

CLEAR CHANNEL COMMUNICATIONS INC  
Form 10-Q  
August 09, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark One)

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

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

**200 East Basse Road**  
**San Antonio, Texas**  
(Address of principal executive offices)

**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

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  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.

<b>Class</b>	<b>Outstanding at August 6, 2010</b>
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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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. UNAUDITED FINANCIAL STATEMENTS OF CLEAR CHANNEL CAPITAL I, LLC****CLEAR CHANNEL CAPITAL I, LLC****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands)**

	June 30, 2010 (Unaudited)	December 31, 2009
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,504,730	\$ 1,883,994
Accounts receivable, net	1,323,697	1,301,700
Other current assets	459,264	473,151
<b>Total Current Assets</b>	<b>3,287,691</b>	<b>3,658,845</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Structures, net	2,027,471	2,143,972
Other property, plant and equipment, net	1,142,005	1,188,421
<b>INTANGIBLE ASSETS</b>		
Definite-lived intangibles, net	2,423,875	2,599,244
Indefinite-lived intangibles	3,551,918	3,562,057
Goodwill	4,092,443	4,125,005
Other assets	761,379	769,557
<b>Total Assets</b>	<b>\$ 17,286,782</b>	<b>\$ 18,047,101</b>
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 943,340	\$ 995,740
Current portion of long-term debt	916,043	398,779
Deferred income	187,470	149,617
<b>Total Current Liabilities</b>	<b>2,046,853</b>	<b>1,544,136</b>
Long-term debt	19,535,311	20,303,126
Deferred income taxes	2,079,500	2,220,023
Other long-term liabilities	834,416	824,554
Commitments and contingent liabilities		
<b>MEMBER S DEFICIT</b>		
Noncontrolling interest	446,716	455,648
Member s interest	2,118,303	2,109,007
Retained deficit	(9,337,822)	(9,076,084)
Accumulated other comprehensive loss	(436,495)	(333,309)
<b>Total Member s Deficit</b>	<b>(7,209,298)</b>	<b>(6,844,738)</b>

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<b>Total Liabilities and Member s Deficit</b>	\$ 17,286,782	\$ 18,047,101
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See notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Revenue	\$ 1,490,009	\$ 1,437,865	\$ 2,753,787	\$ 2,645,852
Operating expenses:				
Direct operating expenses (excludes depreciation and amortization)	600,916	637,076	1,198,263	1,255,425
Selling, general and administrative expenses (excludes depreciation and amortization)	376,637	360,558	725,933	738,094
Corporate expenses (excludes depreciation and amortization)	64,109	50,087	128,605	97,722
Depreciation and amortization	184,178	208,246	365,512	383,805
Impairment charges		4,041,252		4,041,252
Other operating income (expense) net	3,264	(31,516)	7,036	(34,410)
Operating income (loss)	267,433	(3,890,870)	342,510	(3,904,856)
Interest expense	385,579	384,625	771,374	771,678
Equity in earnings (loss) of nonconsolidated affiliates	3,747	(17,719)	5,618	(21,907)
Other (expense) income net	(787)	430,629	57,248	427,449
Loss before income taxes	(115,186)	(3,862,585)	(365,998)	(4,270,992)
Income tax benefit	37,979	184,552	109,164	164,960
Consolidated net loss	(77,207)	(3,678,033)	(256,834)	(4,106,032)
Amount attributable to noncontrolling interest	9,117	(4,629)	4,904	(14,411)
Net loss attributable to the Company	\$ (86,324)	\$ (3,673,404)	\$ (261,738)	\$ (4,091,621)
Other comprehensive (loss) income, net of tax:				
Foreign currency translation adjustments	(74,223)	133,058	(113,672)	85,715
Unrealized (loss) gain on securities and derivatives:				
Unrealized holding (loss) gain on marketable securities	(412)	8,551	3,533	(1,610)
Unrealized holding loss on cash flow derivatives	(4,992)	(47,393)	(8,146)	(75,750)
Reclassification adjustment	(1,366)	(513)	(1,141)	3,120
Comprehensive loss	(167,317)	(3,579,701)	(381,164)	(4,080,146)
Amount attributable to noncontrolling interest	(11,572)	19,509	(16,240)	10,337
Comprehensive loss attributable to the Company	\$ (155,745)	\$ (3,599,210)	\$ (364,924)	\$ (4,090,483)

See notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	2010	2009
<b>Cash flows from operating activities:</b>		
Consolidated net loss	\$ (256,834)	\$ (4,106,032)
<b>Reconciling items:</b>		
Impairment charges		4,041,252
Depreciation and amortization	365,512	383,805
Deferred taxes	(135,808)	(194,991)
(Gain) loss on disposal of operating assets	(7,036)	34,410
Gain on extinguishment of debt	(60,289)	(440,338)
Provision for doubtful accounts	7,791	24,206
Share-based compensation	16,624	19,306
Equity in (earnings) loss of nonconsolidated affiliates	(5,618)	21,907
Amortization of deferred financing charges and note discounts, net	105,596	120,352
Other reconciling items - net	3,757	(3,444)
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(66,994)	79,415
Increase in deferred income	42,320	45,507
Increase (decrease) in accounts payable, accrued expenses and other liabilities	18,166	(92,683)
Increase (decrease) in accrued interest	45,188	(17,837)
Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions	(19,583)	1,212
Net cash provided by (used for) operating activities	52,792	(83,953)
<b>Cash flows from investing activities:</b>		
Sales of investments net	200	23,689
Purchases of property, plant and equipment	(103,409)	(92,623)
Acquisition of operating assets	(10,814)	(6,930)
Proceeds from disposal of assets	11,107	37,332
Change in other net	(2,637)	6,643
Net cash used for investing activities	(105,553)	(31,889)
<b>Cash flows from financing activities:</b>		
Draws on credit facilities	148,304	1,622,444
Payments on credit facilities	(104,541)	(149,376)
Proceeds from delayed draw term loan facility		500,000
Proceeds from long-term debt	6,844	
Payments on long-term debt	(247,807)	(466,812)
Repurchases of long-term debt	(125,000)	(119,684)
Change in other net	(4,303)	(13,074)
Net cash (used for) provided by financing activities	(326,503)	1,373,498
Net (decrease) increase in cash and cash equivalents	(379,264)	1,257,656
Cash and cash equivalents at beginning of period	1,883,994	239,846

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Cash and cash equivalents at end of period	\$ 1,504,730	\$ 1,497,502
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See notes to consolidated financial statements.



**Table of Contents****CLEAR CHANNEL CAPITAL I, LLC****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 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 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2010.

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, 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).

## 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, 2010 and December 31, 2009, respectively.

<i>(In thousands)</i>	June 30, 2010	December 31, 2009
Land, buildings and improvements	\$ 640,306	\$ 633,222
Structures	2,499,110	2,514,602
Towers, transmitters and studio equipment	383,709	381,046
Furniture and other equipment	250,037	234,101
Construction in progress	67,405	88,391

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	3,840,567	3,851,362
Less: accumulated depreciation	671,091	518,969
Property, plant and equipment, net	\$ 3,169,476	\$ 3,332,393

**Table of Contents****CLEAR CHANNEL CAPITAL I, LLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)**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 outdoor and International outdoor segments. The Company has talent and program rights contracts and advertiser relationships in its radio broadcasting 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 June 30, 2010 and December 31, 2009, respectively:

<i>(In thousands)</i>	June 30, 2010		December 31, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture and other outdoor contractual rights	\$ 762,912	\$ 194,242	\$ 803,297	\$ 166,803
Customer / advertiser relationships	1,210,205	229,861	1,210,205	169,897
Talent contracts	320,854	78,754	320,854	57,825
Representation contracts	228,802	82,251	218,584	54,755
Other	549,826	63,616	550,041	54,457
Total	\$ 3,072,599	\$ 648,724	\$ 3,102,981	\$ 503,737

