

CLEAR CHANNEL COMMUNICATIONS INC

Form 10-Q

August 09, 2007

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q**

(Mark One)

- QUARTERLY REPORT PURSUANT TO SECTION 13 AND 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2007**
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _____**
Commission file number 1-9645
CLEAR CHANNEL COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Texas
(State of Incorporation)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer Accelerated filer Non-accelerated filer

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 class of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 7, 2007
Common Stock, \$.10 par value	497,932,764

**CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES
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	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)
CURRENT ASSETS		
Cash and cash equivalents	\$ 91,784	\$ 116,000
Accounts receivable, net of allowance of \$58,324 in 2007 and \$56,068 in 2006	1,668,713	1,619,858
Prepaid expenses	138,333	122,000
Other current assets	236,250	244,103
Income taxes receivable		7,392
Current assets from discontinued operations	84,292	96,377
Total Current Assets	2,219,372	2,205,730
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings and improvements	794,718	768,574
Structures	3,707,008	3,601,653
Towers, transmitters and studio equipment	606,251	587,929
Furniture and other equipment	547,661	524,378
Construction in progress	106,973	89,823
	5,762,611	5,572,357
Less accumulated depreciation	2,809,573	2,605,774
	2,953,038	2,966,583
Property, plant and equipment from discontinued operations, net	235,508	269,627
INTANGIBLE ASSETS		
Definite-lived intangibles, net	493,548	522,482
Indefinite-lived intangibles licenses	4,191,539	4,199,971
Indefinite-lived intangibles permits	245,593	260,950
Goodwill	7,116,195	7,082,024

See Notes to Consolidated Financial Statements

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CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND SHAREHOLDERS EQUITY
(In thousands)

	June 30, 2007 (Unaudited)	December 31, 2006 (Audited)
CURRENT LIABILITIES		
Accounts payable	\$ 112,821	\$ 151,577
Accrued expenses	882,237	884,479
Accrued interest	103,504	112,049
Accrued income taxes	46,776	
Current portion of long-term debt	688,821	336,375
Deferred income	186,332	134,287
Current liabilities from discontinued operations	28,943	45,079
Total Current Liabilities	2,049,434	1,663,846
Long-term debt	6,519,119	7,326,700
Other long-term obligations	81,421	68,509
Deferred income taxes	695,469	746,617
Other long-term liabilities	782,652	673,953
Long-term liabilities from discontinued operations	22,029	24,621
Minority interest	383,007	349,391
Commitments and contingent liabilities (Note 6)		
SHAREHOLDERS EQUITY		
Common Stock	49,807	49,399
Additional paid-in capital	26,833,564	26,745,687
Retained deficit	(18,902,708)	(19,054,365)
Accumulated other comprehensive income	338,474	304,975
Cost of shares held in treasury	(3,806)	(3,355)
Total Shareholders Equity	8,315,331	8,042,341
Total Liabilities and Shareholders Equity	\$ 18,848,462	\$ 18,895,978

See Notes to Consolidated Financial Statements

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CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(In thousands, except per share data)

	Six Months Ended June 30,		Three Months Ended June 30,	
	2007	2006	2007	2006
Revenue	\$ 3,263,343	\$ 3,056,856	\$ 1,778,237	\$ 1,688,844
Operating expenses:				
Direct operating expenses (includes share-based payments of \$8,172, \$8,106, \$5,172 and \$4,086 for the six and three months ended June 30, 2007 and 2006, respectively, and excludes depreciation and amortization)	1,293,752	1,194,454	671,094	617,323
Selling, general and administrative expenses (includes share-based payments of \$7,331, \$8,394, \$4,499 and \$4,210 for the six and three months ended June 30, 2007 and 2006, respectively, and excludes depreciation and amortization)	845,606	827,438	437,924	432,459
Depreciation and amortization	279,637	289,299	141,310	148,189
Corporate expenses (includes share-based payments of \$6,082, \$5,735, \$3,668 and \$2,332 for the six and three months ended June 30, 2007 and 2006, respectively, and excludes depreciation and amortization)	91,194	88,746	43,044	48,239
Merger expenses	4,370		2,684	
Gain (loss) on disposition of assets net	11,041	49,221	4,090	821
Operating income	759,825	706,140	486,271	443,455
Interest expense	234,499	237,674	116,422	123,298
Gain (loss) on marketable securities	(15)	(3,324)	(410)	(1,000)
Equity in earnings of nonconsolidated affiliates	16,699	16,624	11,435	9,715
Other income (expense) net	328	(5,257)	340	(4,609)
Income before income taxes, minority interest and discontinued operations	542,338	476,509	381,214	324,263
Income tax benefit (expense):				
Current	(150,782)	(106,764)	(120,989)	(104,542)
Deferred	(73,912)	(93,931)	(36,494)	(33,417)
Income tax benefit (expense)	(224,694)	(200,695)	(157,483)	(137,959)
Minority interest expense, net of tax	15,245	12,957	14,970	13,736
Income before discontinued operations	302,399	262,857	208,761	172,568
Income from discontinued operations, net	35,813	31,445	27,229	24,920
Net income	\$ 338,212	\$ 294,302	\$ 235,990	\$ 197,488

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Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	45,889	26,386	37,138	17,297
Unrealized gain (loss) on securities and derivatives:				
Unrealized holding gain (loss) on marketable securities	(11,177)	(62,959)	(4,218)	(38,901)
Unrealized holding gain (loss) on cash flow derivatives		61,001		35,437
Comprehensive income	\$ 372,924	\$ 318,730	\$ 268,910	\$ 211,321
Net income per common share:				
Income before discontinued operations Basic	\$.61	\$.52	\$.42	\$.34
Discontinued operations Basic	.07	.06	.06	.05
Net income Basic	\$.68	\$.58	\$.48	\$.39
Weighted average common shares basic				
Income before discontinued operations Diluted	\$.61	\$.52	\$.42	\$.34
Discontinued operations Diluted	.07	.06	.06	.05
Net income Diluted	\$.68	\$.58	\$.48	\$.39
Weighted average common shares diluted				
Dividends declared per share	\$.375	\$.375	\$.1875	\$.1875

See Notes to Consolidated Financial Statements

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CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Six Months Ended June 30,	
	2007	2006
Cash flows from operating activities:		
Net income	\$ 338,212	\$ 294,302
(Income) loss from discontinued operations, net	(35,813)	(31,445)
	302,399	262,857
Reconciling items:		
Depreciation and amortization	279,637	289,299
Deferred taxes	73,912	93,931
(Gain) loss on disposal of assets	(11,041)	(49,221)
(Gain) loss forward exchange contract	9,505	11,406
(Gain) loss on trading securities	(9,490)	(8,082)
Provision for doubtful accounts	16,091	13,232
Share-based compensation	21,585	22,235
Equity in earnings of non-consolidated affiliates	(16,699)	(16,624)
Other reconciling items net	13,935	25,537
Changes in operating assets and liabilities:		
Federal income tax refund		133,336
Decrease in income taxes receivable	58,944	82,020
Changes in other operating assets and liabilities, net of effects of acquisitions and dispositions	(79,780)	(87,182)
Net cash provided by operating activities	658,998	772,744
Cash flows from investing activities:		
Increase in restricted cash		(81,333)
Decrease (increase) in notes receivable net	(242)	(1,155)
Decrease (increase) in investments in and advances to nonconsolidated affiliates net	10,331	2,614
Purchases of investments	(384)	(461)
Purchases of property, plant and equipment	(152,373)	(147,755)
Proceeds from disposal of assets	18,280	60,280
Acquisition of operating assets, net of cash acquired	(51,539)	(149,441)
Decrease (increase) in other net	(25,386)	(66,998)
Net cash used in investing activities	(201,313)	(384,249)
Cash flows from financing activities:		
Draws on credit facilities	368,872	1,943,270
Payments on credit facilities	(576,527)	(1,509,325)
Proceeds from long-term debt	12,481	506,159
Payments on long-term debt	(261,873)	(49,287)
Payments for purchase of common shares		(1,103,737)
	75,985	14,036

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Proceeds from exercise of stock options, stock purchase plan, common stock warrants and other		
Dividends paid	(185,641)	(196,377)
Net cash used in financing activities	(566,703)	(395,261)
Cash flows from discontinued operations:		
Net cash provided by operating activities	33,459	55,456
Net cash provided by (used in) investing activities	51,343	(26,963)
Net cash provided by (used in) financing activities		
Net cash provided by discontinued operations	84,802	28,493
Net (decrease) increase in cash and cash equivalents	(24,216)	21,727
Cash and cash equivalents at beginning of period	116,000	84,337
Cash and cash equivalents at end of period	\$ 91,784	\$ 106,064

See Notes to Consolidated Financial Statements

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**CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preparation of Interim Financial Statements

The consolidated financial statements were prepared by Clear Channel Communications, Inc. (the Company) pursuant to the rules and regulations of the Securities and Exchange Commission (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 generally accepted accounting principles in the United States 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 2006 Annual Report on Form 10-K.

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

Merger Update

On May 17, 2007 the Company entered into a second amendment to its previously announced Merger Agreement with a private equity group co-led by Thomas H. Lee Partners, L.P. and Bain Capital Partners, LLC. Under the terms of the Merger Agreement, as amended, the Company's shareholders can elect to have each share of the Company's common stock they own to be converted into the right to receive either (1) \$39.20 in cash, without interest, or (2) one share of Class A common stock of CC Media Holdings, Inc, a corporation formed by the private equity group that, after the merger, will be the ultimate corporate parent of the Company.

Unaffiliated shareholders and option holders of the Company will have the right to select the form of merger consideration they receive. This election is subject to pro rata adjustment in the event that elections to receive Class A common stock would require CC Media Holdings, Inc. to issue more than 30.6 million shares of Class A common stock, or approximately 30% of the outstanding capital stock and voting power of CC Media Holdings, Inc., immediately following the merger. In addition, no shareholder or option holder who has selected the stock consideration may be allocated a number of CC Media Holdings, Inc. Class A common stock representing more than 9.9% of the outstanding common stock of CC Media Holdings, Inc., immediately following the merger. The limitation on the aggregate number of shares to be issued as stock consideration will allow up to a maximum of approximately 6% of the shares of the Company's common stock and stock options outstanding as of the record date of the special meeting to be converted into Class A common stock of CC Media Holdings, Inc. as merger consideration.

The consummation of the merger is subject to shareholder approval, antitrust clearances, FCC approval and other customary closing conditions. Assuming satisfaction of the closing conditions, the parties expect to close the merger during the fourth quarter of 2007.

