of $9.1 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.

As of June 30, 2012, Clear Channel had outstanding bank guarantees of $51.7 million related to international subsidiaries, of which $4.4 million were backed by cash collateral.

NOTE 7 – CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Clear Channel is a party to a management agreement with certain affiliates , 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

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

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 reimbursable expenses. For the three months ended June 30, 2012 and 2011, the Company recognized management fees and reimbursable expenses of $4.0 million and $4.2 million, respectively. For the six months ended June 30, 2012 and 2011, the Company recognized management fees and reimbursable expenses of $8.0 million and $8.0 million, respectively.

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:

(In thousands)	The Company	Noncontrolling Interests	Consolidated
Balances at January 1, 2012	$ (7,993,735)	$ 521,794	$ (7,471,941)
Net income (loss)	(182,654)	6,830	(175,824)
Dividend	-	(244,734)	(244,734)
Foreign currency translation adjustments	(1,190)	(2,101)	(3,291)
Unrealized holding gain on marketable securities	730	1	731
Unrealized holding gain on cash flow derivatives	24,514	-	24,514
Reclassification adjustment	137	17	154
Other - net	(1,194)	9,642	8,448
Balances at June 30, 2012	$ (8,153,392)	$ 291,449	$ (7,861,943)
Balances at January 1, 2011	$ (7,695,606)	$ 490,920	$ (7,204,686)
Net income (loss)	(185,011)	15,673	(169,338)
Foreign currency translation adjustments	62,817	13,055	75,872
Unrealized holding gain on marketable securities	13,949	60	14,009
Unrealized holding gain on cash flow derivatives	11,943	-	11,943
Reclassification adjustment	131	17	148
Other - net	(657)	2,684	2,027
Balances at June 30, 2011	$ (7,792,434)	$ 522,409	$ (7,270,025)

The Company does not have any compensation plans under which it grants awards to employees. CCMH and CCOH have granted options to purchase shares of their Class A common stock to certain key individuals. CCMH completed a voluntary stock option exchange program on March 21, 2011 and exchanged 2.5 million stock options granted under the Clear Channel 2008 Executive Incentive Plan for 1.3 million replacement stock options with a lower exercise price and different service and performance vesting conditions. The Company accounted for the exchange program as a modification of the existing awards under ASC 718 and will recognize incremental compensation expense of approximately $1.0 million over the service period of the new awards.

NOTE 9 – SEGMENT DATA

The Company's reportable segments, which it believes best reflect how the Company is currently managed, are CCME, Americas outdoor advertising and International outdoor advertising. Revenue and expenses earned and charged between segments are recorded at fair value and eliminated in consolidation. The CCME segment provides media and entertainment services via broadcast and digital delivery and also includes the Company's national syndication business. The Americas outdoor advertising segment consists of operations primarily in the United States and Canada. The International outdoor advertising segment primarily includes operations in Europe, Asia and Latin America. The Americas outdoor and International outdoor display inventory consists primarily of billboards, street furniture displays and transit displays. The Other category includes the Company's media representation business as well as other general support services and initiatives which are ancillary to the Company's other businesses. Corporate includes infrastructure and support, including information technology, human resources, legal, finance and administrative functions of each of the Company's operating segments, as well as overall executive, administrative and support functions. Share-based payments are recorded by each segment in direct operating and selling, general and administrative expenses.

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

During the first quarter of 2012, the Company revised its segment reporting, as discussed in Note 1. The following table presents the Company's reportable segment results for the three and six months ended June 30, 2012 and 2011.

(In thousands)	CCME	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate and other reconciling items	Eliminations	Consolidated
Three Months Ended June 30, 2012							
Revenue	$ 793,039	$ 320,678	$ 440,648	$ 64,144	$ -	$ (16,015)	$ 1,602,494
Direct operating expenses	196,348	143,185	263,710	5,787	-	(1,935)	607,095
Selling, general and administrative expenses	243,157	44,699	87,586	36,761	-	(14,080)	398,123
Depreciation and amortization	67,923	48,567	50,710	11,355	3,284	-	181,839
Corporate expenses	-	-	-	-	71,158	-	71,158
Other operating income - net	-	-	-	-	1,917	-	1,917
Operating income (loss)	$ 285,611	$ 84,227	$ 38,642	$ 10,241	$ (72,525)	$ -	$ 346,196
Intersegment revenues	$ -	$ -	$ -	$ 16,015	$ -	$ -	$ 16,015
Capital expenditures	$ 16,674	$ 33,780	$ 39,247	$ 6,617	$ 5,327	$ -	$ 101,645
Share-based compensation expense	$ 1,202	$ 1,240	$ 874	$ -	$ 2,499	$ -	$ 5,815
Three Months Ended June 30, 2011							
Revenue	$ 771,744	$ 318,217	$ 470,991	$ 59,172	$ -	$ (15,738)	$ 1,604,386
Direct operating	211,368	141,010	274,462	6,984	-	(3,809)	630,015