Total amortization expense related to definite-lived intangible assets was \$87.1 million and \$100.3 million for the three months ended June 30, 2010 and 2009, respectively, and \$168.2 million and \$172.3 million for the six months ended June 30, 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:

<i>(In thousands)</i>	
2011	\$ 305,648
2012	292,386
2013	276,217
2014	255,179
2015	230,998

Indefinite-lived Intangible Assets

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

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<i>(In thousands)</i>	June 30, 2010	December 31, 2009
FCC broadcast licenses	\$ 2,429,040	\$ 2,429,839
Billboard permits	1,122,878	1,132,218
Total indefinite-lived intangible assets	\$ 3,551,918	\$ 3,562,057

**Table of Contents****CLEAR CHANNEL CAPITAL I, LLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****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>	Americas		International	Other	Total
	Radio Broadcasting	Outdoor Advertising	Outdoor Advertising		
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)
Balance as of December 31, 2009	3,146,869	585,249	276,343	116,544	4,125,005
Acquisitions				257	257
Dispositions	(2,261)				(2,261)
Foreign currency		19	(29,827)		(29,808)
Other	(750)				(750)
Balance as of June 30, 2010	\$ 3,143,858	\$ 585,268	\$ 246,516	\$ 116,801	\$ 4,092,443

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 broadcasting, Americas outdoor and International outdoor segments, respectively.

**NOTE 3: DEBT**

Long-term debt at June 30, 2010 and December 31, 2009 consisted of the following:

<i>(In thousands)</i>	June 30, 2010	December 31, 2009
<b>Senior Secured Credit Facilities:</b>		
Term Loan Facilities <sup>(1)</sup>	\$ 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	362,732	355,732
Other secured long-term debt	5,926	5,225
<b>Total consolidated secured debt</b>	<b>13,991,037</b>	<b>13,933,336</b>

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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	60,332	77,657
Purchase accounting adjustments and original issue discount	(707,622)	(788,087)
	20,451,354	20,701,905
Less: current portion	916,043	398,779
Total long-term debt	\$ 19,535,311	\$ 20,303,126

(1) The term loan facilities mature at various dates from 2014 through 2016.

The Company's weighted average interest rate at June 30, 2010 was 6.3%. The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately \$16.6 billion and \$17.7 billion at June 30, 2010 and December 31, 2009, respectively.

**Table of Contents****CLEAR CHANNEL CAPITAL I, LLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****Debt Repurchases and Maturities**

During the first six months 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 through an open market purchase as shown in the table below. Notes repurchased and held by CC Investments are eliminated in consolidation.

<i>(In thousands)</i>	Six Months Ended June 30, 2010
<b><u>CC Investments</u></b>	
Principal amount of debt repurchased	\$ 185,185
Deferred loan costs and other	104
Gain recorded in Other (expense) income <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 six months of 2010, the Company repaid Clear Channel's 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 June 30, 2010, the Company had incurred a total of \$293.2 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 and six months ended June 30, 2010 and 2009, respectively:

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*(In thousands)*

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Direct operating expenses	\$ 2,999	\$ 2,871	\$ 5,720	\$ 5,878
Selling, general and administrative expenses	1,766	1,837	3,427	3,725
Corporate expenses	3,744	4,827	7,477	9,703
 Total share-based compensation expense	 \$ 8,509	 \$ 9,535	 \$ 16,624	 \$ 19,306

As of June 30, 2010, there was \$75.1 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 a weighted average period of approximately three years.



**Table of Contents****CLEAR CHANNEL CAPITAL I, LLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****Supplemental Disclosures**

During the six months ended June 30, 2010, cash paid for interest and income taxes, net of income tax refunds of \$5.5 million, was as follows:

<i>(In thousands)</i>	Six Months Ended June 30, 2010
Interest	\$ 626,813
Income taxes	14,457
<u>Divestiture Trusts</u>	

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.