Certain Reclassifications

The Company has reclassified certain selling, general and administrative expenses to direct operating expenses in 2006 to conform to current year presentation. As a result of the divestiture of certain of its radio stations and its television business, the historical footnote disclosures have been revised to exclude amounts related to these businesses.

Discontinued Operations and Assets Held for Sale

On November 16, 2006, the Company announced plans to sell certain radio markets, comprising 448 of its radio stations, as well as all of its television stations. The radio markets are located outside the top 100 U.S. media markets. As of June 30, 2007, the Company had sold 26 radio stations, 5 of which were not part of the announced 448 stations, and had definitive agreements to sell an additional 374 radio stations, 8 of which were not part of the announced 448

stations. The closing of the transactions under definitive asset purchase agreements are subject to antitrust clearances, FCC approval and other customary closing conditions. The Company determined that each of these markets represents a disposal group. Consistent with the provisions of Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-lived Assets* (Statement 144), the Company classified these markets assets and liabilities that are subject to transfer under the definitive asset purchase agreements as

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discontinued operations at June 30, 2007 and December 31, 2006. Accordingly, depreciation and amortization associated with these assets was discontinued. Additionally, the Company determined that these markets comprise operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Company. As of June 30, 2007, the Company determined that the estimated fair value less costs to sell attributable to these markets was in excess of the carrying value of their related net assets held for sale.

On April 20, 2007, the Company entered into a definitive agreement to sell its television business for approximately \$1.2 billion. The transaction is expected to close in the fourth quarter of 2007, subject to regulatory approvals and other customary closing conditions. Consistent with its radio station divestitures, the Company classified its television business as discontinued operations at June 30, 2007 and December 31, 2006 and presented the results of operations as discontinued operations, net of tax, for all periods presented. As of June 30, 2007, the Company determined that the estimated fair value less costs to sell attributable to its television business was in excess of the carrying value of their related net assets held for sale.

Summarized operating results for the six and three months ended June 30, 2007 and 2006 from these businesses are as follows:

<i>(In thousands)</i>	Six Months		Three Months	
	2007	2006	2007	2006
Revenue	\$ 282,071	\$ 301,941	\$ 146,463	\$ 163,908
Income before income taxes	\$ 62,391	\$ 44,268	\$ 48,276	\$ 33,744

Included in income from discontinued operations, net are income tax expenses of \$26.6 million, \$12.8 million, \$21.0 million and \$8.8 million for the six and three months ended June 30, 2007 and 2006, respectively. Also included in income from discontinued operations for the six and three months ended June 30, 2007 is a gain on the sale of certain radio stations of \$19.6 million and \$16.8 million, respectively.

The following table summarizes the carrying amount at June 30, 2007 and December 31, 2006 of the major classes of assets and liabilities of the Company's businesses classified as discontinued operations:

<i>(In thousands)</i>	June 30, 2007	December 31, 2006
Assets		
Accounts receivable, net	\$ 70,673	\$ 75,490
Other current assets	13,619	20,887
Total current assets	\$ 84,292	\$ 96,377
Land, buildings and improvements	\$ 106,075	\$ 137,729
Transmitter and studio equipment	286,641	298,173
Other property, plant and equipment	41,009	37,651
Less accumulated depreciation	(198,217)	(203,926)
Property, plant and equipment, net	\$ 235,508	\$ 269,627
Definite-lived intangibles, net	\$ 307	\$ 335
Licenses	128,630	131,691
Goodwill	384,977	408,874
Total intangible assets	\$ 513,914	\$ 540,900

Film rights	\$ 16,486	\$ 20,442
Other long-term assets	8,274	15,105
Total non current assets	\$ 24,760	\$ 35,547

Liabilities

Accounts payable and accrued expenses	\$ 3,321	\$ 5,345
Film liability	14,131	21,765
Other current liabilities	11,491	17,969
Total current liabilities	\$ 28,943	\$ 45,079

Film liability	18,919	22,158
Deferred income	3,110	2,463
Total long-term liabilities	\$ 22,029	\$ 24,621

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* including an amendment of FASB Statement No. 115 (Statement 159), was issued in February 2007. Statement 159 permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Statement 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Statement 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. Statement 159 does not eliminate

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disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in Statements No. 157, *Fair Value Measurements*, and No. 107, *Disclosures about Fair Value of Financial Instruments*. Statement 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. The Company expects to adopt Statement 159 on January 1, 2008 and does not anticipate adoption to materially impact its financial position or results of operations.

New Accounting Standard

The Company adopted Financial Accounting Standard Board Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* (FIN 48) on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in the financial statements. FIN 48 prescribes a recognition threshold for the financial statement recognition and measurement of a tax position taken or expected to be taken within an income tax return. The adoption of FIN 48 resulted in a decrease of \$0.2 million to the January 1, 2007 balance of Retained deficit, an increase of \$101.7 million in Other long term-liabilities for unrecognized tax benefits and a decrease of \$123.0 million in Deferred income taxes. The total amount of unrecognized tax benefits at January 1, 2007 was \$416.1 million, inclusive of \$89.6 million for interest. Of this total, \$218.4 million represents the amount of unrecognized tax benefits that, if recognized, would favorably affect the effective income tax rate in future periods.

The Company continues to record interest and penalties related to unrecognized tax benefits in current income tax expense. The total amount of interest accrued during the six and three months ended June 30, 2007 was \$19.6 million and \$9.5 million, respectively. The total amount of unrecognized tax benefits at June 30, 2007 was \$435.1 million. The Company and its subsidiaries file income tax returns in the United States federal jurisdiction and various state and foreign jurisdictions. The Company is in the process of settling most federal issues for the tax years 2000, 2001 and 2002 with the Internal Revenue Service (IRS). The IRS is near completion of its field examinations of the Company's tax returns through 2004. The Company expects to resolve several of its federal issues with the IRS within the next 12 months without any material adverse impact on the Company's financial statements. Substantially all material state, local, and foreign income tax matters have been concluded for years through 1999.

Note 2: INTANGIBLE ASSETS AND GOODWILL

The Company has definite-lived intangible assets which consist primarily of transit and street furniture contracts and other contractual rights in its Americas and International outdoor segments, talent and program right contracts in its radio segment, and contracts for non-affiliated radio and television stations in the Company's media representation operations, all of which are amortized over the respective lives of the agreements. Other definite-lived intangible assets are amortized 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, 2007 and December 31, 2006:

<i>(In thousands)</i>	June 30, 2007		December 31, 2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture, and other outdoor contractual rights	\$ 837,445	\$ 565,791	\$ 821,364	\$ 530,063
Talent contracts	125,270	123,880	125,270	115,537
Representation contracts	367,093	193,122	349,493	175,658
Other	121,221	74,688	120,930	73,317
Total	\$ 1,451,029	\$ 957,481	\$ 1,417,057	\$ 894,575

Total amortization expense from definite-lived intangible assets for the six and three months ended June 30, 2007 and for the year ended December 31, 2006 was \$54.7 million, \$28.5 million and \$150.7 million, respectively. 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)

2008	\$82,192
2009	69,958
2010	51,962
2011	42,136
2012	40,593

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As acquisitions and dispositions occur in the future and as purchase price allocations are finalized, amortization expense may vary.

The Company's indefinite-lived intangible assets consist of FCC broadcast licenses and billboard permits. FCC broadcast licenses are granted to both radio and television stations for up to eight years under the Telecommunications Act of 1996. The Act requires the FCC to renew a broadcast license if: it finds that the station has served the public interest, convenience and necessity; there have been no serious violations of either the Communications Act of 1934 or the FCC's rules and regulations by the licensee; and there have been no other serious violations which taken together constitute a pattern of abuse. The licenses may be renewed indefinitely at little or no cost. The Company does not believe that the technology of wireless broadcasting will be replaced in the foreseeable future. The Company's billboard permits are issued in perpetuity by state and local governments and are transferable or renewable at little or no cost. Permits typically include the location which allows the Company the right to operate an advertising structure. The Company's permits are located on either owned or leased land. In cases where the Company's permits are located on leased land, the leases are typically from 10 to 20 years and renew indefinitely, with rental payments generally escalating at an inflation based index. If the Company loses its lease, the Company will typically obtain permission to relocate the permit or bank it with the municipality for future use.

The Company does not amortize its FCC broadcast licenses or billboard permits. The Company tests these indefinite-lived intangible assets for impairment at least annually using the direct method. Under the direct method, it is assumed that rather than acquiring indefinite-lived intangible assets as a part of a going concern business, the buyer hypothetically obtains indefinite-lived intangible assets and builds a new operation with similar attributes from scratch. Thus, the buyer incurs start-up costs during the build-up phase which are normally associated with going concern value. Initial capital costs are deducted from the discounted cash flows model which results in value that is directly attributable to the indefinite-lived intangible assets.

Under the direct method, the Company continues to aggregate its indefinite-lived intangible assets at the market level for purposes of impairment testing. The Company's key assumptions using the direct method are market revenue growth rates, market share, profit margin, duration and profile of the build-up period, estimated start-up capital costs and losses incurred during the build-up period, the risk-adjusted discount rate and terminal values. This data is populated using industry normalized information.

Goodwill

The Company tests goodwill for impairment using a two-step process. The first step, used to screen for potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. The second step, used to measure the amount of the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The following table presents the changes in the carrying amount of goodwill in each of the Company's reportable segments for the six month period ended June 30, 2007:

<i>(In thousands)</i>	Radio	Americas Outdoor	International Outdoor	Other	Total
Balance as of December 31, 2006	\$ 5,987,831	\$ 667,986	\$ 425,630	\$ 577	\$ 7,082,024
Acquisitions	6,399	9,817	7,601		23,817
Dispositions	(4,296)				(4,296)
Foreign currency		6,398	7,873		14,271
Adjustments	613	(234)			379
Balance as of June 30, 2007	\$ 5,990,547	\$ 683,967	\$ 441,104	\$ 577	\$ 7,116,195

Note 3: DERIVATIVE INSTRUMENTS

The Company holds options under two secured forward exchange contracts that limit its exposure to and benefit from price fluctuations in American Tower Corporation (AMT) over the terms of the contracts (the AMT contracts). These options are not designated as hedges of the underlying shares of AMT. The AMT contracts had a value of \$19.8 million and \$10.3 million recorded in Other long term liabilities at June 30, 2007 and December 31, 2006,

respectively. For the six months ended June 30, 2007 and year ended December 31, 2006, the Company recognized losses of \$9.5 million and \$22.0 million, respectively, in Gain (loss) on marketable securities related to the change in fair value of the options. To offset the change in the fair value of these contracts, the Company has recorded AMT shares as trading securities. During the six months ended June 30, 2007 and year ended December 31, 2006, the Company recognized gains of \$9.5 million and \$20.5 million, respectively, in Gain (loss) on marketable securities related to the change in the fair value of the shares.