expenses							
Selling, general and administrative expenses	252,581	49,035	93,902	36,847	-	(11,929)	420,436
Depreciation and amortization	69,033	50,322	55,278	12,809	2,199	-	189,641
Corporate expenses	-	-	-	-	56,486	-	56,486
Other operating income - net	-	-	-	-	3,229	-	3,229
Operating income (loss)	$ 238,762	$ 77,850	$ 47,349	$ 2,532	$ (55,456)	$ -	$ 311,037
Intersegment revenues	$ -	$ 745	$ -	$ 14,993	$ -	$ -	$ 15,738
Capital expenditures	$ 10,424	$ 34,562	$ 23,979	$ 1,004	$ 6,514	$ -	$ 76,483
Share-based compensation expense	$ 882	$ 1,674	$ 701	$ -	$ 2,481	$ -	$ 5,738
Six Months Ended June 30, 2012							
Revenue	$ 1,464,549	$ 600,829	$ 811,780	$ 115,842	$ -	$ (29,783)	$ 2,963,217
Direct operating expenses	412,727	287,595	513,353	12,326	-	(4,472)	1,221,529
Selling, general and administrative expenses	484,130	97,278	188,156	77,498	-	(25,311)	821,751
Depreciation and amortization	134,979	91,525	99,745	24,208	6,748	-	357,205
Corporate expenses	-	-	-	-	140,356	-	140,356
Other operating income - net	-	-	-	-	5,041	-	5,041
Operating income (loss)	$ 432,713	$ 124,431	$ 10,526	$ 1,810	$ (142,063)	$ -	$ 427,417
Intersegment revenues	$ -	$ 770	$ -	$ 29,013	$ -	$ -	$ 29,783
Capital expenditures	$ 26,826	$ 59,116	$ 66,909	$ 9,005	$ 12,436	$ -	$ 174,292

Share-based compensation expense	$	2,416	$	3,172	$	2,083	$	-	$	5,041	$	-	$	12,712

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	CCME	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate and other reconciling items	Eliminations	Consolidated
Six Months Ended June 30, 2011							
Revenue	$ 1,404,709	$ 587,918	$ 851,504	$ 110,435	$ -	$ (29,354)	$ 2,925,212
Direct operating expenses	400,613	276,960	529,892	14,169	-	(7,550)	1,214,084
Selling, general and administrative expenses	474,713	98,593	167,524	74,120	-	(21,804)	793,146
Depreciation and amortization	133,489	98,944	108,986	26,094	5,839	-	373,352
Corporate expenses	-	-	-	-	108,833	-	108,833
Other operating income - net	-	-	-	-	19,943	-	19,943
Operating income (loss)	$ 395,894	$ 113,421	$ 45,102	$ (3,948)	$ (94,729)	$ -	$ 455,740
Intersegment revenues	$ -	$ 1,688	$ -	$ 27,666	$ -	$ -	$ 29,354
Capital expenditures	$ 23,663	$ 65,477	$ 39,102	$ 3,126	$ 9,084	$ -	$ 140,452
Share-based compensation expense	$ 2,436	$ 3,842	$ 1,604	$ -	$ 147	$ -	$ 8,029

15

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 10 – 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 Clear Channel's outstanding indebtedness. 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)	As of June 30, 2012					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ -	$ -	$ 524,229	$ 792,287	$ -	$ 1,316,516
Accounts receivable, net of allowance	-	-	678,657	692,619	-	1,371,276
Intercompany receivables	33,886	4,552,745	139,564	-	(4,726,195)	-
Other current assets	1,564	40,162	114,409	242,272	(30,328)	368,079
Total Current Assets	35,450	4,592,907	1,456,859	1,727,178	(4,756,523)	3,055,871
Property, plant and equipment, net	-	-	805,529	2,216,019	-	3,021,548
Definite-lived intangibles, net	-	-	1,283,723	599,182	-	1,882,905
Indefinite-lived intangibles - licenses	-	-	2,409,401	-	-	2,409,401
Indefinite-lived intangibles - permits	-	-	-	1,106,265	-	1,106,265
Goodwill			3,325,533	857,623	-	4,183,156
Intercompany notes receivable	-	962,000	-	-	(962,000)	-
Long-term intercompany notes receivable	-	-	-	712,310	(712,310)	-

