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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2011**

¨ **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 incorporation or organization)	**(I.R.S. Employer Identification No.)**
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 29, 2011
Common stock, $.001 par value	500,000,000

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

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CLEAR CHANNEL COMMUNICATIONS, INC.

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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, 2011 (Unaudited)	December 31, 2010
CURRENT ASSETS		
Cash and cash equivalents	$ 1,219,156	$ 1,920,926
Accounts receivable, net	1,453,260	1,373,880
Other current assets	352,600	308,367
Total Current Assets	3,025,016	3,603,173
PROPERTY, PLANT AND EQUIPMENT		
Structures, net	1,980,304	2,007,399
Other property, plant and equipment, net	1,137,916	1,138,155
INTANGIBLE ASSETS		
Definite-lived intangibles, net	2,181,986	2,288,149
Indefinite-lived intangibles	3,532,255	3,538,241
Goodwill	4,210,765	4,119,326
Other assets	813,809	765,939
Total Assets	$ 16,882,051	$ 17,460,382
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 851,536	$ 956,867
Accrued interest	162,279	121,199
Current portion of long-term debt	289,943	867,735
Deferred income	220,304	152,778
Total Current Liabilities	1,524,062	2,098,579
Long-term debt	19,885,059	19,739,617
Deferred income taxes	2,005,472	2,050,196
Other long-term liabilities	737,483	776,676
Commitments and contingent liabilities (Note 6)		
MEMBER S DEFICIT		
Noncontrolling interest	522,409	490,920
Member s interest	2,127,727	2,128,383
Retained deficit	(9,740,184)	(9,555,173)
Accumulated other comprehensive loss	(179,977)	(268,816)

Total Member s Deficit	(7,270,025)	(7,204,686)
Total Liabilities and Member s Deficit	$ 16,882,051	$ 17,460,382

See Notes to Consolidated Financial Statements

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CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(In thousands, except per share data)

	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Revenue	$ 1,604,386	$ 1,490,009	$ 2,925,212	$ 2,753,787
Operating expenses:				
Direct operating expenses (excludes depreciation and amortization)	642,340	600,916	1,238,595	1,198,263
Selling, general and administrative expenses (excludes depreciation and amortization)	408,111	376,637	768,635	725,933
Corporate expenses (excludes depreciation and amortization)	56,486	64,109	108,833	128,605
Depreciation and amortization	189,641	184,178	373,352	365,512
Other operating income net	3,229	3,264	19,943	7,036
Operating income	311,037	267,433	455,740	342,510
Interest expense	358,950	385,579	728,616	771,374
Equity in earnings of nonconsolidated affiliates	5,271	3,747	8,246	5,618
Other income (expense) net	(4,517)	(787)	(6,553)	57,248
Loss before income taxes	(47,159)	(115,186)	(271,183)	(365,998)
Income tax benefit	9,184	37,979	101,845	109,164
Consolidated net loss	(37,975)	(77,207)	(169,338)	(256,834)
Less amount attributable to noncontrolling interest	15,204	9,117	15,673	4,904
Net loss attributable to the Company	$ (53,179)	$ (86,324)	$ (185,011)	$ (261,738)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	36,565	(74,223)	75,872	(113,672)
Unrealized gain (loss) on securities and derivatives:				
Unrealized holding gain (loss) on marketable securities	11,057	(412)	14,009	3,533
Unrealized holding gain (loss) on cash flow derivatives	(1,399)	(4,992)	11,943	(8,146)
Reclassification adjustment	59	(1,366)	148	(1,141)
Comprehensive loss	(6,897)	(167,317)	(83,039)	(381,164)
Less amount attributable to noncontrolling interest	6,435	(11,572)	13,133	(16,240)
Comprehensive loss attributable to the Company	$ (13,332)	$ (155,745)	$ (96,172)	$ (364,924)

See Notes to Consolidated Financial Statements

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CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(In thousands)