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The Company is exposed to foreign currency exchange risks related to its investment in net assets in foreign countries. To manage this risk, the Company entered into two United States dollar Euro cross currency swaps with an aggregate Euro notional amount of 706.0 million and a corresponding aggregate U.S. dollar notional amount of \$877.7 million. These cross currency swaps had a value of \$81.4 million at June 30, 2007 and \$68.5 million at December 31, 2006, which was recorded in Other long-term obligations. These cross currency swaps require the Company to make fixed cash payments on the Euro notional amount while it receives fixed cash payments on the equivalent U.S. dollar notional amount, all on a semiannual basis. The Company has designated these cross currency swaps as a hedge of its net investment in Euro denominated assets. The Company selected the forward method under the guidance of the Derivatives Implementation Group Statement 133 Implementation Issue H8, *Foreign Currency Hedges: Measuring the Amount of Ineffectiveness in a Net Investment Hedge*. The forward method requires all changes in the fair value of the cross currency swaps and the semiannual cash payments to be reported as a cumulative translation adjustment in other comprehensive income in the same manner as the underlying hedged net assets. As of June 30, 2007, a \$48.8 million loss, net of tax, was recorded as a cumulative translation adjustment to other comprehensive income related to the cross currency swap.

Note 4: RECENT DEVELOPMENTS**Acquisitions**

The Company acquired Americas outdoor display faces and additional equity interests in international outdoor companies for \$32.7 million in cash during the six months ended June 30, 2007. The Company's national representation business acquired representation contracts for \$18.8 million in cash during the six months ended June 30, 2007.

Disposition of Assets

The Company received proceeds of \$18.3 million primarily related to the sale of representation contracts and international street furniture assets recorded in cash flows from investing activities and recorded a gain of \$6.3 million in Gain (loss) on disposition of assets net during the six months ended June 30, 2007. The Company also received proceeds of \$57.7 million related to the sale of radio stations recorded as investing cash flows from discontinued operations and recorded a gain of \$19.6 million as a component of Income from discontinued operations, net during the six months ended June 30, 2007.

Debt Maturities

On February 1, 2007, the Company redeemed its 3.125% Senior Notes at their maturity for \$250.0 million plus accrued interest with proceeds from its bank credit facility.

Recent Legal Proceedings

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

Note 5: RESTRUCTURING

The Company restructured its outdoor operations in France in the third quarter of 2005. As a result, the Company recorded \$26.6 million in restructuring costs as a component of selling, general and administrative expenses. Of the \$26.6 million, \$22.5 million was related to severance costs and \$4.1 million was related to other costs. During 2007, \$7.8 million of related costs were paid and charged to the restructuring accrual. As of June 30, 2007, the balance was \$3.3 million.

Note 6: COMMITMENTS AND CONTINGENCIES

Certain agreements relating to acquisitions provide for purchase price adjustments and other future contingent payments based on the financial performance of the acquired companies. The Company will continue to accrue additional amounts related to such contingent payments if and when it is determinable that the applicable financial performance targets will be met. The aggregate of these contingent payments, if performance targets are met, would not significantly impact the financial position or results of operations of the Company.

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As discussed in Note 4, there are various lawsuits and claims pending against the Company. Based on current assumptions, the Company has accrued its estimate of the probable costs for the resolution of these claims. Future results of operations could be materially affected by changes in these assumptions.

Note 7: GUARANTEES

Within the Company's \$1.75 billion credit facility, there exists a \$150.0 million sub-limit available to certain of the Company's international subsidiaries. This \$150.0 million sub-limit allows for borrowings in various foreign currencies, which are used to hedge net assets in those currencies and provide funds to the Company's international operations for certain working capital needs. Subsidiary borrowings under this sub-limit are guaranteed by the Company. At June 30, 2007, this portion of the \$1.75 billion credit facility's outstanding balance was \$16.1 million, which is recorded in Long-term debt on the Company's financial statements.

Within the Company's bank credit facility agreement is a provision that requires the Company to reimburse lenders for any increased costs that they may incur in an event of a change in law, rule or regulation resulting in their reduced returns from any change in capital requirements. In addition to not being able to estimate the potential amount of any future payment under this provision, the Company is not able to predict if such event will ever occur.

The Company guarantees \$40.1 million of credit lines provided to certain of its international subsidiaries by a major international bank. Most of these credit lines relate to intraday overdraft facilities covering participants in the Company's European cash management pool. As of June 30, 2007, no amounts were outstanding under these agreements.

As of June 30, 2007, the Company has outstanding commercial standby letters of credit and surety bonds of \$82.4 million and \$41.2 million, respectively. These letters of credit and surety bonds relate to various operational matters including insurance, bid, and performance bonds as well as other items. Letters of credit issued under the Company's \$1.75 billion credit facility reduce the borrowing availability on the credit facility, and are included in the Company's calculation of its leverage ratio covenant under the bank credit facilities. The surety bonds are not considered as borrowings under the Company's bank credit facilities.

Note 8: SEGMENT DATA

The Company has three reportable segments, which it believes best reflects how the Company is currently managed radio broadcasting, Americas outdoor advertising and International outdoor advertising. The Americas outdoor advertising segment consists primarily of our operations in the United States, Canada and Latin America, and the International outdoor segment includes operations primarily in Europe, Asia, Africa 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.

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		Americas		International		Corporate, Merger and Gain on disposition of assets	net Eliminations	Consolidated
	Radio Broadcasting	Outdoor Advertising	Outdoor Advertising	Other				
Six Months Ended June 30, 2007								
Revenue	\$ 1,692,622	\$ 693,866	\$ 833,703	\$ 106,804	\$		\$ (63,652)	\$ 3,263,343
Direct operating expenses	462,749	279,799	543,549	41,601			(33,946)	1,293,752
Selling, general and administrative expenses	562,305	110,368	151,722	50,917			(29,706)	845,606
Depreciation and amortization	56,605	93,193	100,630	20,979		8,230		279,637
Corporate expenses						91,194		91,194
Merger expenses						4,370		4,370
Gain on disposition of assets net						11,041		11,041
Operating income (loss)	\$ 610,963	\$ 210,506	\$ 37,802	\$ (6,693)	\$ (92,753)	\$		\$ 759,825
Intersegment								
revenues	\$ 22,629	\$ 6,734	\$	\$ 34,289	\$	\$		\$ 63,652
Identifiable assets	\$ 11,717,492	\$ 2,798,497	\$ 2,451,724	\$ 700,638	\$ 321,637	\$		\$ 17,989,988
Capital expenditures	\$ 35,962	\$ 50,464	\$ 61,654	\$ 4,293	\$	\$		\$ 152,373
Share-based payments	\$ 11,140	\$ 3,592	\$ 770	\$	\$ 6,083	\$		\$ 21,585
Six Months Ended June 30, 2006								
Revenue	\$ 1,658,254	\$ 609,349	\$ 737,423	\$ 111,811	\$		\$ (59,981)	\$ 3,056,856
Direct operating expenses	467,002	248,933	469,622	41,726			(32,829)	1,194,454
Selling, general and administrative expenses	567,413	98,817	135,817	52,543			(27,152)	827,438
	60,276	83,485	113,662	22,682		9,194		289,299

Depreciation and amortization								
Corporate expenses					88,746			88,746
Gain on disposition of assets net					49,221			49,221
Operating income (loss)	\$ 563,563	\$ 178,114	\$ 18,322	\$ (5,140)	\$ (48,719)	\$		\$ 706,140
Intersegment revenues	\$ 20,108	\$ 4,918	\$	\$ 34,955	\$	\$		\$ 59,981
Identifiable assets	\$ 11,705,732	\$ 2,629,819	\$ 2,337,087	\$ 679,835	\$ 525,548	\$		\$ 17,878,021
Capital expenditures	\$ 41,454	\$ 31,536	\$ 73,808	\$ 957	\$	\$		\$ 147,755
Share-based payments	\$ 12,619	\$ 2,387	\$ 666	\$ 828	\$ 5,735	\$		\$ 22,235
Three Months Ended June 30, 2007								
Revenue	\$ 918,351	\$ 376,843	\$ 459,870	\$ 56,171	\$	\$ (32,998)		\$ 1,778,237
Direct operating expenses	235,683	144,885	284,258	21,665		(15,397)		671,094
Selling, general and administrative expenses	295,407	56,125	78,432	25,561		(17,601)		437,924
Depreciation and amortization	28,153	46,632	51,521	10,917	4,087			141,310
Corporate expenses					43,044			43,044
Merger expenses					2,684			2,684
Gain on disposition of assets net						4,090		4,090
Operating income (loss)	\$ 359,108	\$ 129,201	\$ 45,659	\$ (1,972)	\$ (45,725)	\$		\$ 486,271
Intersegment revenues	\$ 12,207	\$ 4,851	\$	\$ 15,940	\$	\$		\$ 32,998
Share-based payments	\$ 6,676	\$ 2,466	\$ 529	\$	\$ 3,668	\$		\$ 13,339

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	Americas		International	Other	Corporate, Merger and Gain on disposition of assets net	Eliminations	Consolidated
	Radio Broadcasting	Outdoor Advertising	Outdoor Advertising				
Three Months Ended June 30, 2006							
Revenue	\$ 910,194	\$ 335,247	\$ 413,156	\$ 59,656	\$	\$ (29,409)	\$ 1,688,844
Direct operating expenses	237,092	128,922	245,237	20,913		(14,841)	617,323
Selling, general and administrative expenses	300,678	50,623	68,976	26,750		(14,568)	432,459
Depreciation and amortization	31,047	41,253	59,574	11,392	4,923		148,189
Corporate expenses					48,239		48,239
Gain on disposition of assets net						821	821
Operating income (loss)	\$ 341,377	\$ 114,449	\$ 39,369	\$ 601	\$ (52,341)	\$	\$ 443,455
Intersegment revenues	\$ 9,310	\$ 3,131	\$	\$ 16,968	\$	\$	\$ 29,409
Share-based payments	\$ 6,310	\$ 1,230	\$ 343	\$ 413	\$ 2,332	\$	\$ 10,628

Revenue of \$888.0 million and \$785.0 million derived from foreign operations are included in the data above for the six months ended June 30, 2007 and 2006, respectively. Revenue of \$489.5 million and \$439.6 million derived from foreign operations are included in the data above for the three months ended June 30, 2007 and 2006, respectively. Identifiable assets of \$2.7 billion and \$2.6 billion derived from foreign operations are included in the data above for the six months ended June 30, 2007 and 2006, respectively.

