

CLEAR CHANNEL COMMUNICATIONS INC  
Form 10-Q  
November 09, 2009  
Table of Contents

**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 SEPTEMBER 30, 2009**

**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

1-9645

**CLEAR CHANNEL COMMUNICATIONS, INC.**

(Exact name of registrant as specified in its charter)

Edgar Filing: CLEAR CHANNEL COMMUNICATIONS INC - Form 10-Q

**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

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 (§232.405 of this chapter) 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 or a non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

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

Class	Outstanding at November 9, 2009
Common Stock, \$.001 par value	500,000,000

---

**Table of Contents**

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

**INDEX**

	<b>Page No.</b>
<b><u>Part I Financial Information</u></b>	
<u>Item 1. Unaudited Financial Statements of Clear Channel Capital I, LLC (parent company of and guarantor of debt of Clear Channel Communications, Inc.)</u>	3
<u>Consolidated Balance Sheets at September 30, 2009 and December 31, 2008</u>	3
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2009, the post-merger period from July 31 through September 30, 2008, the pre-merger period from July 1 through July 30, 2008, and the pre-merger period from January 1 through July 30, 2008</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the nine months ended September 30, 2009, the post-merger period from July 31 through September 30, 2008 and the pre-merger period from January 1 through July 30, 2008</u>	7
<u>Notes to Consolidated Financial Statements</u>	8
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	42
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	69
<u>Item 4T. Controls and Procedures</u>	69
<b><u>Part II Other Information</u></b>	
<u>Item 1. Legal Proceedings</u>	70
<u>Item 1A. Risk Factors</u>	70
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	70
<u>Item 3. Defaults Upon Senior Securities</u>	70
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	70
<u>Item 5. Other Information</u>	70
<u>Item 6. Exhibits</u>	71
<u>Signatures</u>	76

**Table of Contents**

## PART I

## Item 1. UNAUDITED FINANCIAL STATEMENTS OF CLEAR CHANNEL CAPITAL I, LLC

## CLEAR CHANNEL CAPITAL I, LLC

## CONSOLIDATED BALANCE SHEETS

## ASSETS

(In thousands)

	September 30, 2009 (Unaudited)	December 31, 2008 (As adjusted)*
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 1,374,770	\$ 239,846
Accounts receivable, net of allowance of \$81,107 in 2009 and \$97,364 in 2008	1,312,295	1,431,304
Prepaid expenses	96,253	133,217
Other current assets	282,104	262,188
<b>Total Current Assets</b>	<b>3,065,422</b>	<b>2,066,555</b>
<b>PROPERTY, PLANT AND EQUIPMENT</b>		
Land, buildings and improvements	632,352	614,811
Structures	2,498,666	2,355,776
Towers, transmitters and studio equipment	375,272	353,108
Furniture and other equipment	236,221	242,287
Construction in progress	98,948	128,739
	<b>3,841,459</b>	<b>3,694,721</b>
Less accumulated depreciation	429,389	146,562
	<b>3,412,070</b>	<b>3,548,159</b>
<b>INTANGIBLE ASSETS</b>		
Definite-lived intangibles, net	2,704,087	2,881,720
Indefinite-lived intangibles licenses	2,429,764	3,019,803
Indefinite-lived intangibles permits	1,137,201	1,529,068
Goodwill	4,176,813	7,090,621
<b>OTHER ASSETS</b>		
Notes receivable	11,686	11,633
Investments in, and advances to, nonconsolidated affiliates	346,275	384,137
Other assets	371,918	560,260
Other investments	40,840	33,507
<b>Total Assets</b>	<b>\$ 17,696,076</b>	<b>\$ 21,125,463</b>

Edgar Filing: CLEAR CHANNEL COMMUNICATIONS INC - Form 10-Q

\* As adjusted for the adoption of ASC 810-10-45, which requires minority interests to be recharacterized as noncontrolling interests and classified as a component of equity in the consolidated balance sheets.