	Six Months Ended June 30, 2011	2010
Cash flows from operating activities:		
Consolidated net loss	$ (169,338)	$ (256,834)
Reconciling items:		
Depreciation and amortization	373,352	365,512
Deferred taxes	(90,895)	(135,808)
Gain on disposal of operating assets	(19,943)	(7,036)
(Gain) loss on extinguishment of debt	5,721	(60,289)
Provision for doubtful accounts	8,300	7,791
Share-based compensation	8,029	16,624
Equity in earnings of nonconsolidated affiliates	(8,246)	(5,618)
Amortization of deferred financing charges and note discounts, net	100,233	105,596
Other reconciling items net	13,998	3,757
Changes in operating assets and liabilities:		
Increase in accounts receivable	(18,262)	(66,994)
Increase in deferred income	61,427	42,320
Increase (decrease) in accrued expenses	(108,083)	26,003
Decrease in accounts payable and other liabilities	(74,089)	(7,837)
Increase in accrued interest	20,240	45,188
Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions	(38,944)	(19,583)
Net cash provided by operating activities	63,500	52,792
Cash flows from investing activities:		
Purchases of property, plant and equipment	(140,452)	(103,409)
Purchases of businesses	(33,181)	
Acquisition of operating assets	(4,781)	(10,814)
Proceeds from disposal of assets	48,116	11,107
Change in other net	856	(2,437)
Net cash used for investing activities	(129,442)	(105,553)
Cash flows from financing activities:		
Draws on credit facilities	10,000	148,304
Payments on credit facilities	(958,074)	(104,541)
Proceeds from long-term debt	1,726,254	6,844
Payments on long-term debt	(1,362,496)	(247,807)
Deferred financing charges	(46,597)	
Repurchases of long-term debt		(125,000)
Change in other net	(4,915)	(4,303)
Net cash used for financing activities	(635,828)	(326,503)
Net decrease in cash and cash equivalents	(701,770)	(379,264)

Cash and cash equivalents at beginning of period	1,920,926	1,883,994
Cash and cash equivalents at end of period	$ 1,219,156	$ 1,504,730

See Notes to Consolidated Financial Statements

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CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 BASIS OF PRESENTATION AND NEW ACCOUNTING STANDARDS

Preparation of Interim Financial Statements

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

The accompanying consolidated financial statements were prepared by the Company pursuant to the rules and regulations of the SEC and, in the opinion of management, include all 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 2010 Annual Report on Form 10-K and Quarterly Report on Form 10-Q for the period ended March 31, 2011.

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 2011 presentation.

Information Regarding the Company

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

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.

New Accounting Pronouncements

In December 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-29, *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations*. This ASU updates Topic 805 to specify that if a public entity presents comparative financial statements, the entity should disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. The amendments of this ASU are effective prospectively for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The Company adopted the provisions of ASU 2010-29 on January 1, 2011 without material impact to the Company s disclosures.

In April 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs*. The amendments in this ASU change the wording used to describe many of the requirements in U.S. GAAP for measuring fair value and for disclosing information about fair value measurements. For many of the requirements, the FASB does not intend for the amendments in this ASU to result in a change in the application of the requirements in Topic 820. Some of the amendments clarify the FASB s intent about the application of existing fair value measurement requirements. Other amendments change a particular principle or requirement for measuring fair value or for

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

disclosing information about fair value measurements. The amendments in this ASU are to be applied prospectively for interim and annual periods beginning after December 15, 2011. The Company does not expect the provisions of ASU 2011-04 to have a material effect on its financial position or results of operations.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income.* This ASU improves the comparability, consistency, and transparency of financial reporting and increases the prominence of items reported in other comprehensive income by eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders equity. The amendments require that all nonowner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The changes apply for interim and annual financial statements and should be applied retrospectively, effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. Early adoption is permitted. The Company currently complies with the provisions of this ASU by presenting the components of comprehensive income in a single continuous financial statement within its consolidated statement of operations for both interim and annual periods.

NOTE 2 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

Acquisitions

On April 29, 2011, Clear Channel Acquisition, LLC, the Company s wholly-owned subsidiary, purchased the traffic business of Westwood One, Inc. (Westwood One) for $24.3 million. Immediately after closing, the acquired subsidiaries repaid pre-existing, intercompany debt owed by the subsidiaries to Westwood One in the amount of $95.0 million. The acquisition resulted in an increase of $17.2 million to property, plant and equipment, $36.3 million to intangible assets and $66.0 million to goodwill.

Property, Plant and Equipment

The Company s property, plant and equipment consisted of the following classes of assets at June 30, 2011 and December 31, 2010, respectively:

(In thousands)	June 30, 2011	December 31, 2010
Land, buildings and improvements	$ 656,619	$ 652,575
Structures	2,740,631	2,623,561
Towers, transmitters and studio equipment	390,091	397,434
Furniture and other equipment	330,153	282,385
Construction in progress	83,337	65,173
	4,200,831	4,021,128
Less: accumulated depreciation	1,082,611	875,574
Property, plant and equipment, net	$ 3,118,220	$ 3,145,554

Definite-lived Intangible Assets

The Company has definite-lived intangible assets which consist primarily of transit and street furniture contracts, talent and representation contracts, customer and advertiser relationships, and site-leases, 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 assets. These assets are recorded at cost.