Note 9: SUBSEQUENT EVENTS

On July 27, 2007, the Company's Board of Directors declared a quarterly cash dividend of \$0.1875 per share on the Company's Common Stock. The dividend is payable on October 15, 2007 to shareholders of record at the close of business on September 30, 2007.

The Company announced on July 17, 2007 that it has set a new record date for the special meeting of shareholders regarding the proposed merger with the group co-led by Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. The Company's shareholders of record as of 5:00 p.m. Eastern Daylight Savings Time on July 27, 2007, will be entitled to vote at the special meeting.

Subsequent to June 30, 2007, the Company entered into definitive agreements for the sale of 13 additional radio stations. The closing of these sales is subject to antitrust clearances, FCC approval and other customary closing conditions. The Company also completed the sale of 11 radio stations it had under definitive asset purchase agreements at June 30, 2007.

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Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Proposed Merger with a Group led by Thomas H. Lee Partners, L.P. and Bain Capital Partners, LLC

On May 17, 2007, we entered into a second amendment to our previously announced Merger Agreement with a private equity group co-led by Thomas H. Lee Partners, L.P. and Bain Capital Partners, LLC. Under the terms of the Merger Agreement, as amended, the Company's shareholders can elect to have each share of Company's common stock they own to be converted into the right to receive either (1) \$39.20 in cash, without interest, or (2) one share of Class A common stock of CC Media Holdings, Inc., a corporation formed by the private equity group that, after the merger, will be the ultimate corporate parent of the Company.

Unaffiliated shareholders and option holders of the Company will have the right to select the form of merger consideration they receive. This election is subject to pro rata adjustment in the event that elections to receive Class A common stock would require CC Media Holdings, Inc. to issue more than 30.6 million shares of Class A common stock, or approximately 30% of the outstanding capital stock and voting power of CC Media Holdings, Inc. immediately following the merger. In addition, no shareholder or option holder who has selected the stock consideration may be allocated a number of CC Media Holdings, Inc. Class A common stock representing more than 9.9% of the outstanding common stock of CC Media Holdings, Inc. immediately following the merger. The limitation on the aggregate number of shares to be issued as stock consideration will allow up to a maximum of approximately 6% of the shares of the Company's common stock and stock options outstanding as of the record date of the special meeting to be converted into Class A common stock of CC Media Holdings, Inc. as merger consideration.

We announced on July 17, 2007 that we set a new record date for the special meeting of shareholders regarding the second amendment to our Merger Agreement. Our shareholders of record as of 5:00 p.m. Eastern Daylight Savings Time on July 27, 2007, will be entitled to vote at the special meeting.

The consummation of the merger is subject to shareholder approval, antitrust clearances, FCC approval and other customary closing conditions. Assuming satisfaction of the closing conditions, the parties expect to close the merger during the fourth quarter of 2007.

Sale of Radio Stations and all of our Television Stations

On November 16, 2006, we announced plans to sell 448 radio stations and all of our television stations. The sale of these assets is not contingent on the closing of the merger described above. Definitive asset purchase agreements were signed for 374 radio stations, 8 of which were not part of the announced 448 stations, as of June 30, 2007. These stations, along with 26 stations which were sold in the fourth quarter of 2006 and first six months of 2007, 5 of which were not part of the announced 448 stations, were classified as assets from discontinued operations in our consolidated balance sheet and as discontinued operations in our consolidated statements of operations. Through August 7, 2007, we had definitive asset purchase agreements for the sale of 13 additional radio stations. The closing of these sales is subject to antitrust clearances, FCC approval and other customary closing conditions. Also through August 7, 2007, we completed the sales of 11 radio stations that were under definitive agreement at June 30, 2007.

On April 20, 2007, we announced that we entered into a definitive agreement to sell our television business for approximately \$1.2 billion. The sale of our television business is not contingent on the closing of the merger described above. The transaction is expected to close in the fourth quarter of 2007, subject to regulatory approvals and other customary closing conditions. Our television business is reported as assets and liabilities of discontinued operations on our consolidated balance sheet and the results of operations as discontinued operations on our statements of operations.

Format of Presentation

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

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

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Radio Broadcasting

Our revenues are derived from selling advertising time, or spots, on our radio stations, with advertising contracts typically less than one year. The formats are designed to reach audiences with targeted demographic characteristics that appeal to our advertisers. Management monitors average advertising rates, which are principally based on the length of the spot and how many people in a targeted audience listen to our stations, as measured by an independent ratings service. The size of the market influences rates as well, with larger markets typically receiving higher rates than smaller markets. Also, our advertising rates are influenced by the time of day the advertisement airs, with morning and evening drive-time hours typically the highest. Management monitors yield in addition to average rates because yield allows management to track revenue performance across our inventory. Yield is defined by management as revenue earned divided by commercial capacity available.

Management monitors macro level indicators to assess our radio operations performance. Due to the geographic diversity and autonomy of our markets, we have a multitude of market specific advertising rates and audience demographics. Therefore, management reviews average unit rates across all of our stations.

Management looks at our radio operations overall revenues as well as local advertising, which is sold predominately in a station's local market, and national advertising, which is sold across multiple markets. Local advertising is sold by each radio stations sales staffs while national advertising is sold, for the most part, through our national representation firm. Local advertising, which is our largest source of advertising revenue, and national advertising revenues are tracked separately, because these revenue streams have different sales forces and respond differently to changes in the economic environment.

Management also looks at radio revenue by market size, as defined by Arbitron. Typically, larger markets can reach larger audiences with wider demographics than smaller markets. Additionally, management reviews our share of target demographics listening to the radio in an average quarter hour. This metric gauges how well our formats are attracting and retaining listeners.

A portion of our radio segment's expenses vary in connection with changes in revenue. These variable expenses primarily relate to costs in our sales department, such as salaries, commissions and bad debt. Our programming and general and administrative departments incur most of our fixed costs, such as talent costs, rights fees, utilities and office salaries. Lastly, our highly discretionary costs are in our marketing and promotions department, which we primarily incur to maintain and/or increase our audience share.

Americas and International Outdoor Advertising

Our revenues are derived from selling advertising space on the displays that we own or operate in key markets worldwide consisting primarily of billboards, street furniture and transit displays. We own the majority of our advertising displays, which typically are located on sites that we either lease or own or for which we have acquired permanent easements. Our advertising contracts typically outline the number of displays reserved, the duration of the advertising campaign and the unit price per display.

Our advertising rates are based on the gross rating points, or total number of impressions delivered by a display or group of displays, expressed as a percentage of a market population. The number of impressions delivered by a display is measured by the number of people passing the site during a defined period of time and, in some international markets, is weighted to account for such factors as illumination, proximity to other displays and the speed and viewing angle of approaching traffic. Management typically monitors our business by reviewing the average rates, average revenues per display, or yield, occupancy, and inventory levels of each of our display types by market. In addition, because a significant portion of our advertising operations are conducted in foreign markets, principally France and the United Kingdom, management reviews the operating results from our foreign operations on a constant dollar basis. A constant dollar basis allows for comparison of operations independent of foreign exchange movements. Because revenue-sharing and minimum guaranteed payment arrangements are more prevalent in our International operations, the margins in our International operations typically are less than the margins in our Americas operations.

The significant expenses associated with our operations include (i) direct production, maintenance and installation expenses, (ii) site lease expenses for land under our displays and (iii) revenue-sharing or minimum guaranteed amounts payable under our street furniture and transit display contracts. Our direct production, maintenance and

installation expenses include costs for printing, transporting and changing the advertising copy on our displays, the related labor costs, the vinyl and paper costs and the costs for cleaning and maintaining our displays. Vinyl and paper costs vary according to the complexity of the advertising copy and the quantity of displays. Our site lease expenses include lease payments for use of the land under our displays, as well as any revenue-sharing arrangements or minimum guaranteed amounts payable that we may have with the landlords. The terms of our site leases and revenue-sharing or minimum guaranteed contracts generally range from 1 to 20 years.

Our street furniture and transit display contracts, the terms of which range from 3 to 20 years, generally require us to make upfront investments in property, plant and equipment. These contracts may also include upfront lease payments and/or minimum

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annual guaranteed lease payments. We can give no assurance that our cash flows from operations over the terms of these contracts will exceed the upfront and minimum required payments.

The results in 2007 include our acquisition of Interspace Airport Advertising, or Interspace, which we acquired in July 2006.

FAS 123(R), Share-Based Payment

As of June 30, 2007, there was \$113.5 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements. This cost is expected to be recognized over a weighted average period of approximately three years. The following table details compensation costs related to share-based payments for the three and six months ended June 30, 2007 and 2006:

<i>(In millions)</i>	Three Months ended June		Six Months ended June	
	2007	30, 2006	2007	30, 2006
Radio Broadcasting				
Direct Operating Expenses	\$ 3.0	\$ 2.8	\$ 5.0	\$ 5.6
SG&A	3.7	3.5	6.1	7.0
Americas Outdoor Advertising				
Direct Operating Expenses	\$ 1.8	\$ 0.9	\$ 2.6	\$ 1.7
SG&A	0.7	0.3	1.0	0.6
International Outdoor Advertising				
Direct Operating Expenses	\$ 0.4	\$ 0.2	\$ 0.6	\$ 0.4
SG&A	0.1	0.1	0.2	0.2
Other				
Direct Operating Expenses	\$	\$ 0.2	\$	\$ 0.4
SG&A		0.3		0.6
Corporate	\$ 3.7	\$ 2.3	\$ 6.1	\$ 5.7

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The comparison of Three and Six Months Ended June 30, 2007 to Three and Six Months Ended June 30, 2006 is as follows:

<i>(In thousands)</i>	Three Months Ended June		% Change	Six Months Ended June 30,		% Change
	2007	30, 2006		2007	2006	
Revenue	\$ 1,778,237	\$ 1,688,844	5%	\$ 3,263,343	\$ 3,056,856	7%
Operating expenses:						
Direct operating expenses	671,094	617,323	9%	1,293,752	1,194,454	8%
Selling, general and administrative expenses	437,924	432,459	1%	845,606	827,438	2%
Depreciation and amortization	141,310	148,189	(5%)	279,637	289,299	(3%)
Corporate expenses	43,044	48,239	(11%)	91,194	88,746	3%
Merger expenses	2,684			4,370		
Gain (loss) on disposition of assets net	4,090	821		11,041	49,221	
Operating income	486,271	443,455	10%	759,825	706,140	8%
Interest expense	116,422	123,298		234,499	237,674	
Gain (loss) on marketable securities	(410)	(1,000)		(15)	(3,324)	
Equity in earnings of nonconsolidated affiliates	11,435	9,715		16,699	16,624	
Other income (expense) net	340	(4,609)		328	(5,257)	
Income before income taxes, minority interest and discontinued operations	381,214	324,263		542,338	476,509	
Income tax benefit (expense):						
Current	(120,989)	(104,542)		(150,782)	(106,764)	
Deferred	(36,494)	(33,417)		(73,912)	(93,931)	
Income tax benefit (expense)	(157,483)	(137,959)		(224,694)	(200,695)	
Minority interest expense, net of tax	14,970	13,736		15,245	12,957	
Income before discontinued operations	208,761	172,568		302,399	262,857	
Income from discontinued operations, net	27,229	24,920		35,813	31,445	
Net income	\$ 235,990	\$ 197,488		\$ 338,212	\$ 294,302	

Consolidated Revenue

Three Months

Our consolidated revenues increased \$89.4 million during the second quarter of 2007 compared to the same period of 2006. Our International revenue increased \$46.7 million, including approximately \$28.1 million related to movements in foreign exchange. In addition to foreign exchange, International revenue growth was led by street furniture revenues. Our Americas revenue increased \$41.6 million. Interspace, which we acquired in July 2006, contributed approximately \$15.1 million of the increase. In addition to Interspace, our Americas revenue growth was led by bulletin revenues. Our radio revenue increased \$8.2 million primarily from an increase in our syndicated radio programming, traffic and on-line businesses. These increases were partially offset by declines from operations classified in our other segment.