Investment in subsidiaries	(8,467,018)	3,563,735	635,292	364,215	4,270,299	366,523
Other assets	-	136,371	277,692	612,275	(600,185)	426,153
Total Assets	$ (8,431,568)	$ 9,255,013	$ 10,194,029	$ 8,195,067	$ (2,760,719)	$ 16,451,822
Accounts payable and accrued expenses	$ (989)	$ (88,826)	$ 305,110	$ 578,135	$ -	$ 793,430
Accrued interest	-	183,138	-	2,757	(30,328)	155,567
Intercompany payable	-	-	4,586,631	139,564	(4,726,195)	-
Current portion of long-term debt	-	300,275	202	23,051	-	323,528
Deferred income	-	-	63,074	149,338	-	212,412
Total Current Liabilities	(989)	394,587	4,955,017	892,845	(4,756,523)	1,484,937
Long-term debt	-	16,531,642	4,000	4,719,185	(863,539)	20,391,288
Long-term intercompany payable	-	712,310	-	-	(962,000)	(249,690)
Intercompany long-term debt	-	-	962,000	-	(712,310)	249,690
Deferred income taxes	(14,460)	(65,653)	1,069,283	831,889	2,636	1,823,695
Other long-term liabilities	-	149,145	180,495	284,205	-	613,845
Total member's interest (deficit)	(8,416,119)	(8,467,018)	3,023,234	1,466,943	4,531,017	(7,861,943)
Total Liabilities and Member's Equity	$ (8,431,568)	$ 9,255,013	$ 10,194,029	$ 8,195,067	$ (2,760,719)	$ 16,451,822

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	As of December 31, 2011					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$ -	$ 1	$ 461,572	$ 767,109	$ -	$ 1,228,682
Accounts receivable, net of allowance	-	-	694,548	704,587	-	1,399,135
Intercompany receivables (1)	30,270	4,824,634	-	-	(4,854,904)	-
Other current assets	2,251	46,018	107,564	277,695	(76,060)	357,468
Total Current Assets	32,521	4,870,653	1,263,684	1,749,391	(4,930,964)	2,985,285
Property, plant and equipment, net	-	-	815,245	2,248,082	-	3,063,327
Definite-lived intangibles, net	-	-	1,389,935	627,825	-	2,017,760
Indefinite-lived intangibles - licenses	-	-	2,411,367	-	-	2,411,367
Indefinite-lived intangibles - permits	-	-	-	1,105,704	-	1,105,704
Goodwill	-	-	3,325,771	860,947	-	4,186,718
Intercompany notes receivable	-	962,000	-	-	(962,000)	-
Long-term intercompany receivable	-	-	-	656,040	(656,040)	-
Investment in subsidiaries	(8,342,987)	5,234,229	2,844,451	-	264,307	-
Other assets	-	167,337	254,435	907,567	(557,461)	771,878
Total Assets	$ (8,310,466)	$ 11,234,219	$ 12,304,888	$ 8,155,556	$ (6,842,158)	$ 16,542,039
Accounts payable and accrued	$ (641)	$ (61,478)	$ 292,368	$ 626,478	$ -	$ 856,727

expenses						
Accrued interest	-	189,144	(1)	2,277	(31,059)	160,361
Intercompany payable	-	-	4,743,944	110,960	(4,854,904)	-
Current portion of long-term debt	-	243,927	905	23,806	-	268,638
Deferred income	-	-	50,416	92,820	-	143,236
Total Current Liabilities	$ (641)	$ 371,593	$ 5,087,632	$ 856,341	$ (4,885,963)	$ 1,428,962
Long-term debt	-	18,305,183	3,321	2,522,103	(892,076)	19,938,531
Long-term intercompany payable	-	655,930	110	-	(656,040)	-
Intercompany long-term debt	-	-	962,000	-	(962,000)	-
Deferred income taxes	(13,845)	39,173	1,055,533	858,908	(1,170)	1,938,599
Other long-term liabilities	-	205,327	220,546	282,015	-	707,888
Total member's interest (deficit)	(8,295,980)	(8,342,987)	4,975,746	3,636,189	555,091	(7,471,941)
Total Liabilities and Member's Equity	$ (8,310,466)	$ 11,234,219	$ 12,304,888	$ 8,155,556	$ (6,842,158)	$ 16,542,039