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CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

The following table presents the gross carrying amount and accumulated amortization for each major class of definite-lived intangible assets at June 30, 2011 and December 31, 2010, respectively:

(In thousands)	June 30, 2011		December 31, 2010	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture and other outdoor contractual rights	$ 810,930	$ 293,416	$ 789,867	$ 241,461
Customer / advertiser relationships	1,210,289	349,805	1,210,205	289,824
Talent contracts	350,612	119,344	317,352	99,050
Representation contracts	232,412	119,447	231,623	101,650
Other	558,287	98,532	551,197	80,110
Total	$ 3,162,530	$ 980,544	$ 3,100,244	$ 812,095

Total amortization expense related to definite-lived intangible assets was $80.4 million and $87.1 million for the three months ended June 30, 2011 and 2010, respectively, and $159.5 million and $168.2 million for the six months ended June 30, 2011 and 2010, respectively.

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

(In thousands)

2012	$ 302,913
2013	283,773
2014	262,101
2015	239,430
2016	218,479

Indefinite-lived Intangible Assets

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

(In thousands)	June 30, 2011	December 31, 2010
FCC broadcast licenses	$ 2,418,366	$ 2,423,828
Billboard permits	1,113,889	1,114,413
Total indefinite-lived intangible assets	$ 3,532,255	$ 3,538,241

Goodwill

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

(In thousands)	Radio	Americas Outdoor	International Outdoor	Other	Total
Balance as of December 31, 2009	$ 3,146,869	$ 585,249	$ 276,343	$ 116,544	$ 4,125,005
Impairment			(2,142)		(2,142)
Acquisitions				342	342
Dispositions	(5,325)				(5,325)
Foreign currency		285	3,299		3,584
Other	(1,346)		(792)		(2,138)
Balance as of December 31, 2010	$ 3,140,198	$ 585,534	$ 276,708	$ 116,886	$ 4,119,326
Acquisitions	78,246			211	78,457
Dispositions	(9,400)				(9,400)
Foreign currency		327	22,083		22,410
Other adjustments	(28)				(28)
Balance as of June 30, 2011	$ 3,209,016	$ 585,861	$ 298,791	$ 117,097	$ 4,210,765

CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

NOTE 3 DEBT

Long-term debt at June 30, 2011 and December 31, 2010 consisted of the following:

(In thousands)	June 30, 2011	December 31, 2010
Senior Secured Credit Facilities:		
Term Loan Facilities (1)	$ 10,493,847	$ 10,885,447
Revolving Credit Facility Due 2014	1,280,550	1,842,500
Delayed Draw Facilities Due 2016	976,776	1,013,227
Receivables Based Facility Due 2014		384,232
Priority Guarantee Notes Due 2021	1,750,000	
Other Secured Long-term Debt	6,232	4,692
Total Consolidated Secured Debt	14,507,405	14,130,098
Senior Cash Pay Notes	796,250	796,250
Senior Toggle Notes	829,831	829,831
Clear Channel Senior Notes	2,078,415	2,911,393
Subsidiary Senior Notes	2,500,000	2,500,000
Other long-term debt	58,476	63,115
Purchase accounting adjustments and original issue discount	(595,375)	(623,335)
	20,175,002	20,607,352
Less: current portion	289,943	867,735
Total long-term debt	$ 19,885,059	$ 19,739,617

(1) Term Loan Facilities mature at various dates from 2014 through 2016.

Clear Channel s weighted average interest rate at June 30, 2011 was 6.2%. The aggregate market value of Clear Channel s debt based on market prices for which quotes were available was approximately $18.4 billion and $18.7 billion at June 30, 2011 and December 31, 2010, respectively.

Refinancing Transactions

During the first quarter of 2011, Clear Channel amended its senior secured credit facilities and its receivables based credit facility and issued $1.0 billion aggregate principal amount of 9.0% Priority Guarantee Notes due 2021 (the Initial Notes). Clear Channel capitalized $39.5 million in fees and expenses associated with the offering of the Initial Notes and is amortizing them through interest expense over the life of the Initial 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, thus permanently reducing the revolving credit commitments under Clear Channel s revolving credit facility to $1.9 billion. The prepayment resulted in the accelerated expensing of $5.7 million of loan fees recorded in Other income (expense) net .