Six Months

Our consolidated revenues increased \$206.5 million during the six months of 2007 compared to the same period of 2006. Our International revenue increased \$96.3 million, including approximately \$59.3 million related to movements in foreign exchange. In addition to foreign exchange, International revenue growth was led by street furniture revenues. Our Americas revenue increased \$84.5 million with Interspace contributing approximately \$30.4 million of the increase. In addition to Interspace, our Americas revenue growth was led by bulletin revenues. Our radio revenue increased \$34.4 million primarily from an increase in our syndicated radio programming, traffic and on-line businesses. These increases were partially offset by declines from operations classified in our other segment.

Consolidated Direct Operating Expenses

Three Months

Our consolidated direct operating expenses increased approximately \$53.8 million during the second quarter of 2007 compared to the same period of 2006. International direct operating expenses increased \$39.0 million primarily from \$18.5 million related to movements in foreign exchange. Americas direct operating expenses increased \$16.0 million with Interspace contributing

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approximately \$7.0 million. Partially offsetting these increases was a decline in our radio direct operating expenses of approximately \$1.4 million primarily from a decline in programming expenses and expenses associated with non-traditional revenue.

Six Months

Our consolidated direct operating expenses increased approximately \$99.3 million during the first six months of 2007 compared to the same period of 2006. International direct operating expenses increased \$73.9 million primarily from \$41.0 million related to movements in foreign exchange. Americas direct operating expenses increased \$30.9 million with Interspace contributing approximately \$13.6 million. Partially offsetting these increases was a decline in our radio direct operating expenses of approximately \$4.3 million primarily from a decline in programming expenses and expenses associated with non-traditional revenue.

Consolidated Selling, General and Administrative Expenses, or SG&A*Three Months*

Our consolidated SG&A expenses increased approximately \$5.5 million during the second quarter of 2007 compared to the same period of 2006. International SG&A expenses increased \$9.5 million primarily related to movements in foreign exchange. Americas SG&A expenses increased \$5.5 million attributable to \$3.6 million from Interspace and the rest primarily attributable to sales expenses associated with the increase in revenue. Our radio SG&A expenses decreased \$5.3 million for the same period primarily driven by a decrease in selling expenses. We also experienced expense declines from operations classified in our other segment.

Six Months

Our consolidated SG&A expenses increased approximately \$18.2 million during the first six months of 2007 compared to the same period of 2006. International SG&A expenses increased \$15.9 million primarily related to movements in foreign exchange. Americas SG&A expenses increased \$11.6 million attributable to \$6.6 million from Interspace and the rest primarily attributable to sales expenses associated with the increase in revenue. Our radio SG&A expenses decreased \$5.1 million for the same period primarily driven by a decrease in selling expenses. We also experienced expense declines from operations classified in our other segment.

Corporate Expenses

Corporate expenses decreased \$5.2 million for the three months ended June 30, 2007 compared to the same period of 2006 primarily as a result of a reduction in legal costs associated with the completion of and favorable rulings surrounding certain legal cases. Corporate expenses increased \$2.4 million for the six months ended June 30, 2007 compared to the same period of 2006 primarily as a result of an increase in bonus expenses.

Gain (loss) on Disposition of Assets Net

The gain on disposition of assets declined approximately \$38.2 million primarily as a result of gains recognized in the first quarter of 2006 including a \$15.1 million gain in our Americas outdoor segment from the exchange of assets in one of our markets for the assets of a third party located in a different market and \$22.5 million in our radio segment primarily from the sale of programming rights in one of our markets.

Interest Expense

Interest expense declined \$6.9 million and \$3.2 million in the second quarter of 2007 and six months ended June 30, 2007, respectively, compared to the same periods of 2006. The declines were primarily from a reduction in our outstanding debt related to the maturity of our 6% Senior Notes in November 2006 and the maturity of our 3.125% Senior Notes in February 2007. Our weighted average cost of debt at June 30, 2007 and 2006 was 6.2%.

Income Tax Benefit (Expense)

Current tax expense increased \$16.4 million primarily due to the increase in Income before income taxes, while our effective rate remained relatively flat, for the three months ended June 30, 2007 compared to the three months ended June 30, 2006.

Current tax expense increased \$44.0 million primarily due to the increase in Income before income taxes of \$65.8 million, while our effective rate remained relatively flat, for the six months ended June 30, 2007 compared to the six months ended June 30, 2006. In addition, the Company recorded approximately \$22.2 million in current tax benefit during the six months ended June 30, 2006 related to tax losses in excess of the amount reported for financial reporting purposes from the disposition of certain operating assets. Deferred tax expense for the six months ended

June 30, 2007 decreased \$20.0 million compared to the six months ended June

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30, 2006 primarily due to deferred tax expense of \$22.2 million being recorded during the six months ended June 30, 2006 related to the disposition of certain operating assets mentioned above.

Segment Revenue and Divisional Operating Expenses**Radio Broadcasting**

<i>(In thousands)</i>	Three Months Ended June			Six Months Ended June 30,		
	30, 2007	2006	% Change	2007	2006	% Change
Revenue	\$ 918,351	\$ 910,194	1%	\$ 1,692,622	\$ 1,658,254	2%
Direct operating expenses	235,683	237,092	(1%)	462,749	467,002	(1%)
Selling, general and administrative expenses	295,407	300,678	(2%)	562,305	567,413	(1%)
Depreciation and amortization	28,153	31,047	(9%)	56,605	60,276	(6%)
Operating income	\$ 359,108	\$ 341,377	5%	\$ 610,963	\$ 563,563	8%

Three Months

Our radio revenue increased 1% during the second quarter of 2007 as compared to 2006 primarily from an increase in our syndicated radio programming, traffic and on-line businesses. Also contributing to the revenue growth was growth in our mid-size markets. Average unit rates for our 15, 30 and 60 second commercials also increased in the second quarter of 2007 compared to the same period of the prior year. Advertising categories that increased were services and health and beauty offset by a decline in automotive and retail.

Our radio direct operating expenses decreased approximately \$1.4 million during the second quarter of 2007 as compared to 2006 primarily from a decline of approximately \$4.8 million in programming expenses and expenses associated with non-traditional revenue, partially offset by an increase of \$3.4 million principally from increases in our traffic and on-line expenses. Our SG&A expenses decreased \$5.3 million for the same period primarily driven by a decrease in selling expenses.

Six Months

Our radio revenue increased 2% during the first six months of 2007 as compared to 2006 primarily from an increase in our syndicated radio programming, traffic and on-line businesses. National revenues and revenue growth in our top 100 markets also contributed to the revenue growth. Advertising categories contributing to the revenue growth for the first six months of 2007 were services, health and beauty, entertainment and restaurants. Our radio direct operating expenses decreased approximately \$4.3 million primarily from a decline of \$17.3 million in programming, news and sports expenses and expenses associated with non-traditional revenue, partially offset by an increase of \$13.0 million principally from increases in our traffic and on-line expenses associated with the increase in revenue from these businesses during the first six months of 2007 as compared to the same period of 2006. Our SG&A expenses decreased \$5.1 million for the same period primarily driven by a decrease in selling expenses.

Americas Outdoor Advertising

<i>(In thousands)</i>	Three Months Ended June			Six Months Ended June		
	30, 2007	2006	% Change	30, 2007	2006	% Change
Revenue	\$ 376,843	\$ 335,247	12%	\$ 693,866	\$ 609,349	14%
Direct operating expenses	144,885	128,922	12%	279,799	248,933	12%
Selling, general and administrative expenses	56,125	50,623	11%	110,368	98,817	12%
Depreciation and amortization	46,632	41,253	13%	93,193	83,485	12%

Operating income	\$ 129,201	\$ 114,449	13%	\$ 210,506	\$ 178,114	18%
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Three Months

Our Americas revenue increased \$41.6 million, or 12%, during the second quarter of 2007 as compared to 2006. Interspace contributed approximately \$15.1 million to the increase. We experienced rate increases across our inventory. The growth was led by bulletin revenues due to the increased rates while occupancy was essentially flat in 2007 compared to 2006. Revenue growth occurred across many of our markets, including Boston, Washington, Philadelphia and Seattle. Advertising categories that contributed to the growth were automotive, telecommunications and retail.

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Direct operating expenses increased \$16.0 million in the second quarter of 2007 as compared to 2006 with Interspace contributing approximately \$7.0 million and site-lease expenses contributing \$6.5 million during this same period. SG&A expenses increased \$5.5 million attributable to \$3.6 million from Interspace and the rest primarily attributable to sales expenses associated with the increase in revenue.

Depreciation and amortization increased \$5.4 million primarily associated with \$3.3 million from Interspace.

Six Months

Our Americas revenue increased 14%, or \$84.5 million, during the six months ended June 30, 2007 as compared to the same period of 2006. Interspace contributed approximately \$30.4 million to the increase. Bulletin revenues also contributed to the increase in revenues. Direct operating expenses increased \$30.9 million in the six months ended June 30, 2007 over the same period of 2006 primarily from an increase of \$13.6 million related to Interspace and an increase in site lease expenses of approximately \$13.8 million. Our SG&A expenses increased \$11.6 million in the first six months of 2007 over the same period of 2006. Interspace contributed approximately \$6.6 million to the increase and the rest of the increase was attributable to bonus and commission expenses.

Depreciation and amortization increased \$9.7 million primarily associated with \$6.3 million from Interspace.