17

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	Three Months Ended June 30, 2012					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ -	$ -	$ 837,611	$ 768,039	$ (3,156)	$ 1,602,494
Operating expenses:						
Direct operating expenses	-	-	199,687	409,186	(1,778)	607,095
Selling, general and administrative expenses	-	-	263,719	135,782	(1,378)	398,123
Corporate expenses	2,769	-	40,551	27,838	-	71,158
Depreciation and amortization	-	-	81,831	100,008	-	181,839
Other operating income (expense) – net	-	-	(829)	2,746	-	1,917
Operating income (loss)	(2,769)	-	250,994	97,971	-	346,196
Interest expense – net	-	315,544	5,755	47,406	17,162	385,867
Equity in earnings (loss) of nonconsolidated affiliates	(20,107)	177,600	(4,950)	4,802	(152,649)	4,696
Other income (expense) – net	-	-	200	(1,597)	-	(1,397)
Income (loss) before income taxes	(22,876)	(137,944)	240,489	53,770	(169,811)	(36,372)
Income tax benefit (expense)	1,013	117,837	(85,041)	(25,146)	-	8,663
Consolidated net income (loss)	(21,863)	(20,107)	155,448	28,624	(169,811)	(27,709)
Less amount attributable to noncontrolling interest	-	-	2,548	8,768	-	11,316
Net income (loss) attributable to the Company	$ (21,863)	$ (20,107)	$ 152,900	$ 19,856	$ (169,811)	$ (39,025)
Other comprehensive income (loss), net of tax:						
	-	-	(307)	(40,073)	-	(40,380)

Foreign currency translation adjustments						
Unrealized gain (loss) on securities and derivatves:						
Unrealized holding gain (loss) on marketable securities	-	-	(11,038)	(2,208)	1,929	(11,317)
Unrealized holding loss on cash flow derivatives	-	15,935	-	-	-	15,935
Reclassification adjustment	2	(2)	(1)	91	1	91
Equity in subsidiary comprehensive income (loss)	(31,865)	(47,798)	(40,644)	-	120,307	-
Comprehensive income (loss)	(53,726)	(51,972)	100,910	(22,334)	(47,574)	(74,696)
Less amount attributable to noncontrolling interest	-	-	(4,192)	(1,546)	-	(5,738)
Comprehensive income (loss) attributable to the Company	$ (53,726)	$ (51,972)	$ 105,102	$ (20,788)	$ (47,574)	$ (68,958)

18

(In thousands)	Three Months Ended June 30, 2011					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$ -	$ -	$ 784,493	$ 824,499	$ (4,606)	$ 1,604,386
Operating expenses:						-
Direct operating expenses	-	-	196,499	430,604	2,912	630,015
Selling, general and administrative expenses	-	-	271,223	156,731	(7,518)	420,436
Corporate expenses	2,951	-	30,497	23,038	-	56,486
Depreciation and amortization	-	-	81,306	108,335	-	189,641
Other operating income – net	-	-	(1,071)	4,300	-	3,229
Operating income (loss)	(2,951)	-	203,897	110,091	-	311,037
Interest expense – net	4	332,242	(1,396)	9,544	18,556	358,950
Equity in earnings (loss) of nonconsolidated affiliates	(32,749)	175,700	27,639	5,276	(170,595)	5,271
Other income (expense) – net	-	1	(156)	(4,362)	-	(4,517)
Income (loss) before income taxes	(35,704)	(156,541)	232,776	101,461	(189,151)	(47,159)
Income tax benefit (expense)	1,081	123,792	(76,523)	(39,166)	-	9,184
Consolidated net income (loss)	(34,623)	(32,749)	156,253	62,295	(189,151)	(37,975)
Less amount attributable to noncontrolling interest	-	-	7,687	7,517	-	15,204
Net income (loss) attributable to the Company	$ (34,623)	$ (32,749)	$ 148,566	$ 54,778	$ (189,151)	$ (53,179)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	-	-	331	36,234	-	36,565
Unrealized gain (loss) on securities and derivatves:						
Unrealized holding gain (loss) on marketable securities	-	-	13,006	(1,949)	-	11,057

Unrealized holding loss on cash flow derivatives	-	(1,399)	-	-	-	(1,399)
Reclassification adjustment	-	-	-	59	-	59
Equity in subsidiary comprehensive income (loss)	39,847	41,246				