The proceeds from the offering of the Initial Notes, along with available cash on hand, were also used to repay at maturity $692.7 million in aggregate principal amount of Clear Channel s 6.25% senior notes, which matured during the first quarter of 2011.

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 credit 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

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CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

indebtedness, and provide greater flexibility for Clear Channel s indirect subsidiary, Clear Channel Outdoor Holdings, Inc. (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.

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 or, together with the Initial Notes, the 9.0% Priority Guarantee Notes) at an issue price of 93.845% of the principal amount of the Additional Notes. Interest on the Additional Notes accrued from February 23, 2011, and accrued interest was paid by the purchaser at the time of delivery of the Additional Notes on June 14, 2011. The Initial Notes and the Additional Notes have identical terms and are treated as a single class.

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 intends to use (i) $203.8 million to repay at maturity a portion of Clear Channel s 5% senior notes which mature in March 2012 and (ii) the remaining $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). In addition, such proceeds may be used in connection with one or more future transactions involving a permanent repayment of a portion of Clear Channel s senior secured credit facilities as part of Clear Channel s long-term efforts to optimize its capital structure.

Clear Channel capitalized an additional $6.9 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.

Debt Repurchases, Maturities and Other

During the second quarter of 2011, Clear Channel repaid its 4.4% senior notes at maturity for $140.2 million (net of $109.8 million principal amount held by and repaid to a subsidiary of Clear Channel), 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, which did not reduce the commitments under this facility and Clear Channel may reborrow amounts under this facility at any time.

During the first six months of 2010, Clear Channel Investments, Inc. (CC Investments), an indirect wholly-owned subsidiary of the Company, repurchased $185.2 million aggregate principal amount of certain of Clear Channel s outstanding senior toggle notes for $125.0 million through an open market purchase. Notes repurchased by CC Investments are eliminated in consolidation.

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. During the six months ended June 30, 2011, the Company s Radio segment sold stations from the trust and recorded a gain of $6.7 million included in Other operating income net.

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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, 2011 and 2010, respectively, consisted of the following components:

(In thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Current tax benefit (expense)	$ (21,045)	$ (13,987)	$ 10,950	$ (26,644)
Deferred tax benefit	30,229	51,966	90,895	135,808
Income tax benefit	$ 9,184	$ 37,979	$ 101,845	$ 109,164

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.

The Company s effective tax rate for the three and six months ended June 30, 2010 was 33.0% and 29.8%, respectively. The 2010 effective rates were 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.

During the six months ended June 30, 2011 and 2010, cash paid for interest and income taxes, net of income tax refunds of $1.2 million and $5.5 million, respectively, was as follows:

(In thousands)	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Interest	$ 610,549	$ 626,813
Income taxes	62,080	14,457

NOTE 5 FAIR VALUE MEASUREMENTS

Marketable Equity Securities

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

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. The cost, unrealized holding gains or losses, and fair value of the Company s investments at June 30, 2011 and December 31, 2010 are as follows:

(In thousands)	June 30, 2011				December 31, 2010			
Investments	Cost	Gross Unrealized Losses	Gross Unrealized Gains	Fair Value	Cost	Gross Unrealized Losses	Gross Unrealized Gains	Fair Value
Available-for-sale	$ 12,614	$	$ 79,928	$ 92,542	$ 12,614	$	$ 57,945	$ 70,559

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 portions of the gain or loss on the swap are reported as a component of other comprehensive income. 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 2013.

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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 currently in income.

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 related to the interest rate swap.

The fair value of the Company s interest rate swap designated as a hedging instrument and recorded in Other long-term liabilities was $194.0 million and $213.1 million at June 30, 2011 and December 31, 2010, respectively.

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

(In thousands)	Accumulated other comprehensive loss
Balance at January 1, 2011	$ 134,067
Other comprehensive income	(11,943)
Balance at June 30, 2011	$ 122,124

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, 2011 and 2010, respectively:

(In thousands)	Three Months Ended June 30, 2011	Three Months Ended June 30, 2010	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Unrealized holding gain (loss) on marketable securities	$ (12,643)	$ 3,470	$ (13,772)	$ (914)
Unrealized holding gain (loss) on cash flow derivatives	835	2,999	(7,129)	4,887
Income tax benefit (expense)	$ (11,808)	$ 6,469	$ (20,901)	$ 3,973

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.