International Outdoor Advertising

<i>(In thousands)</i>	Three Months Ended June			Six Months Ended June		
	2007	2006	% Change	2007	2006	% Change
Revenue	\$ 459,870	\$ 413,156	11%	\$ 833,703	\$ 737,423	13%
Direct operating expenses	284,258	245,237	16%	543,549	469,622	16%
Selling, general and administrative expenses	78,432	68,976	14%	151,722	135,817	12%
Depreciation and amortization	51,521	59,574	(14%)	100,630	113,662	(11%)
Operating income	\$ 45,659	\$ 39,369	16%	\$ 37,802	\$ 18,322	106%

Three Months

Our International revenue increased \$46.7 million, or 11%, in the second quarter of 2007 as compared to 2006. Included in the increase was approximately \$28.1 million related to movements in foreign exchange. Growth was led by street furniture revenues. The increase in street furniture revenues was primarily attributable to increased yield. On a constant dollar basis, revenue from our operations in France decreased primarily from a decline in national advertising during the French Presidential elections and due to some retailers shifting to television advertising from outdoor. Revenue was essentially unchanged in the United Kingdom. Markets contributing to the revenue growth were Italy, Spain and Ireland.

Direct operating expenses increased \$39.0 million during the second quarter of 2007 as compared to 2006. Approximately \$18.5 million of the increase related to movements in foreign exchange. Also contributing to the increase was an increase in site lease expenses primarily associated with the increase in revenue and higher expenses due to a certain contract to post political displays during the French Presidential election and the renewal of certain street furniture contracts. SG&A expenses increased \$9.5 million primarily related to movements in foreign exchange.

Depreciation and amortization declined \$8.1 million primarily from contracts which were fully amortized at December 31, 2006.

Six Months

Revenue in our international outdoor segment increased \$96.3 million, or 13%, in the first six months of 2007 compared to the same period of 2006. Included in the increase was approximately \$59.3 million related to movements in foreign exchange. Also contributing to the increase was growth in street furniture revenues primarily as a result of increased yield during the six months ended June 30, 2007 compared to the same period of 2006. Direct operating expenses increased \$73.9 million during the six months ended June 30, 2007 as compared to the same period of 2006

primarily from approximately \$41.0 million related to movements in foreign exchange as well as an increase in site-lease expenses associated with the increase in revenue and new contracts. Our SG&A expenses increased \$15.9 million primarily attributable to \$11.4 million related to movements in foreign exchange.

Depreciation and amortization declined \$13.0 million primarily from contracts which were fully amortized at December 31, 2006.

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

	Three Months ended June		Six Months ended June	
	2007	2006	2007	2006
<i>(In thousands)</i>				
Radio Broadcasting	\$ 359,108	\$ 341,377	\$ 610,963	\$ 563,563
Americas Outdoor Advertising	129,201	114,449	210,506	178,114
International Outdoor Advertising	45,659	39,369	37,802	18,322
Other	(1,972)	601	(6,693)	(5,140)
Gain on disposition of assets net	4,090	821	11,041	49,221
Corporate	(49,815)	(53,162)	(103,794)	(97,940)
Consolidated operating income	\$ 486,271	\$ 443,455	\$ 759,825	\$ 706,140

LIQUIDITY AND CAPITAL RESOURCES**Cash Flows**

<i>(In thousands)</i>	Six Months Ended June 30,	
	2007	2006
Cash provided by (used in):		
Operating activities	\$ 658,998	\$ 772,744
Investing activities	\$ (201,313)	\$ (384,249)
Financing activities	\$ (566,703)	\$ (395,261)
Discontinued operations	\$ 84,802	\$ 28,493

Operating Activities

Cash flow from operating activities for the six months of 2007 primarily reflected income before discontinued operations of \$302.4 million plus depreciation and amortization of \$279.6 million and deferred taxes of \$73.9 million. Cash flow from operating activities for the six months ended June 30, 2006 principally reflected income before discontinued operations of \$262.9 million plus depreciation and amortization of \$289.3 million and deferred taxes of \$93.9 million. Also contributing to cash flow from operating activities was \$133.3 million primarily related to a refund from the overpayment of 2005 taxes due to a foreign exchange loss from the restructuring of our international business in anticipation of our strategic realignment as well as applying a portion of the capital loss generated from our spin-off of Live Nation to capital gains recognized in 2005 and prior years.

Investing Activities

Cash used in investing activities during the first six months of 2007 principally reflects the purchase of property, plant and equipment of \$152.4 million. Cash used in investing activities for the six months ended June 30, 2006 reflected an increase in restricted cash related to money escrowed for our acquisition of Interspace Airport Advertising of \$81.3 million. Cash used for the acquisition of operating assets was \$149.4 million during the six months ended June 30, 2006 which primarily related to the acquisition of a music scheduling company in our radio segment and the acquisition of an outdoor advertising business in the United Kingdom. Cash used in investing activities for the six months ended June 30, 2006 also reflected \$147.8 million used for the purchase of property, plant and equipment.

Financing Activities

Cash used in financing activities for the six months ended June 30, 2007 principally reflected net payments on our credit facility of \$207.7 million, \$250.0 million plus accrued interest related to the February 2007 maturity of our 3.125% Senior Notes and \$185.6 million in dividends paid. Cash used in financing activities of \$395.3 million for the six months ended June 30, 2006 primarily reflected \$1.1 billion used for the purchase of our common stock, \$196.4 million used for the payment of dividends, partially offset by net draws on our credit facility of \$433.9 million and \$506.2 million from the issuance of long term debt.

Discontinued Operations

We had definitive asset purchase agreements signed for the sale of 374 of our radio stations and all of our television stations as of June 30, 2007. The cash flows from these businesses, along with 26 radio stations which were sold in the fourth quarter of 2006 and first half of 2007, are reported for both years as cash flows from discontinued operations.

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Table of Contents**Anticipated Cash Requirements**

We expect to fund anticipated cash requirements (including payments of principal and interest on outstanding indebtedness and commitments, acquisitions, anticipated capital expenditures, quarterly dividends and share repurchases) for the foreseeable future with cash flows from operations and various externally generated funds.

SOURCES OF CAPITAL

As of June 30, 2007 and December 31, 2006, we had the following debt outstanding:

<i>(In millions)</i>	June 30, 2007	December 31, 2006
Credit facilities	\$ 785.3	\$ 966.5
Long-term bonds (a)	6,277.5	6,531.6
Other borrowings	145.2	164.9
Total Debt	7,208.0	7,663.0
Less: Cash and cash equivalents	91.8	116.0
	\$ 7,116.2	\$ 7,547.0

- (a) Includes \$5.2 million and \$7.1 million at June 30, 2007 and December 31, 2006, respectively, in unamortized fair value purchase accounting adjustment premiums related to the merger with AMFM. Also includes negative \$33.1 million and \$29.8 million related to fair value adjustments for interest rate swap agreements at June 30, 2007 and December 31, 2006, respectively.

Credit Facility

We have a multi-currency revolving credit facility in the amount of \$1.75 billion, which can be used for general working capital purposes including commercial paper support as well as to fund capital expenditures, share repurchases, acquisitions and the refinancing of public debt securities. At June 30, 2007, the outstanding balance on this facility was \$785.3 million and, taking into account letters of credit of \$76.0 million, \$888.7 million was available for future borrowings, with the entire balance to be repaid on July 12, 2009.

During the six months ended June 30, 2007, we made principal payments totaling \$576.5 million and drew down \$368.9 million on the credit facility. As of August 7, 2007, the credit facility's outstanding balance was \$716.2 million and, taking into account outstanding letters of credit, \$957.8 million was available for future borrowings.

Shelf Registration

On August 30, 2006, we filed a Registration Statement on Form S-3 covering the issuance of debt securities, junior subordinated debt securities, preferred stock, common stock, warrants, stock purchase contracts and stock purchase units. The shelf registration statement also covers preferred securities that may be issued from time to time by our three Delaware statutory business trusts and guarantees of such preferred securities by us. This shelf registration statement was automatically effective on August 31, 2006 for a period of three years.

Debt Covenants

The significant covenants on our \$1.75 billion five-year, multi-currency revolving credit facility relate to leverage and interest coverage contained and defined in the credit agreement. The leverage ratio covenant requires us to maintain a ratio of consolidated funded indebtedness to operating cash flow (each as defined by the credit agreement) of less than 5.25x. The interest coverage covenant requires us to maintain a minimum ratio of operating cash flow (each as defined by the credit agreement) to interest expense of 2.50x. In the event that we do not meet these covenants, we are considered to be in default on the credit facility at which time the credit facility may become immediately due. At June 30, 2007, our leverage and interest coverage ratios were 3.2x and 4.8x, respectively. This credit facility contains a cross default provision that would be triggered if we were to default on any other indebtedness greater than \$200.0 million.

Our other indebtedness does not contain provisions that would cause a default if we were to default on our credit facility.

The fees we pay on our \$1.75 billion, five-year multi-currency revolving credit facility depend on the highest of our long-term debt ratings, unless there is a split rating of more than one level in which case the fees depend on the long-term debt rating that is

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one level lower than the highest rating. Based on our current ratings level of B+/Baa3, our fees on borrowings are a 52.5 basis point spread to LIBOR and are 22.5 basis points on the total \$1.75 billion facility. In the event our ratings improve, the fee on borrowings and facility fee decline gradually to 20.0 basis points and 9.0 basis points, respectively, at ratings of A/A3 or better. In the event that our ratings decline, the fee on borrowings and facility fee increase gradually to 120.0 basis points and 30.0 basis points, respectively, at ratings of BB/Ba2 or lower.

We believe there are no other agreements that contain provisions that trigger an event of default upon a change in long-term debt ratings that would have a material impact to our financial statements.

Additionally, our 8% senior notes due 2008, which were originally issued by AMFM Operating Inc., a wholly-owned subsidiary of Clear Channel, contain certain restrictive covenants that limit the ability of AMFM Operating Inc. to incur additional indebtedness, enter into certain transactions with affiliates, pay dividends, consolidate, or effect certain asset sales.

At June 30, 2007 we were in compliance with all debt covenants.

USES OF CAPITAL**Dividends**

Our Board of Directors declared quarterly cash dividends as follows:

(In millions, except per share data)

Declaration Date	Amount per Common Share	Record Date	Payment Date	Total Payment
October 25, 2006	0.1875	December 31, 2006	January 15, 2007	\$ 92.6
February 21, 2007	0.1875	March 31, 2007	April 15, 2007	93.0
April 19, 2007	0.1875	June 30, 2007	July 15, 2007	93.4

Additionally, on July 27, 2007, our Board of Directors declared a quarterly cash dividend of \$0.1875 per share on our Common Stock. The dividend is payable on October 15, 2007 to shareholders of record at the close of business on September 30, 2007.