**Income Tax Benefit (Expense)**

The Company's income tax benefit (expense) for the three and six months ended June 30, 2010 and 2009, respectively, consisted of the following components:

<i>(In thousands)</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
Current tax expense	\$ (13,987)	\$ (18,936)	\$ (26,644)	\$ (30,031)
Deferred tax benefit	51,966	203,488	135,808	194,991
Income tax benefit	\$ 37,979	\$ 184,552	\$ 109,164	\$ 164,960

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 and six months ended June 30, 2010 was 33.0% and 29.8%, respectively, compared to an effective tax rate of 4.8% and 3.9% for the three and six months ended June 30, 2009, respectively. 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 2009 effective rate 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 and the impairment charge on goodwill in 2009.

Note 5: FAIR VALUE MEASUREMENTS

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

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.

**Table of Contents****CLEAR CHANNEL CAPITAL I, LLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****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. The cost, unrealized holding gains or losses, and fair value of the Company's investments at June 30, 2010 and December 31, 2009, respectively, are as follows:

<i>(In thousands)</i>	June 30, 2010				December 31, 2009			
	Cost	Gross Unrealized Losses	Gross Unrealized Gains	Fair Value	Cost	Gross Unrealized Losses	Gross Unrealized Gains	Fair Value
Investments								
Available-for-sale	\$ 19,104	\$ (3,618)	\$ 31,848	\$ 47,334	\$ 19,104	\$ (12,237)	\$ 32,035	\$ 38,902

**Interest Rate Swap Agreements**

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 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 \$250.3 million and \$237.2 million at June 30, 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:

<i>(In thousands)</i>	Accumulated other comprehensive loss
Balance at December 31, 2009	\$ 149,179

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Other comprehensive loss 8,146

Balance at June 30, 2010 \$ 157,325

Other Comprehensive Income (Loss)

The following table discloses the amount of income tax benefit (expense) allocated to each component of other comprehensive income for the three and six months ended June 30, 2010 and 2009, respectively:

<i>(In thousands)</i>	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Unrealized holding gain (loss) on marketable securities	\$ 3,470	\$ (10,451)	\$ (914)	\$ (12,928)
Unrealized holding gain on cash flow derivatives	2,999	27,787	4,887	44,295
Income tax benefit	\$ 6,469	\$ 17,336	\$ 3,973	\$ 31,367

**Table of Contents****CLEAR CHANNEL CAPITAL I, LLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)**

## 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 June 30, 2010, Clear Channel guaranteed \$39.8 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 June 30, 2010, no amounts were outstanding under these agreements.

As of June 30, 2010, Clear Channel had outstanding commercial standby letters of credit and surety bonds of \$128.3 million and \$46.6 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 and six months ended June 30, 2010, the Company recognized management fees of \$3.8 million and \$7.5 million, respectively. For the three and six months ended June 30, 2009, the Company recognized management fees of \$3.8 million and \$7.5 million, respectively.

In addition, the Company reimbursed the Sponsors for additional expenses in the amount of \$0.6 million and \$1.0 million for the three and six months ended June 30, 2010, respectively. The Company reimbursed the Sponsors for additional expenses in the amount of \$2.0 million for the three and six months ended June 30, 2009.

## 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 December 31, 2009	\$ (7,300,386)	\$ 455,648	\$ (6,844,738)
Net income (loss)	(261,738)	4,904	(256,834)
Foreign currency translation adjustments	(98,131)	(15,541)	(113,672)
Unrealized holding gain (loss) on marketable securities	4,101	(568)	3,533

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Unrealized holding loss on cash flow derivatives	(8,146)		(8,146)
Reclassification adjustment	(1,010)	(131)	(1,141)
Other - net	9,296	2,404	11,700
Balances at June 30, 2010	\$ (7,656,014)	\$ 446,716	\$ (7,209,298)

**Table of Contents****CLEAR CHANNEL CAPITAL I, LLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)**

(In thousands)