See Notes to Consolidated Financial Statements

- 3 -

**Table of Contents**

**CLEAR CHANNEL CAPITAL I, LLC**  
**CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND MEMBER S DEFICIT**

(In thousands)

	September 30, 2009 (Unaudited)	December 31, 2008 (As adjusted)*
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 105,986	\$ 155,240
Accrued expenses	733,737	793,366
Accrued interest	79,529	181,264
Accrued income taxes	10,037	
Current portion of long-term debt	443,615	562,923
Deferred income	184,559	153,153
<b>Total Current Liabilities</b>	<b>1,557,463</b>	<b>1,845,946</b>
Long-term debt	19,820,158	18,940,697
Deferred tax liability	2,520,389	2,679,312
Other long-term liabilities	818,626	575,739
Commitments and contingent liabilities (Note 5)		
<b>MEMBER S DEFICIT</b>		
Noncontrolling interest	447,356	426,220
Member s interest	2,110,086	2,101,076
Retained deficit	(9,223,474)	(5,041,998)
Accumulated other comprehensive loss	(354,528)	(401,529)
<b>Total Member s Deficit</b>	<b>(7,020,560)</b>	<b>(2,916,231)</b>
<b>Total Liabilities and Member s Deficit</b>	<b>\$ 17,696,076</b>	<b>\$ 21,125,463</b>

\* As adjusted for the adoption of ASC 810-10-45, which requires minority interests to be recharacterized as noncontrolling interests and classified as a component of equity in the consolidated balance sheets.

See Notes to Consolidated Financial Statements

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

	Three Months Ended September 30, 2009	Period from July 31 through September 30, 2008	Period from July 1 through July 30, 2008
	Post-Merger	Post-Merger (As adjusted)*	Pre-Merger (As adjusted)*
Revenue	\$ 1,393,973	\$ 1,128,136	\$ 556,457
Operating expenses:			
Direct operating expenses (excludes depreciation and amortization)	632,778	473,738	256,667
Selling, general and administrative expenses (excludes depreciation and amortization)	337,055	291,469	150,344
Depreciation and amortization	190,189	108,140	54,323
Corporate expenses (excludes depreciation and amortization)	79,723	33,395	31,392
Merger expenses			79,839
Other operating income (expense) - net	1,403	842	(4,624)
Operating income (loss)	155,631	222,236	(20,732)
Interest expense	369,314	281,479	31,032
Loss on marketable securities	(13,378)		
Equity in earnings of nonconsolidated affiliates	1,226	2,097	2,180
Other income (expense) net	222,282	(10,914)	(10,813)
Income (loss) before income taxes and discontinued operations	(3,553)	(68,060)	(60,397)
Income tax benefit (expense):			
Current	(12,735)	38,217	97,600
Deferred	(76,383)	(5,008)	(78,465)
Income tax benefit (expense)	(89,118)	33,209	19,135
Income (loss) before discontinued operations	(92,671)	(34,851)	(41,262)
Income (loss) from discontinued operations, net		(1,013)	(3,058)
Consolidated net income (loss)	(92,671)	(35,864)	(44,320)
Amount attributable to noncontrolling interest	(2,816)	8,868	1,135
Net income (loss) attributable to the Company	\$ (89,855)	\$ (44,732)	\$ (45,455)
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	70,166	(178,594)	13,112
Unrealized gain (loss) on securities and derivatives:			
Unrealized holding loss on marketable securities	(9,705)	(19,634)	(29,742)
Unrealized holding loss on cash flow derivatives	(17,243)		

Edgar Filing: CLEAR CHANNEL COMMUNICATIONS INC - Form 10-Q

Reclassification adjustment	11,837		(4,931)
Comprehensive income (loss)	(34,800)	(242,960)	(67,016)
Amount attributable to noncontrolling interest	9,192	(22,551)	(2,371)
Comprehensive income (loss) attributable to the Company	\$ (43,992)	\$ (220,409)	(64,645)
Net income (loss) per common share:			
Income (loss) attributable to the Company before discontinued operations Basic			\$ (.09)
Discontinued operations Basic			
Net income (loss) attributable to the Company Basic			\$ (.09)
Weighted average common shares Basic 495,465			
Income (loss) attributable to the Company before discontinued operations Diluted			\$ (.09)
Discontinued operations Diluted			
Net income (loss) attributable to the Company Diluted			\$ (.09)
Weighted average common shares Diluted 495,465			
Dividends declared per share			\$

\* As adjusted for the adoption of ASC 810-10-45, which provides that net income or loss of an entity includes amounts attributable to the noncontrolling interest.