Acquisitions

We acquired Americas outdoor display faces and additional equity interests in international outdoor companies for \$32.7 million in cash during the six months ended June 30, 2007. Our national representation business acquired representation contracts for \$18.8 million in cash during the six months ended June 30, 2007.

Capital Expenditures

Capital expenditures were \$152.4 million and \$147.8 million in the six months ended June 30, 2007 and 2006, respectively.

(In millions)

	Six Months Ended June 30, 2007 Capital Expenditures				
	Radio	Americas Outdoor Advertising	International Outdoor Advertising	Corporate and Other	Total
Non-revenue producing	\$ 36.0	\$ 16.1	\$ 20.7	\$ 4.3	\$ 77.1
Revenue producing		34.4	40.9		75.3
	\$ 36.0	\$ 50.5	\$ 61.6	\$ 4.3	\$ 152.4

Commitments, Contingencies and Guarantees

There are various lawsuits and claims pending against us. Based on current assumptions, we have accrued an estimate of the probable costs for the resolution of these claims. Future results of operations could be materially affected by changes in these assumptions.

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Certain agreements relating to acquisitions provide for purchase price adjustments and other future contingent payments based on the financial performance of the acquired companies generally over a one to five year period. We will continue to accrue additional amounts related to such contingent payments if and when it is determinable that the applicable financial performance targets will be met. The aggregate of these contingent payments, if performance targets are met, would not significantly impact our financial position or results of operations.

Debt Maturities

On February 1, 2007, we redeemed our 3.125% Senior Notes at their maturity for \$250.0 million plus accrued interest with proceeds from our bank credit facility.

MARKET RISK

Interest Rate Risk

At June 30, 2007, approximately 27% of our long-term debt, including fixed-rate debt on which we have entered into interest rate swap agreements, bears interest at variable rates. Accordingly, our earnings are affected by changes in interest rates. Assuming the current level of borrowings at variable rates and assuming a two percentage point change in the average interest rate under these borrowings, it is estimated that our interest expense for the six months ended June 30, 2007 would have changed by \$19.5 million and that our net income for the six months ended June 30, 2007 would have changed by \$11.5 million. In the event of an adverse change in interest rates, management may take actions to further mitigate its exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, this interest rate analysis assumes no such actions. Further, the analysis does not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

At June 30, 2007, we had interest rate swap agreements with a \$1.1 billion aggregate notional amount that effectively float interest at rates based upon LIBOR. These agreements expire from May 2009 to March 2012. The fair value of these agreements at June 30, 2007 was a liability of \$33.1 million.

Equity Price Risk

The carrying value of our available-for-sale and trading equity securities is affected by changes in their quoted market prices. It is estimated that a 20% change in the market prices of these securities would change their carrying value at June 30, 2007 by \$44.1 million and would change comprehensive income and net income by \$16.1 million and \$10.0 million, respectively. At June 30, 2007, we also held \$16.2 million of investments that do not have a quoted market price, but are subject to fluctuations in their value.

We maintain derivative instruments on certain of our trading equity securities to limit our exposure to and benefit from price fluctuations on those securities.

Foreign Currency

We have operations in countries throughout the world. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we have operations. To mitigate a portion of the exposure of international currency fluctuations, we maintain a natural hedge through borrowings in currencies other than the U.S. dollar. In addition, we have U.S. dollar Euro cross currency swaps which are also designated as a hedge of our net investment in foreign denominated assets. These hedge positions are reviewed monthly. Our foreign operations reported net income of \$22.3 million for the six months ended June 30, 2007. It is estimated that a 10% change in the value of the U.S. dollar to foreign currencies would change net income for the six months ended June 30, 2007 by \$2.2 million.

Our earnings are also affected by fluctuations in the value of the U.S. dollar as compared to foreign currencies as a result of our investments in various countries, all of which are accounted for under the equity method. It is estimated that the result of a 10% fluctuation in the value of the dollar relative to these foreign currencies at June 30, 2007 would change our equity in earnings of nonconsolidated affiliates by \$1.6 million and would change our net income by approximately \$0.9 million for the six months ended June 30, 2007.

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

Recent Accounting Pronouncements

Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115* (Statement 159), was issued in February 2007. Statement 159 permits

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entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Statement 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. Statement 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. Statement 159 does not eliminate disclosure requirements included in other accounting standards, including requirements for disclosures about fair value measurements included in Statements No. 157, *Fair Value Measurements*, and No. 107, *Disclosures about Fair Value of Financial Instruments*. Statement 159 is effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007. We expect to adopt Statement 159 on January 1, 2008 and do not anticipate adoption to materially impact our financial position or results of operations.

Inflation

Inflation has affected our performance in terms of higher costs for wages, salaries and equipment. Although the exact impact of inflation is indeterminable, we believe we have offset these higher costs in various manners.

Ratio of Earnings to Fixed Charges

The ratio of earnings to fixed charges is as follows:

Six Months Ended		Year Ended December 31,				
June 30,						
2007	2006	2006	2005	2004	2003	2002
2.21	2.08	2.22	2.20	2.69	3.49	2.38

The ratio of earnings to fixed charges was computed on a total enterprise basis. Earnings represent income from continuing operations before income taxes less equity in undistributed net income (loss) of unconsolidated affiliates plus fixed charges. Fixed charges represent interest, amortization of debt discount and expense, and the estimated interest portion of rental charges. We had no preferred stock outstanding for any period presented.

Risks Regarding Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Except for the historical information, this report contains various forward-looking statements which represent our expectations or beliefs concerning future events, including our future levels of cash flow from operations. Management believes that all statements that express expectations and projections with respect to future matters, including the success of our Merger Agreement and the planned sale of radio and television assets; our ability to negotiate contracts having more favorable terms; and the availability of capital resources; are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. We caution that these forward-looking statements involve a number of risks and uncertainties and are subject to many variables which could impact our financial performance. These statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and business performance. There can be no assurance, however, that management's expectations will necessarily come to pass. The Company does not intend to update any forward looking statements.

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

the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement;

the outcome of any legal proceedings that have been or may be instituted against us relating to the Merger Agreement;

our inability to complete the merger due to the failure to obtain shareholder approval or to satisfy any other conditions to completion of the merger;

the impact of the substantial indebtedness incurred to finance the consummation of the merger;

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

the impact of the geopolitical environment;

our ability to integrate the operations of recently acquired companies;

shifts in population and other demographics;

industry conditions, including competition;

fluctuations in operating costs;

technological changes and innovations;

changes in labor conditions;

fluctuations in exchange rates and currency values;

capital expenditure requirements;

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the outcome of pending and future litigation settlements;

legislative or regulatory requirements;

interest rates;

the effect of leverage on our financial position and earnings;

taxes;

access to capital markets; and

certain other factors set forth in our filings with the Securities and Exchange Commission.

This list of factors that may affect future performance and the accuracy of forward-looking statements are illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Required information is within Item 2 of this Part I.

ITEM 4. CONTROLS AND PROCEDURES

Our principal executive and financial officers have concluded, based on their evaluation as of the end of the period covered by this Form 10-Q, that our disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, are effective to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

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

Table of Contents**Part II OTHER INFORMATION****Item 1. Legal Proceedings**

On September 9, 2003, the Assistant United States Attorney for the Eastern District of Missouri caused a Subpoena to Testify before Grand Jury to be issued to us. The Subpoena requires us to produce certain information regarding commercial advertising run by us on behalf of offshore and / or online (Internet) gambling businesses, including sports bookmaking and casino-style gambling. On October 5, 2006, the Company received a subpoena from the Assistant United States Attorney for the Southern District of New York requiring it to produce certain information regarding substantially the same matters as covered in the subpoena from the Eastern District of Missouri. We are cooperating with such requirements.

On February 7, 2005, the Company received a subpoena from the State of New York Attorney General's office, requesting information on policies and practices regarding record promotion on radio stations in the state of New York. We are cooperating with this subpoena.

Merger related litigation

Eight putative class action lawsuits were filed in the District Court of Bexar County, Texas, in 2006 in connection with the merger. Of the eight, three have been voluntarily dismissed and five are still pending. The remaining putative class actions, *Teitelbaum v. Clear Channel Communications, Inc., et al.*, No. 2006CI17492 (filed November 14, 2006), *City of St. Clair Shores Police and Fire Retirement System v. Clear Channel Communications, Inc., et al.*, No. 2006CI17660 (filed November 16, 2006), *Levy Investments, Ltd. v. Clear Channel Communications, Inc., et al.*, No. 2006CI17669 (filed November 16, 2006), *DD Equity Partners LLC v. Clear Channel Communications, Inc., et al.*, No. 2006CI7914 (filed November 22, 2006), and *Pioneer Investments Kapitalanlagegesellschaft MBH v. L. Lowry Mays, et al.* (filed December 7, 2006), are consolidated into one proceeding and all raise substantially similar allegations on behalf of a purported class of our shareholders against the defendants for breaches of fiduciary duty in connection with the approval of the merger. Plaintiffs in these consolidated class actions have sought and withdrawn court dates for a hearing on a motion to temporarily enjoin the shareholder vote. No hearing is currently scheduled.

Three other lawsuits filed in connection with the merger are also still pending, *Rauch v. Clear Channel Communications, Inc., et al.*, Case No. 2006-CI17436 (filed November 14, 2006), *Pioneer Investments Kapitalanlagegesellschaft mbH v. Clear Channel Communications, Inc., et al.*, (filed January 30, 2007 in the United States District Court for the Western District of Texas) and *Alaska Laborers Employees Retirement Fund v. Clear Channel Communications, Inc., et al.*, Case No. SA-07-CA-0042 (filed January 11, 2007). These lawsuits raise substantially similar allegations to those found in the pleadings of the consolidated class actions, and the plaintiffs have previously asked the courts in which the cases are pending to schedule hearings on motions to temporarily enjoin the shareholder vote. Currently, no hearing dates are scheduled.

We continue to believe that the allegations contained in each of the pleadings in the above-referenced actions are without merit and we intend to contest the actions vigorously. We cannot assure you that we will successfully defend the allegations included in the complaints or that pending motions to enjoin the transactions contemplated by the merger agreement will not be granted. If we are unable to resolve the claims that are the basis for the lawsuits or to prevail in any related litigation we may be required to pay substantial monetary damages for which we may not be adequately insured, which could have a material adverse effect on our business, financial position and results of operations. Regardless of whether the merger is consummated or the outcome of the lawsuits, we may incur significant related expenses and costs that could have an adverse effect on our business and operations. Furthermore, the cases could involve a substantial diversion of the time of some members of management. Accordingly, we are unable to estimate the impact of any potential liabilities associated with the complaints.