	The Company	Noncontrolling Interests	Consolidated
Balances at December 31, 2008	\$ (3,342,451)	\$ 426,220	\$ (2,916,231)
Net loss	(4,091,621)	(14,411)	(4,106,032)
Foreign currency translation adjustments	74,332	11,383	85,715
Unrealized holding loss on marketable securities	(564)	(1,046)	(1,610)
Unrealized holding loss on cash flow derivatives	(75,750)		(75,750)
Reclassification adjustment	3,120	33,382	36,502
Other - net	3,616	3,577	7,193
Balances at June 30, 2009	\$ (7,429,318)	\$ 459,105	\$ (6,970,213)

## 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 advertising 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 and six months ended June 30, 2010 and 2009:

(In thousands)

	Radio Broadcasting	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate and other reconciling items	Eliminations	Consolidated
<b>Three Months Ended June 30, 2010</b>							
Revenue	\$ 748,738	\$ 323,769	\$ 377,638	\$ 62,773	\$	\$ (22,909)	\$ 1,490,009
Direct operating expenses	198,894	144,298	241,586	27,213		(11,075)	600,916
Selling, general and administrative expenses	238,713	64,075	66,617	19,066		(11,834)	376,637
Depreciation and amortization	63,812	55,729	49,570	12,925	2,142		184,178
Corporate expenses					64,109		64,109
Other operating income - net					3,264		3,264
Operating income (loss)	\$ 247,319	\$ 59,667	\$ 19,865	\$ 3,569	\$ (62,987)	\$	\$ 267,433
Intersegment revenues	\$ 7,143	\$ 790	\$	\$ 14,976	\$	\$	\$ 22,909
Share-based compensation expense	\$ 1,757	\$ 2,316	\$ 692	\$	\$ 3,744	\$	\$ 8,509
<b>Three Months Ended June 30, 2009</b>							
Revenue	\$ 717,567	\$ 315,553	\$ 376,564	\$ 49,335	\$	\$ (21,154)	\$ 1,437,865
Direct operating expenses	233,585	148,755	243,554	21,755		(10,573)	637,076
	226,227	51,398	69,944	23,570		(10,581)	360,558

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Selling, general and administrative expenses

Depreciation and amortization	77,990	57,860	56,948	13,485	1,963	208,246
Corporate expenses					50,087	50,087
Impairment charges					4,041,252	4,041,252
Other operating expense - net					(31,516)	(31,516)

Operating income (loss)	\$ 179,765	\$ 57,540	\$ 6,118	\$ (9,475)	\$ (4,124,818)	\$ (3,890,870)
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Intersegment revenues	\$ 8,002	\$ 1,145	\$	\$ 12,007	\$	\$ 21,154
Share-based compensation expense	\$ 2,139	\$ 2,028	\$ 613	\$ (72)	\$ 4,827	\$ 9,535



**Table of Contents****CLEAR CHANNEL CAPITAL I, LLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)***(In thousands)*

	Radio Broadcasting	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate and other reconciling items	Eliminations	Consolidated
<b>Six Months Ended June 30, 2010</b>							
Revenue	\$ 1,371,937	\$ 594,746	\$ 715,429	\$ 114,819	\$	\$ (43,144)	\$ 2,753,787
Direct operating expenses	402,654	283,606	481,164	52,041		(21,202)	1,198,263
Selling, general and administrative expenses	465,810	108,552	133,497	40,016		(21,942)	725,933
Depreciation and amortization	127,744	105,180	101,828	26,521	4,239		365,512
Corporate expenses					128,605		128,605
Other operating income - net					7,036		7,036
Operating income (loss)	\$ 375,729	\$ 97,408	\$ (1,060)	\$ (3,759)	\$ (125,808)	\$	\$ 342,510
Intersegment revenues	\$ 13,797	\$ 1,847	\$	\$ 27,500	\$	\$	\$ 43,144
Share-based compensation expense	\$ 3,506	\$ 4,346	\$ 1,295	\$	\$ 7,477	\$	\$ 16,624
<b>Six Months Ended June 30, 2009</b>							
Revenue	\$ 1,321,189	\$ 585,740	\$ 688,593	\$ 91,133	\$	\$ (40,803)	\$ 2,645,852
Direct operating expenses	461,767	293,635	478,282	44,281		(22,540)	1,255,425
Selling, general and administrative expenses	465,566	100,237	138,869	51,685		(18,263)	738,094
Depreciation and amortization	134,822	104,510	112,206	28,332	3,935		383,805
Corporate expenses					97,722		97,722
Impairment charges					4,041,252		4,041,252
Other operating expense - net					(34,410)		(34,410)
Operating income (loss)	\$ 259,034	\$ 87,358	\$ (40,764)	\$ (33,165)	\$ (4,177,319)	\$	\$ (3,904,856)
Intersegment revenues	\$ 17,416	\$ 1,270	\$	\$ 22,117	\$	\$	\$ 40,803
Share-based compensation expense	\$ 4,138	\$ 4,196	\$ 1,269	\$	\$ 9,703	\$	\$ 19,306