In 2006, two of the Company s operating businesses (L&C Outdoor Ltda. (L&C) and Publicidad Klimes Sao Paulo Ltda. (Klimes), respectively) in the Sao 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 the Company s businesses fall within the definition of communication services and as such are subject to the VAT.

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L&C and Klimes have filed separate petitions to challenge the imposition of this tax. L&C s challenge was unsuccessful at the first administrative level, but successful at the second administrative level. The state taxing authority filed an appeal to the third and final administrative level, which required consideration by a full panel of 16 administrative law judges. On September 27, 2010, L&C received an unfavorable ruling at this final administrative level, which concluded that the VAT applied. L&C intends to appeal this ruling to the judicial level. In addition, L&C has filed a petition to have the case remanded to the second administrative level for consideration of the reasonableness of the amount of the penalty assessed against it. The amounts allegedly owed by L&C are approximately $10.3 million in taxes, approximately $20.5 million in penalties and approximately $34.3 million in interest (as of June 30, 2011 at an exchange rate of 0.64). At June 30, 2011, the range of reasonably possible loss is from zero to approximately $65.1 million. The maximum loss that could ultimately be paid depends on the timing of the final resolution at the judicial level and applicable future interest rates. Based on management s review of the law, the outcome of similar cases at the judicial level and the advice of counsel, the Company has not accrued any costs related to these claims and believes the occurrence of loss is not probable.

Klimes challenge was unsuccessful at the first administrative level, and denied at the second administrative level on or about September 24, 2009. On January 5, 2011, the administrative law judges at the third administrative level published a ruling that the VAT applies but significantly reduced the penalty assessed by the taxing authority. With the penalty reduction, the amounts allegedly owed by Klimes are approximately $11.6 million in taxes, approximately $5.8 million in penalties and approximately $21 million in interest (as of June 30, 2011 at an exchange rate of 0.64). In late February 2011, Klimes filed a writ of mandamus in the 13th lower public treasury court in São Paulo, State of São Paulo, appealing the administrative court s decision that the VAT applies. On that same day, Klimes filed a motion for an injunction barring the taxing authority from collecting the tax, penalty and interest while the appeal is pending. The court denied the motion in early April 2011. Klimes filed a motion for reconsideration with the court and also appealed that ruling to the São Paulo State Higher Court, which affirmed in late April 2011. On June 20, 2011, the 13th lower public treasury court in São Paulo reconsidered its prior ruling and granted Klimes an injunction suspending any collection effort by the taxing authority until a decision on the merits is obtained at the first judicial level. At June 30, 2011, the range of reasonably possible loss is from zero to approximately $38.4 million. The maximum loss that could ultimately be paid depends on the timing of the final resolution at the judicial level and applicable future interest rates. Based on management s review of the law, the outcome of similar cases at the judicial level and the advice of counsel, the Company has not accrued any costs related to these claims and believes the occurrence of loss is not probable.

At June 30, 2011, Clear Channel guaranteed $39.9 million of credit lines provided to certain of its international subsidiaries by a major international bank. Most of these credit lines related to intraday overdraft facilities covering participants in Clear Channel s European cash management pool. As of June 30, 2011, no amounts were outstanding under these agreements.

As of June 30, 2011, Clear Channel had outstanding commercial standby letters of credit and surety bonds of $133.2 million and $48.7 million, respectively. 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.

NOTE 7 CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

CCMH 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, plus reimbursable expenses. For the three months ended June 30, 2011 and 2010, the Company recognized management fees of $3.8 million in each period and reimbursable expenses of $0.4 million and $0.6 million, respectively. For the six months ended June 30, 2011 and 2010, the Company recognized management fees of $7.5 million in each period and reimbursable expenses of $0.5 million and $1.0 million, respectively.

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CLEAR CHANNEL CAPITAL I, LLC AND SUBSIDIARIES

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(UNAUDITED)

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, 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)

(In thousands)	The Company	Noncontrolling Interests	Consolidated
Balances at January 1, 2010	$ (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
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)

The Company does not have any compensation plans under which it grants stock awards to employees. CCMH and CCOH have granted options to purchase 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 operating segments, which it believes best reflect how the Company is currently managed, are Radio broadcasting, 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 Radio broadcasting segment also operates various radio networks. The Americas outdoor advertising segment consists of operations primarily in the United States, Canada and Latin America. The International outdoor segment primarily includes operations in Europe, Asia and Australia. 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 firm 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 compensation expense is recorded by each segment in direct operating and selling, general and administrative expenses.