We are currently involved in certain legal proceedings and, as required, have accrued our estimate of the probable costs for the resolution of these claims. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings.

Item 1A. Risk Factors

For information regarding risk factors, please refer to Item 1A in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. There have not been any material changes in the risk factors disclosed in this Annual Report on Form 10-K.

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

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

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchases.

On September 6, 2006, our Board of Directors authorized a share repurchase program, permitting us to repurchase \$1.0 billion of our common stock. This program expires on September 6, 2007, although the program may be discontinued or suspended at anytime prior to its expiration. During the three months ended June 30, 2007, we did not repurchase any shares through this program; however, we accepted shares in payment of income taxes due upon the vesting of restricted stock awards as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs
April 1 through April 30	1,438	\$ 35.90	-0-	\$ 1,000,000,000
May 1 through May 31	3,217	\$ 38.35	-0-	\$ 1,000,000,000
June 1 through June 30	145	\$ 37.52	-0-	\$ 1,000,000,000
Total	4,800		-0-	\$ 1,000,000,000

Item 4. Submission of Matters to a Vote of Security Holders

Our annual meeting of shareholders was held on May 22, 2007. L. Lowry Mays, Alan D. Feld, Perry J. Lewis, Mark P. Mays, Randall T. Mays, B. J. McCombs, Phyllis B. Riggins, Theodore H. Strauss, J. C. Watts, John H. Williams and John B. Zachry were elected as our directors, each to hold office until the next annual meeting of shareholders or until his or her successor has been elected and qualified, subject to earlier resignation and removal. The shareholders also approved the selection of Ernst & Young LLP as our independent auditors for the year ending December 31, 2007.

One of our shareholders submitted a proposal to be voted on by our shareholders which, if approved, would have asked that our Board of Director's Executive Compensation Committee establish a pay-for-superior-performance standard in our executive compensation plan for senior executives. One of our shareholders submitted a proposal to be voted on by our shareholders which, if approved, would have asked that we provide a report disclosing our policies and procedures for political contributions, the monetary and non-monetary amounts of these contributions, and the individuals or entities who received these contributions. One of our shareholders submitted a proposal to be voted on by our shareholders which asked that the board of directors adopt a policy that our shareholders be given the opportunity at each annual meeting of shareholders to vote on an advisory resolution, to be proposed by our management, to ratify the compensation of the named executive officers set forth in the proxy statement's Summary Compensation Table (the "SCT") and the accompanying narrative disclosure of material factors provided to under the SCT (but not the Compensation Discussion and Analysis). These shareholder proposals failed to receive the affirmative vote of the holders of a majority of shares represented in person or by proxy and entitled to vote on the proposals. One of our shareholders submitted a proposal to be voted on by our shareholders which asked that we amend our Compensation Committee Charter to specify different independence criteria for members of the Compensation Committee. This shareholder proposal received the affirmative vote of the holders of a majority of shares represented in person or by proxy and entitled to vote on these proposals.

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The results of voting at the annual meeting of the shareholders were as follows:

Proposal No. 1
(Election of Directors)

Nominee	For	Against	Abstain
L. Lowry Mays	340,336,493	69,226,050	3,622,285
Alan D. Feld	309,971,017	99,583,805	3,630,006
Perry J. Lewis	358,808,490	50,770,123	3,606,215
Mark P. Mays	339,726,936	69,914,323	3,543,569
Randall T. Mays	327,494,795	82,112,856	3,577,177
B.J. McCombs	309,971,844	99,175,161	4,037,823
Phyllis B. Riggins	358,871,176	50,709,808	3,603,844
Theodore H. Strauss	356,918,989	52,567,594	3,698,245
J.C. Watts	296,290,696	113,294,743	3,599,389
John H. Williams	356,657,384	52,835,987	3,691,457
John B. Zachry	358,857,384	50,732,359	3,595,085

Proposal No. 2
(Selection of Ernst & Young LLP as Independent Auditors for the year ending December 31, 2007)

For	Against	Abstain
406,290,254	3,469,681	3,424,893

Proposal No. 3
(Shareholder Proposal Pay for Superior Performance)

For	Against	Abstain	Broker Non-votes
123,754,478	166,835,182	9,718,463	112,876,705

Proposal No. 4
(Shareholder Proposal Corporate Political Contributions)

For	Against	Abstain	Broker Non-votes
101,298,674	118,060,563	80,148,887	113,676,704

Proposal No. 5
(Shareholder Proposal Compensation Committee Independence)

For	Against	Abstain	Broker Non-votes
154,472,751	142,143,244	3,692,131	112,876,702

Proposal No. 6
(Shareholder Proposal Executive Compensation)

For	Against	Abstain	Broker Non-votes

125,320,935

125,206,027

49,781,164

112,876,702

Item 6. Exhibits

See the Index to Exhibits, which is incorporated into and made a part of this Quarterly Report on Form 10-Q.

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Signatures

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

CLEAR CHANNEL
COMMUNICATIONS, INC.

August 9, 2007

/s/ Randall T. Mays

Randall T. Mays
President and
Chief Financial Officer

August 9, 2007

/s/ Herbert W. Hill, Jr.

Herbert W. Hill, Jr.
Senior Vice President and
Chief Accounting Officer

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INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Agreement and Plan of Merger among BT Triple Crown Merger Co., Inc., B Triple Crown Finco, LLC, T Triple Crown Finco, LLC and Clear Channel Communications, Inc., dated as of November 16, 2006 (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated November 16, 2006).
2.2	Amendment No. 1, dated April 18, 2007, to the Agreement and Plan of Merger, dated as of November 16, 2006, by and among BT Triple Crown Merger Co., Inc., B Triple Crown Finco, LLC, T Triple Crown Finco, LLC and Clear Channel Communications, Inc. (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated April 18, 2007).
2.3	Amendment No. 2, dated May 17, 2007, to the Agreement and Plan of Merger, dated as of November 16, 2006, by and among BT Triple Crown Merger Co., Inc., B Triple Crown Finco, LLC, T Triple Crown Finco, LLC, BT Triple Crown Holdings III, Inc. and Clear Channel Communications, Inc., as amended (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated May 18, 2007).
2.4	Asset Purchase Agreement dated April 20, 2007, between Clear Channel Broadcasting, Inc., ABO Broadcasting Operations, LLC, Ackerley Broadcasting Fresno, LLC, AK Mobile Television, Inc., Bel Meade Broadcasting, Inc., Capstar Radio Operating Company, Capstar TX Limited Partnership, CCB Texas Licenses, L.P., Central NY News, Inc., Citicasters Co., Clear Channel Broadcasting Licenses, Inc., Clear Channel Investments, Inc. and TV Acquisition LLC (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated April 26, 2007).
3.1	Current Articles of Incorporation of the Company (incorporated by reference to the exhibits of the Company's Registration Statement on Form S-3 (Reg. No. 333-33371) dated September 9, 1997).
3.2	Current Bylaws of the Company (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q dated May 9, 2007).
3.3	Amendment to the Company's Articles of Incorporation (incorporated by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).
3.4	Second Amendment to Clear Channel's Articles of Incorporation (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999).
3.5	Third Amendment to Clear Channel's Articles of Incorporation (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended May 31, 2000).
4.1	Agreement Concerning Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays, B.J. McCombs, John M. Schaefer and John W. Barger, dated August 3, 1998 (incorporated by reference to the exhibits to Clear Channel's Schedule 13-D/A, dated October 10, 2002).
4.2	Waiver and Second Agreement Concerning Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays and B.J. McCombs, dated August 17, 1998 (incorporated by

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reference to the exhibits to Clear Channel's Schedule 13-D/A, dated October 10, 2002).

- 4.3 Waiver and Third Agreement Concerning Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays and B.J. McCombs, dated July 26, 2002 (incorporated by reference to the exhibits to Clear Channel's Schedule 13-D/A, dated October 10, 2002).
- 4.4 Waiver and Fourth Agreement Concerning Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays and B.J. McCombs, dated September 27, 2002 (incorporated by reference to the exhibits to Clear Channel's Schedule 13-D/A, dated October 10, 2002).

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Exhibit Number	Description
4.5	Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays, B. J. McCombs, John M. Schaefer and John W. Barger, dated May 31, 1977 (incorporated by reference to the exhibits of the Company's Registration Statement on Form S-1 (Reg. No. 33-289161) dated April 19, 1984).
4.6	Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York as Trustee (incorporated by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
4.7	Second Supplemental Indenture dated June 16, 1998 to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and the Bank of New York, as Trustee (incorporated by reference to the exhibits to the Company's Current Report on Form 8-K dated August 27, 1998).
4.8	Third Supplemental Indenture dated June 16, 1998 to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and the Bank of New York, as Trustee (incorporated by reference to the exhibits to the Company's Current Report on Form 8-K dated August 27, 1998).
4.9	Ninth Supplemental Indenture dated September 12, 2000, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
4.10	Eleventh Supplemental Indenture dated January 9, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York as Trustee (incorporated by reference to the exhibits to Clear Channel's Annual Report on Form 10-K for the year ended December 31, 2002).
4.11	Twelfth Supplemental Indenture dated March 17, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated March 18, 2003).
4.12	Thirteenth Supplemental Indenture dated May 1, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated May 2, 2003).
4.13	Fourteenth Supplemental Indenture dated May 21, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated May 22, 2003).
4.14	Sixteenth Supplemental Indenture dated December 9, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated December 10, 2003).

- 4.15 Seventeenth Supplemental Indenture dated September 15, 2004, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated September 15, 2004).
- 4.16 Eighteenth Supplemental Indenture dated November 22, 2004, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated November 17, 2004).

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Exhibit Number	Description
4.17	Nineteenth Supplemental Indenture dated December 13, 2004, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated December 13, 2004).
4.18	Twentieth Supplemental Indenture dated March 21, 2006, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated March 21, 2006).
4.19	Twenty-first Supplemental Indenture dated August 15, 2006, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated August 16, 2006).
10.1	Amended and Restated Employment Agreement, dated April 24, 2007, by and between L. Lowry Mays and Clear Channel Communications, Inc. (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated April 30, 2007).
10.2	Amended and Restated Employment Agreement, dated April 24, 2007, by and between Mark P. Mays and Clear Channel Communications, Inc. (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated April 30, 2007).
10.3	Amended and Restated Employment Agreement, dated April 24, 2007, by and between Randall T. Mays and Clear Channel Communications, Inc. (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated April 30, 2007).
11	Statement re: Computation of Per Share Earnings.
12	Statement re: Computation of Ratios.
31.1	Certification of Chief Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.