Revenue of \$413.9 million and \$789.5 million derived from non-U.S. operations are included in the data above for the three and six months ended June 30, 2010, respectively. Revenue of \$406.1 million and \$746.8 million derived from non-U.S. operations is included in the data above for the three and six months ended June 30, 2009, respectively.

**Note 10: SUBSEQUENT EVENTS**

On July 16, 2010, Clear Channel made the election to pay interest on the senior toggle notes entirely in cash, effective for the interest period commencing August 1, 2010.

**Table of Contents****CLEAR CHANNEL CAPITAL I, LLC****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****CONDENSED CONSOLIDATING BALANCE SHEETS****(UNAUDITED)**

## Note 11: 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):

<i>(In thousands)</i>	June 30, 2010					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	\$	\$	\$ 842,364	\$ 662,366	\$	\$ 1,504,730
Accounts receivable, net			614,698	708,999		1,323,697
Intercompany receivables	19,516	7,132,207	23,845		(7,175,568)	
Other current assets	3,129	160,305	64,440	263,388	(31,998)	459,264
<b>Total Current Assets</b>	22,645	7,292,512	1,545,347	1,634,753	(7,207,566)	3,287,691
Property, plant and equipment, net			862,185	2,307,291		3,169,476
Definite-lived intangibles, net			1,685,458	738,417		2,423,875
Indefinite-lived intangibles licenses			2,429,040			2,429,040
Indefinite-lived intangibles permits				1,122,878		1,122,878
Goodwill			3,256,905	835,538		4,092,443
Intercompany notes receivable		212,000			(212,000)	
Long-term intercompany receivable				146,985	(146,985)	
Investment in subsidiaries	(8,114,225)	4,103,370	2,706,440		1,304,415	
Other assets		198,207	181,949	885,590	(504,367)	761,379
<b>Total Assets</b>	\$ (8,091,580)	\$ 11,806,089	\$ 12,667,324	\$ 7,671,452	\$ (6,766,503)	\$ 17,286,782
Accounts payable and accrued expenses	\$	\$ 155,830	\$ 264,172	\$ 555,336	\$ (31,998)	\$ 943,340
Intercompany payable			7,151,723	23,845	(7,175,568)	
Current portion of long-term debt		899,829	1	16,213		916,043
Deferred income			47,602	139,868		187,470
<b>Total Current Liabilities</b>		1,055,659	7,463,498	735,262	(7,207,566)	2,046,853
Long-term debt		17,914,483	4,001	2,546,044	(929,217)	19,535,311
Intercompany long-term debt			212,000		(212,000)	
Intercompany payable long-term		146,985			(146,985)	
Deferred income taxes	(10,716)	500,159	754,651	835,406		2,079,500
Other long-term liabilities		303,028	274,522	256,866		834,416
Total member's interest (deficit)	(8,080,864)	(8,114,225)	3,958,652	3,297,874	1,729,265	(7,209,298)
	\$ (8,091,580)	\$ 11,806,089	\$ 12,667,324	\$ 7,671,452	\$ (6,766,503)	\$ 17,286,782