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(UNAUDITED)

The following table presents the Company s operating segment results for the three and six months ended June 30, 2011 and 2010.

(In thousands)	Radio Broadcasting	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate and other reconciling items	Eliminations	Consolidated
Three Months Ended June 30, 2011							
Revenue	$ 780,876	$ 340,775	$ 448,433	$ 59,172	$	$ (24,870)	$ 1,604,386
Direct operating expenses	215,454	149,493	265,979	24,355		(12,941)	642,340
Selling, general and administrative expenses	257,627	55,232	87,705	19,476		(11,929)	408,111
Depreciation and amortization	69,033	52,964	52,636	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	$ 83,086	$ 42,113	$ 2,532	$ (55,456)	$	$ 311,037
Intersegment revenues	$ 9,131	$ 745	$	$ 14,994	$	$	$ 24,870
Capital expenditures	$ 13,851	$ 36,297	$ 23,116	$	$ 3,219	$	$ 76,483
Share-based compensation expense	$ 882	$ 1,674	$ 701	$	$ 2,481	$	$ 5,738
Three Months Ended June 30, 2010							
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
Capital expenditures	$ 6,513	$ 15,221	$ 22,172	$	$ 4,179	$	$ 48,085
Share-based compensation expense	$ 1,757	$ 2,316	$ 692	$	$ 3,744	$	$ 8,509
Six Months Ended June 30, 2011							
Revenue	$ 1,421,221	$ 630,089	$ 809,333	$ 110,435	$	$ (45,866)	$ 2,925,212
Direct operating expenses	407,562	292,984	513,868	48,243		(24,062)	1,238,595
Selling, general and administrative expenses	484,276	109,599	156,518	40,046		(21,804)	768,635
Depreciation and amortization	133,489	104,050	103,880	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	$ 123,456	$ 35,067	$ (3,948)	$ (94,729)	$	$ 455,740
Intersegment revenues	$ 16,511	$ 1,688	$	$ 27,667	$	$	$ 45,866
Capital expenditures	$ 29,858	$ 68,698	$ 37,076	$	$ 4,820	$	$ 140,452
Share-based compensation expense	$ 2,436	$ 3,842	$ 1,604	$	$ 147	$	$ 8,029

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(In thousands)	Radio Broadcasting	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate and other reconciling items	Eliminations	Consolidated
Six Months Ended June 30, 2010							
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
Capital expenditures	$ 11,102	$ 39,926	$ 46,790	$	$ 5,591	$	$ 103,409
Share-based compensation expense	$ 3,506	$ 4,346	$ 1,295	$	$ 7,477	$	$ 16,624

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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)	June 30, 2011					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$	$ 1	$ 443,467	$ 775,688	$	$ 1,219,156
Accounts receivable, net			688,444	764,816		1,453,260
Intercompany receivables (1)	27,218	5,791,312		27,246	(5,845,776)	
Other current assets	1,577	45,885	86,105	283,790	(64,757)	352,600
Total Current Assets	28,795	5,837,198	1,218,016	1,851,540	(5,910,533)	3,025,016
Property, plant and equipment, net			833,596	2,284,624		3,118,220
Definite-lived intangibles, net			1,499,281	682,705		2,181,986
Indefinite-lived intangibles			2,418,366	1,113,889		3,532,255
Goodwill			3,322,359	888,406		4,210,765
Intercompany notes receivable		212,000			(212,000)	
Long-term intercompany receivable				483,917	(483,917)	
Investment in subsidiaries	(8,171,209)	4,998,322	2,915,924		256,963	
Other assets		192,405	249,146	814,554	(442,296)	813,809
Total Assets	$ (8,142,414)	$ 11,239,925	$ 12,456,688	$ 8,119,635	$ (6,791,783)	$ 16,882,051
Accounts payable and accrued expenses	$ (866)	$ (75,124)	$ 303,415	$ 624,111	$	$ 851,536
Accrued interest		190,194		1,860	(29,775)	162,279
Intercompany payable (1)			5,845,776		(5,845,776)	
Current portion of long-term debt		229,723	1,420	58,800		289,943
Deferred income			63,903	156,401		220,304
Total Current Liabilities	(866)	344,793	6,214,514	841,172	(5,875,551)	1,524,062
Long-term debt						