See Notes to Consolidated Financial Statements



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

	Nine Months Ended September 30, 2009	Period from July 31 through September 30, 2008	Period from January 1 through July 30, 2008
	Post-Merger	Post-Merger (As adjusted)*	Pre-Merger (As adjusted)*
Revenue	\$ 4,039,825	\$ 1,128,136	\$ 3,951,742
Operating expenses:			
Direct operating expenses (excludes depreciation and amortization)	1,888,203	473,738	1,706,099
Selling, general and administrative expenses (excludes depreciation and amortization)	1,075,149	291,469	1,022,459
Depreciation and amortization	573,994	108,140	348,789
Corporate expenses (excludes depreciation and amortization)	177,445	33,395	125,669
Merger expenses			87,684
Impairment charges	4,041,252		
Other operating income (expense) - net	(33,007)	842	14,827
Operating income (loss)	(3,749,225)	222,236	675,869
Interest expense	1,140,992	281,479	213,210
Gain (loss) on marketable securities	(13,378)		34,262
Equity in earnings (loss) of nonconsolidated affiliates	(20,681)	2,097	94,215
Other income (expense) net	649,731	(10,914)	(5,112)
Income (loss) before income taxes and discontinued operations	(4,274,545)	(68,060)	586,024
Income tax benefit (expense):			
Current	(42,766)	38,217	(27,280)
Deferred	118,608	(5,008)	(145,303)
Income tax benefit (expense)	75,842	33,209	(172,583)
Income (loss) before discontinued operations	(4,198,703)	(34,851)	413,441
Income (loss) from discontinued operations, net		(1,013)	640,236
Consolidated net income (loss)	(4,198,703)	(35,864)	1,053,677
Amount attributable to noncontrolling interest	(17,227)	8,868	17,152
Net income (loss) attributable to the Company	\$ (4,181,476)	\$ (44,732)	\$ 1,036,525
Other comprehensive income (loss), net of tax:			
Foreign currency translation adjustments	155,881	(178,594)	72,676
Unrealized gain (loss) on securities and derivatives:			
Unrealized holding loss on marketable securities	(11,315)	(19,634)	(77,320)
Unrealized holding loss on cash flow derivatives	(92,993)		

Edgar Filing: CLEAR CHANNEL COMMUNICATIONS INC - Form 10-Q

Reclassification adjustment	14,957		(30,928)
Comprehensive income (loss)	(4,114,946)	(242,960)	1,000,953
Amount attributable to noncontrolling interest	19,529	(22,551)	19,210
Comprehensive income (loss) attributable to the Company	\$ (4,134,475)	\$ (220,409)	981,743
Net income (loss) per common share:			
Income (loss) attributable to the Company before discontinued operations Basic			\$ .80
Discontinued operations Basic			1.29
Net income (loss) attributable to the Company Basic			\$ 2.09
Weighted average common shares Basic			495,044
Income (loss) attributable to the Company before discontinued operations Diluted			\$ .80
Discontinued operations Diluted			1.29
Net income (loss) attributable to the Company Diluted			\$ 2.09
Weighted average common shares Diluted			496,519
Dividends declared per share			\$

\* As adjusted for the adoption of ASC 810-10-45, which provides that net income or loss of an entity includes amounts attributable to the noncontrolling interest.

See Notes to Consolidated Financial Statements

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

	Nine Months Ended September 30, 2009	Period from July 31 through September 30, 2008	Period from January 1 through July 30, 2008
	Post-Merger	Post-Merger (As adjusted)*	Pre-Merger (As adjusted)*
<b>Cash flows from operating activities:</b>			
Consolidated net income (loss)	\$ (4,198,703)	\$ (35,864)	\$ 1,053,677
(Income) loss from discontinued operations, net		1,013	(640,236)
	(4,198,703)	(34,851)	413,441
<b>Reconciling items:</b>			
Impairment charges	4,041,252		