**Total Liabilities and Member s Interest  
(Deficit)**

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<i>(In thousands)</i>	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>	<b>16,009</b>	<b>7,573,948</b>	<b>1,576,285</b>	<b>1,714,725</b>	<b>(7,222,122)</b>	<b>3,658,845</b>
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>	<b>\$ (7,708,520)</b>	<b>\$ 12,042,941</b>	<b>\$ 12,890,670</b>	<b>\$ 7,923,317</b>	<b>\$ (7,101,307)</b>	<b>\$ 18,047,101</b>
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>		<b>510,519</b>	<b>7,592,038</b>	<b>787,009</b>	<b>(7,345,430)</b>	<b>1,544,136</b>
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>	<b>\$ (7,708,520)</b>	<b>\$ 12,042,941</b>	<b>\$ 12,890,670</b>	<b>\$ 7,923,317</b>	<b>\$ (7,101,307)</b>	<b>\$ 18,047,101</b>

**Table of Contents****CONSOLIDATING STATEMENTS OF OPERATIONS****(UNAUDITED)**

<i>(In thousands)</i>	Three Months Ended June 30, 2010					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	\$	\$	\$ 783,377	\$ 707,723	\$ (1,091)	\$ 1,490,009
Operating expenses:						
Direct operating expenses			214,094	387,123	(301)	600,916
Selling, general and administrative expenses			242,507	134,920	(790)	376,637
Corporate expenses	3,425	5	36,922	23,757		64,109
Depreciation and amortization			78,501	105,677		184,178
Other operating income net			1,544	1,720		3,264
Operating income (loss)	(3,425)	(5)	212,897	57,966		267,433
Interest (income) expense net	5	355,544	(1,073)	12,946	18,157	385,579
Equity in earnings (loss) of nonconsolidated affiliates	(65,995)	156,539	(4,463)	3,750	(86,084)	3,747
Other income (expense) net			37	(824)		(787)
Income (loss) before income taxes	(69,425)	(199,010)	209,544	47,946	(104,241)	(115,186)
Income tax benefit (expense)	1,258	133,015	(77,778)	(18,516)		37,979
Consolidated net income (loss)	(68,167)	(65,995)	131,766	29,430	(104,241)	(77,207)
Amount attributable to noncontrolling interest			2,494	6,623		9,117
Net income (loss) attributable to the Company	\$ (68,167)	\$ (65,995)	\$ 129,272	\$ 22,807	\$ (104,241)	\$ (86,324)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments			280	(74,503)		(74,223)
Unrealized gain (loss) on securities and derivatives:						
Unrealized holding gain (loss) on marketable securities			1,916	(2,328)		(412)
Unrealized holding loss on cash flow derivatives		(4,992)				(4,992)
Reclassification adjustment				(1,366)		(1,366)
Equity in subsidiary comprehensive income (loss)	(69,421)	(64,430)	(74,306)		208,157	
Comprehensive income (loss)	(137,588)	(135,417)	57,162	(55,390)	103,916	(167,317)
Amount attributable to noncontrolling interest			(7,681)	(3,891)		(11,572)
Comprehensive income (loss) attributable to the Company	\$ (137,588)	\$ (135,417)	\$ 64,843	\$ (51,499)	\$ 103,916	\$ (155,745)



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<i>(In thousands)</i>	Three Months Ended June 30, 2009					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	\$	\$	\$ 741,144	\$ 698,064	\$ (1,343)	\$ 1,437,865
Operating expenses:						
Direct operating expenses			243,860	393,415	(199)	637,076
Selling, general and administrative expenses			236,126	125,576	(1,144)	360,558
Depreciation and amortization			93,085	115,161		208,246
Corporate expenses	4,239	3	30,192	15,653		50,087
Impairment charges			3,224,616	816,636		4,041,252
Other operating income (expense) net			(35,869)	4,353		(31,516)
Operating loss	(4,239)	(3)	(3,122,604)	(764,024)		(3,890,870)
Interest expense net	6	344,973				